



Building on our Strengths

Annual Report 2014







Our Purpose

With our roots in Australia's food bowl we are trusted to transform nature's goodness into healthy, enjoyable and nutritious foods that meet the needs of discerning consumers around the world.

Our Strategic Goals

- Maximise grower returns over the long term by optimising market, channel and varietal mix
- Grow shareholder value and increase resilience of earnings by pursuing diversified and stable growth.

Our Strategic Priorities

- Establish a secure and sustainable supply base
- Expand sales of premium products and specialty rice varieties
- Differentiate and build value in our consumer markets
- Build presence in high growth consumer markets
- Diversify earnings by accelerating growth of complementary businesses
- Continue to pursue operational excellence through efficiency and innovation.

FEEL BRAND NEW



Introducing an exciting range of health & wellbeing rices.
Discover more at sunrice.com.au

Hundreds of grains. Millions of possibilities.



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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', '2013/14', 'crop year 2013', 'CY13' all refer to the Financial Year ended 30 April 2014. The '2014 harvest' refers to the rice crop grown in 2013/14 and processed in the Financial Year ended 30 April 2015.

About SunRice

SunRice was built by the Australian rice industry over many decades, and today is 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, SunRice is a vertically integrated business, operating across the entire value chain, including state-of-the-art processing, packing and value adding food plants, as well as an animal feeds division, a dedicated rice research company and a sophisticated local grain storage network.

SunRice has established itself as a global food business and is one of Australia's leading branded food exporters. With revenue in excess of \$1 billion, exports of more than \$440 million and sales, marketing and operations spanning the globe, we supply domestic markets and approximately 60 countries with diverse and nutritious food products, from table rice, flour and snacks, to rice meals and companion animal and livestock products.

Innovation is the key to our success and our brands are internationally recognised for their superior taste quality. We boast a broad portfolio of subsidiary businesses including Riviana Foods, Trukai Industries, Solrice and SunFoods. Through our successful food ingredients and foodservice divisions, we also contribute to many other globally recognised brands and businesses around the world.

Committed to making a difference

SunRice is a dynamic organisation with more than 2,100 employees. Whether it be our unrelenting focus on innovation and quality, or an ongoing commitment to our people, communities, shareholders, customers and the environment, we pride ourselves on making a difference.

As a major contributor to and supporter of Australia's rice industry, including more than 1,500 growers, we are proud of our standing as a world leader in terms of productivity, sustainability and water efficiency.



Business Highlights

Whilst SunRice successfully achieved revenue growth of 7.7% in 2013/14, financial performance was adversely impacted by challenging trading and operating conditions.

Revenue of \$1.15 billion

up 7.7% on last year, reflecting growth in our value added product ranges and continuing growth by CopRice and our Global Rice Milling and Marketing businesses

Net profit after tax of \$33.5 million

down 6.4% on last year

Net profit before tax of \$54.0 million

down 5.8% on last year

A fully franked dividend of 23.0 cents per B Class share

equalling the record amount for the Group set last year

Paddy Pool price of \$293.61 per tonne for medium grain (Reiziq)

down 7.5% on last year's pool performance, impacted by lower milling yields

Return on Funds Employed (ROFE)* of 14.1%

up 0.5% on last year

\$32 million in capital investment

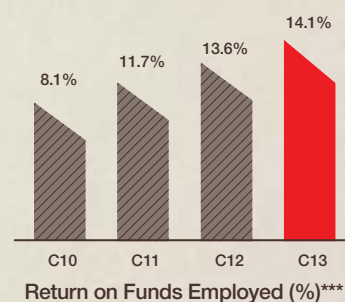
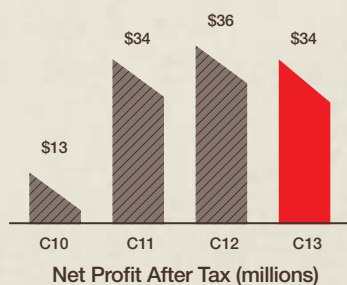
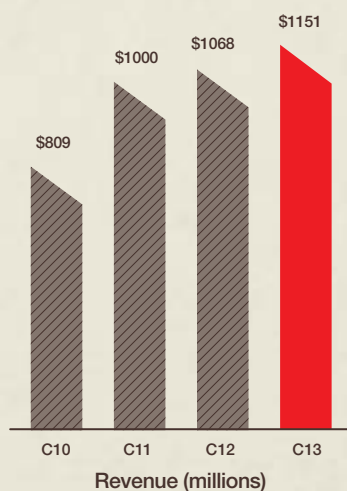
to drive productivity and efficiency improvements and provide greater ability to process and add value to our Australian crop

50% reduction in the Lost Time Injury Frequency rate (LTIFR)** to 2.7

as we remained firmly committed to achieving the Group wide safety vision of 'Zero Harm'

Improved domestic market share

through continued focus on product innovation, speed to market and brand investment



* ROFE measured as the ratio of Profit Before Income Tax and Interest to Net Assets excluding Cash and Borrowings.

** LTIFR is an industry recognised measure denoting the number of lost time injuries sustained per million hours worked.

*** Excludes paddy retention of \$16m (\$20/t) for the year ended April 2012.

This year we have focused on health and wellbeing products, resulting in exceptional performance across our many markets. We are leading the way in healthier and more exotic tastes.

The Journey of Rice

Rice has fed more people over a longer period of time than any other grain. As far back as 2,500 BC, rice has been documented in the history books as a source of food and for its role in tradition.





Chairman's Message

We are well positioned for the future and, with the drought behind us, have turned our attention to increasing rice production in the Riverina. We are optimistic about the future and want rice to be the “first choice” summer crop in our region.



Gerry Lawson AM
Chairman

2013/14 was a year in which we built on our strengths and enhanced our program of reinvestment in our people, operations, brands and products.

It is rewarding to see how quickly we have rebuilt both SunRice's global market share and our balance sheet in a relatively short space of time, despite significant internal and external challenges. All have had a part to play; our growers have supported us with their fourth consecutive large harvest; our shareholders have supported us through their investment in this great company; and our employees have supported us by driving innovation and operational efficiencies, as well as creating new markets for Australian rice.

We are well positioned for the future and, with the drought behind us, have turned our attention to increasing rice production in the Riverina. We are optimistic about the future and want rice to be the “first choice” summer crop in our region.

Delivering on paddy price and dividend payments

Growers responded positively to our call for a larger crop in 2012/13, with 1.16 million tonnes of paddy available for sale during the year via our Australian Rice Milling and Marketing business.

Despite strong volumes and good sales, related paddy returns were impacted by unusually low milling yields relating to conditions present during the C13 harvest period. These issues were partly offset by improvements in global rice prices for medium grain in the second half, which allowed us to deliver a series of top up and early payments to boost cash flow for growers at challenging times during the season.

Pleasingly we were able to deliver a final full year paddy price for C13 of \$293.61 per tonne for medium grain (Reiziq) and \$403.61 per tonne for Koshihikari. This represents more than \$340 million in payments made to our growers over the course of the crop year.

While SunRice's profit result was only slightly reduced on previous years, our overall result benefited from growth in sales volumes and revenues in a number of segments, including our global subsidiaries. Accordingly, we were pleased to announce a fully franked dividend of 23.0 cents per share to our B Class shareholders – in line with last year's return, which was the highest in our company's history.

These are excellent results given the circumstances and demonstrates the value of having a strong Australian Milling and Marketing arm underpinning paddy prices; and a diversified portfolio of subsidiaries underpinning dividend payments.

C14 harvest and outlook

Planning for the 2013/14 rice planting focused significantly on the increase in market demand for short grain and fragrant long grain production.

Challenges with and competition for water availability and high water market prices, resulted in the 2013/14 rice planting of 79,228 hectares being smaller than the previous year.

Pleasingly, despite lower plantings our pricing of specialty varieties resulted in their good production, with targets met in most regions. It remains incredibly important that our growers consider the marketability of varieties when choosing their crop mix and we will continue to align varietal pricing and demand.

At the time of writing, some 820,000 tonnes of paddy had been delivered during the 2013/14 harvest, at a very high average yield of 10.4 tonnes per hectare (all regions/all varieties). Significantly, the medium grain average yield was at 11.2 tonnes per hectare, with initial milling yields indicating a return to a more normal range.

This is a wonderful result and, when combined with the higher paddy price outlook for C14, boosted confidence across our growing communities.

Capital Structure Review update

The Board continued its work on a potential structure that provides access to capital to invest in SunRice's growth, while preserving the rights of our A Class shareholders and enhancing the value and liquidity of B Class Shares. It is important to acknowledge that the task we set ourselves has been more difficult than imagined – given the constraints of achieving control in a commercial environment. However, we resolutely stand by our position on grower control and will not put a structure to shareholders that does not provide this outcome.

We encourage people to engage with us in the Capital Structure Review process and share their ideas, opinions, questions and concerns as we progress. Those of you who are shareholders will ultimately decide the future of our business and the legacy we leave the Australian rice industry and the many stakeholders who rely upon it.

Building on our regional strengths

Our commitment to SunRice's rural base was demonstrated this year by a significant investment in Leeton's Specialty Rice Foods Group. This will enable production of SunRice's value added steamed rice products to return to the Riverina from Thailand, and underpin the creation of new roles in Leeton.

This was one of several capital projects implemented during the year as part of the operational reinvestment program launched in 2012/13 to drive efficiency and innovation. This commitment builds on our core strengths and sets us apart from the many other Australian manufacturers that are downscaling or offshoring production at a time when we are investing in our regional operations and communities.

Sincere appreciation

I would like to extend my sincere appreciation to current Deputy Chairman Noel Graham, previous Deputy Chairman Mark Robertson, and my fellow Board members for their

dedication and support in 2013/14.

Our Directors repeatedly put the industry's interests ahead of their own and we are fortunate to have such commitment in our Board.

Thanks also to CEO Rob Gordon for his significant contribution and his many achievements over the past 12 months and to our Corporate Management Team, which navigated challenging circumstances this year to achieve excellent results.

I would like to acknowledge the Rice Marketing Board for the State of NSW and Chair Robyn Clubb.

Our rice growers continued to be strongly represented by the combined efforts of Les Gordon, President; Ruth Wade, Executive Director; and the Central Executive of the Ricegrowers' Association of Australia Inc.

We thank all for their partnership.

My sincere thanks also to NSW Minister for Primary Industries, the Hon. Katrina Hodgkinson MP; NSW Member for Murrumbidgee and Minister for Education, the Hon. Adrian Piccoli MP; NSW Minister for Roads and Freight, the Hon. Duncan Gay MLC; VIC Minister for Public Transport and Roads, the Hon. Terry Mulder MP; Australian Minister for Agriculture, the Hon. Barnaby Joyce MP; NSW Member for Murray-Darling, John Williams MP; Federal Member for Farrar, the Hon. Susan Ley MP; and Federal Member for Riverina, the Hon. Michael McCormack MP. Australian Prime Minister, the Hon. Tony Abbott MP; Australian Minister for Trade and Investment, the Hon. Andrew Robb AO MP and Australian Minister for Foreign Affairs, the Hon. Julie Bishop MP also supported SunRice in 2013/14 and we look forward to their continued partnership.

We of course have fantastic growers and shareholders and I look forward to working with you all in 2014/15 as we continue to build on SunRice's position in regional and rural Australia, as well as the many dynamic global markets we operate in.

On a final note

Finally, I wish to make note of the fact that we are well aware of the competition for resources; not just in our region, but across states and territories, countries and continents.

While most acknowledge that Australia alone cannot feed Asia, we are all clear that as food producers we have an important role to play in many countries, including our own. SunRice's challenge for the year ahead is to build on our heritage, our relationships and our business model to retain and attract new growers and partners; to increase rice production; and to ensure that there are world markets out there that want to buy our premium products. This will mean expanding SunRice's offering and developing new tools, incentives, products and services to support profitable farm businesses that choose to allocate their resources to growing rice above other crops.

Someone recently said to me that "we don't just want our fair share of resources, we want an unfair share." As an industry and company engaged in growing food, growing regional jobs and growing strong rural communities, I consider this to be a fair stake to place in the ground for 2014/15. I hope you agree.



Gerry Lawson AM
Chairman

CEO's Message

SunRice is now on a very solid footing and is well positioned to take advantage of accelerated growth opportunities over the next three years, as identified in the strategic review completed by the Group in 2012/13.



Rob Gordon
CEO

In the three years following nearly a decade of drought, not only has SunRice successfully re-established itself in key global and domestic markets, we have also grown sales of value added, branded product to over 700,000 tonnes annually; and committed to \$54 million in capital investment to replenish core milling and manufacturing infrastructure, including repatriating offshore manufacturing.

At the same time as achieving these significant milestones, we have delivered more than \$850 million in payments to growers; achieved a new level of profitability with three successive years of Net Profit After Tax of more than \$30 million; halved our gearing ratio; and dramatically improved the safety performance of our business.

As a result, SunRice is now on a very solid footing and is well positioned to take advantage of accelerated growth opportunities over the next three years, as identified in the strategic review completed by the Group in 2012/13.

2013/14 financial results

In 2013/14, consolidated revenue of \$1.151 billion was up 7.7% on the \$1.068 billion recorded in 2012/13. Net Profit After Tax for the full year was \$33.5 million, declining 6.4% compared to the \$35.8 million recorded the previous year.

These results were achieved despite a number of significant challenges faced by the Group during the year. Our profit businesses, Riviana and Trukai, were affected by adverse movements in foreign exchange, which had an overall negative impact to the business of more than \$20 million. In our Australian Rice Milling and Marketing business, lower whole grain yields also negatively impacted the business in excess of \$20 million.

Pleasingly, as a Group operating in a complex international trading environment, our strategy to build sales of branded, value-added products at the expense of lower value tender markets delivered significant year-on-

year sales volume growth across our consumer markets, contributing positively to the business.

Our focus on gearing levels continued with the Group finishing at 44% in 2013/14. This was positively impacted by the late C14 harvest. On account of the large C13 crop and higher inventory retention, average gearing levels increased from 43% in 2012/13 to 52% this year.

Re-investment for growth

In 2012/13 we embarked on a substantial capital reinvestment program aimed at delivering productivity and efficiency improvements and reducing costs. That program has continued this past year with further expenditure investments totalling \$32 million, including upgrades to core rice milling equipment, new Rice Cake lines and an \$8.5 million project to build a new steaming and retort facility in Leeton. Capacity was also increased for CopRice through new extrusion equipment.

These projects will deliver important improvements in output whilst also providing greater ability to process and add value to our Australian crop. Importantly, they also provide valuable new opportunities for employment and wealth creation in the regions in which we operate.

Building our global presence

In 2013/14, we continued to grow sales of value added, branded product as our international consumer businesses increased their global market presence to provide additional opportunities for our growers to benefit from supply to overseas premium markets.

In the Middle East, this was highlighted by increased sales and the development of valuable new distribution arrangements, which allowed us to strengthen the distribution network behind our Sunwhite product range.

Our strong performance in Asia included tapping into the growing demand for sushi as we continued to expand throughout Thailand, Singapore,

Hong Kong and Malaysia; despite a highly price competitive market.

In the Pacific, despite ongoing competition from the U.S. and Vietnam, our business continued to achieve both value and volume growth as SunRice leveraged its strong distributor relationships in the region.

Our international commodities business achieved growth in profits from lower volumes as the Group focused its resources on sales of branded, value-added product.

Building value in our domestic markets

In 2013/14, SunRice continued to grow its domestic market share and attract new customers through ongoing product innovation, increased speed to market and significant brand investment.

The launch of exciting new products and improvements to existing products through re-packaging and re-engineering ensured the business continued to meet the changing demands of consumers. Supporting this activity was an increase in brand investment, including a successful advertising campaign which helped to ensure our products were well received by both trade customers and consumers.

Examples of product innovation over the past year included the conversion to new upright, resealable packs across our table rice range, as well as the launch of two new premium tiers, Health & Wellbeing and Gourmet; and meeting the increasing demand for healthy snacks with the launch of two new wholegrain products, Mini Bites and Square Cakes.

A notable increase in demand for sushi, both domestically and across the globe, helped to build SunRice's presence in the local foodservice market.

Building a platform for success across our subsidiaries and complementary businesses

Despite the challenges noted earlier, our subsidiaries and complementary businesses continued to build for future growth and success, while also driving positive performance across specific segments and markets.

CopRice maintained its impressive growth pattern, underpinned by increases in specialty sales volumes in Australia and New Zealand and improvements in bulk sales. Looking ahead, our capital investments in CopRice will help to underpin further growth initiatives across the business.

As I outlined earlier, 2013/14 has been a challenging year for Riviana, with the increase in import costs as a result of the rapid decline in the Australian dollar impacting the earnings performance of the business. Riviana responded by securing double digit growth in its Foodservice business and achieving record market share in its core Pickled Vegetable category in the Retail business. A focus on operating margins, simplifying its logistics and the supply chain will be key priorities in 2014/15.

SunFoods, after supporting the Group during the period of Australian drought, is continuing to establish an independent position in the U.S. market. While 2013/14 saw a substantial loss, compounded by difficult trading conditions in U.S. tender markets, long term growth initiatives are starting to deliver positive results, with the Hinode brand delivering year-on-year volume growth in the U.S. Mainland.

2013/14 marked another successful year for Trukai Industries, with the business achieving volume growth despite competitive pricing pressures. A weakening Kina weighed heavily on the business; however, this was largely overcome through comprehensive efficiency initiatives. Trukai continued to strengthen its leading position in Papua New Guinea through its ongoing support of the development of the country's agriculture industry and its extensive corporate responsibility program.

2014/15 outlook

With such a strong platform in place, SunRice is well positioned for accelerated growth. In 2014/15, we will continue to deliver on our strategy of focusing on branded, value-added products across premium, high-growth markets to

maximise grower returns and provide further resilience and stability in earnings.

We expect the year ahead to provide opportunities for higher paddy returns but adverse foreign exchange movements, especially in Papua New Guinea, will present further challenges to the profit businesses.

Importantly, we need to ensure we can service the growth in consumer demand, which has driven an increase in the amount of Australian rice we require, with ideal volumes now closer to 950,000 tonnes annually, compared to 800,000 tonnes historically.

While the company continued to make good progress on lead safety indicators and significantly reduced its Lost Time Injury Frequency rate across the Group by 50% in the past year, we remain firmly committed to working even harder to achieve our safety vision of 'Zero Harm'.

The year ahead will also see us continue our work to identify a capital structure and develop a model for the future that underpins our company's continued success and provides the potential for additional growth opportunities in line with our strategy.

Thank you

I would like to thank Chairman, Mr. Gerry Lawson and the SunRice Board for their ongoing support throughout 2013/14. I would also like to acknowledge the valuable contribution of the Corporate Management Team and our employees.

Over the past year, we continued to move at a great pace across the business and despite a number of challenges, we remain well positioned for continued growth and success.

I look forward to working together with our people in 2014/15 as we continue to build on our strengths as a leading global food group.



Rob Gordon
CEO

“We see opportunities in building our presence in high growth, consumer markets and in premiumisation across commodity markets.”

Rob Gordon
CEO

We have transformed our core rice range by introducing upright resealable packs to enhance the consumer and shopper experience, and tapped into the latest consumer trends by launching premium Health & Wellbeing and Gourmet product ranges.



World Class Rice

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 across Australia, the USA, the Middle East and Papua New Guinea and manufacture around 700 products.



JASMINE RICE



Trials are currently taking place at Rice Research Australia Pty Ltd (our wholly owned research company) into a new fragrant varietal, YRF209 as part of the SunRice Pure Seed Program. YRF209 has performed well during market testing and may be ready for release towards the end of this year following final quality and market assessment.

MEDIUM GRAIN



BROWN RICE




We continue to respond to changing consumer trends and market demand. For example, following a notable increase in demand for sushi worldwide, SunRice introduced new pack formats for SunRice Japanese Style Sushi Rice geared towards the foodservice market.

SUSHI RICE



SunRice Around the World

We built on our strengths in product development, market insights and harnessing consumer trends throughout 2013/14 to launch new products and extend our market position, resulting in significant year-on-year profit growth and volume increases across our consumer markets.



Impressive sales growth in the Middle East

Our Pacific business continued to grow in both volume and value

Consumer led innovation drove new product development in Australia

Building on our strengths in Australia and New Zealand

Table Rice

2013/14 marked the most dynamic year for SunRice in the Table Rice category for more than a decade. The conversion to new upright, resealable packs at the start of the year was well received by retailers and customers, and was complemented by the launch of two new premium tiers, Health & Wellbeing and Gourmet. These innovations, underpinned by consumer research and trends, attracted new consumers to the rice category.

A notable increase in demand for sushi, both domestically and across the globe, helped to build SunRice's presence in the local foodservice market in 2013/14. SunRice Jasmine rice also achieved impressive growth in this market, demonstrating its long term potential.

Microwave Rice

SunRice continued to drive growth in the Microwave Rice category in 2013/14, attracting new consumers. This included the launch of Brown Rice & Quinoa, Brown Rice & Chia, Organic Brown and Low GI White Microwave Rice variants; a first for this category and one which delivered significant sales volume growth.

Rice Cakes and Snacking

A major capital investment in the Leeton Rice Cakes Plant in 2013/14 enabled SunRice to further tap into the increasing demand for healthy snacks with the launch of two new consumer led wholegrain products, Mini Bites and Square Cakes.

Produced end-to-end in the Riverina, SunRice Mini Bites was launched nationally into Woolworths, independent stores and school canteens. Available in three flavours, plans are underway to broaden distribution and expand the range in 2014/15.

An expanded range of Rice and Grains Square Cakes featuring four variants (Quinoa, Linseed, Wild Rice, and Seeds) was also launched in 2013/14 in response to consumers' increasing desire to incorporate healthy grains into their diet.

Ready-To-Go Meals

The Ready-To-Go Meals range was revamped in the second half of 2013/14. Packaging was redesigned to look more natural and appealing on shelf, and improvements were made to increase the functionality and convenience of the meal preparation process via a new microwave pack. Protein and sauces were also revised to improve the consumer taste experience.



Marketing campaign reached millions

SunRice's 'Hundreds of Grains, Millions of Possibilities' campaign launched early in 2013 continued to drive good momentum throughout 2013/14, increasing brand awareness and market presence for the SunRice brand. The campaign has reached millions of consumers across mainstream television, including Channel Seven's The Morning Show, lifestyle programs such as Better Homes and Gardens and specialist food print and digital media.

SunRice's new website also launched during the year, with positive engagement from consumers. The new website uses powerful imagery and storytelling to convey SunRice's brand messaging.

Reaching new markets in the Middle East

2013/14 was a year of change and development for the SunRice business in the Middle East, with the business achieving impressive year-on-year sales growth.

Instrumental to this growth has been the development of new distribution arrangements, which allowed us to strengthen the distribution network behind our Sunwhite product range.

We also initiated major consumer research projects to better understand consumer purchasing habits towards rice. This work will underpin our marketing, media and new product development initiatives in the year ahead, allowing us to build on our strengths and drive further growth in this region.

Driving sales in Asia

Our Asia business continued its growth trend in 2013/14 despite a highly price competitive long grain market. We expanded SunRice's branded position in key Asian markets recording improved volumes and returns. Significant investment was made in consumer research in Hong Kong and Singapore, which will inform the implementation of our Pan Asia brand strategy in 2014/15 and will provide a platform for growth over the next three years.

In light of a better than average 2013 Japanese rice harvest, demand and prices for foreign rice were restrained through the Japanese Ministry of Agriculture, Forestry and Fisheries' Simultaneous-Buy-Sell (SBS) tenders. Despite this, we were successful in expanding our share of SBS imports. Significantly, we also secured a Korean global tender for short grain brown rice; our first sale of short grain to this market.

Sales of Australian short grain to Japan during 2013/14 helped to unlock other markets, with sales of Sherpa and Opus to the United Kingdom, Russia and Thailand.

Growth in the Pacific

Our Pacific business continued to grow in both volume and value in 2013/14, as SunRice leveraged its strong distributor relationships in the region.

Despite ongoing international competition, SunRice's business in all key markets continued to perform strongly with positive market share growth. A packaging upgrade to the successful 'Island Sun' brand assisted in delivering this year's results.

Sales of our Solrais brand of Australian medium grain rice continued to expand in 2013/14, despite the impact of heavy rains which caused flash flooding in the Solomon Islands' capital Honiara late in the year. In response to the disaster, the Solomons Rice Company donated 22 tonnes of Solrais rice for distribution to flood victims.

Our Operations

SunRice is leading the way in agricultural value added processing. In 2013/14 we invested \$32 million in capital upgrades to drive further efficiencies and prepare for growth. We are in a strong position at a time when many Australian manufacturers are not.

**SunRice Engineering Team:
Scott Brindley, Johannes Kulle
and Mitchell Marks examining
new infrastructure at Leeton Mill**

SunRice is a vertically integrated business, operating across the entire value chain, from the paddock to the plate. Our operations include state-of-the-art processing, packing and value adding food plants and a sophisticated local grain storage network and dedicated shipping.







We have invested \$32 million in new projects aimed at replenishing core milling equipment and expanding value added processing capacity in key areas.

In 2013/14 we built on the strengths of our manufacturing and supply chain operations, which included a considerable capital works program across our sites in regional Australia.

Approximately \$32 million has been invested in capital upgrades over the past year to deliver improved productivity and efficiency outcomes; meet the demands of a changing market; and create new opportunities for employment and wealth creation in our regional centres.

This investment paid immediate dividends in 2013/14, with the innovation across our operations helping the company to successfully manage the significant challenges with the C13 crop. At the same time, our investment in new process technologies gives us more ability to process and value add our Australian rice crop and to respond with greater speed in a dynamic marketplace.

Investing in manufacturing

Significant investments were made in SunRice infrastructure over the past year through a comprehensive capital works program.

This has included modifications to colour sorting machines; upgrades to plant sifters at Leeton and Deniliquin Mills;

the initialisation of new indent cylinders; and the refurbishment of the whiteners at Deniliquin Mill.

This investment, along with major process improvement works, allowed us to more effectively and efficiently mill through a lower than expected yielding crop with a large amount of broken grains generated. By increasing throughput rates and maximising available yields, the business was able to achieve required production volumes and meet the quality levels expected by customers.

In 2013/14, \$8.5 million was also allocated to build a new steaming and retort facility at Leeton. When completed, the project will allow us to produce an even higher quality product using Australian grown rice, and create additional full time employment positions in the Riverina. The commissioning of new Rice Cake lines in Leeton has aided new product development and allowed us to take new products to the market with speed. New product lines that have been recently launched as a result of the Rice Cakes line include Square Cakes and Mini Bites.

SunRice is continuing the journey to excellence in manufacturing with the next stage of the 'Lean' program to be rolled out in 2014/15. The program,

Above Australian grown rice was exported to approximately 60 overseas markets.
Right Leeton Mill team leader Jason Lee.
Far Right Packing Plant at Leeton Mill.



which has been designed to support SunRice's operators in the adoption of a continuous improvement approach, has already made significant improvements in throughput rates, good manufacturing process (GMP) and staff engagement. These improvements were reflected in the results of an American Institute of Baking Audit (AIB) and numerous quality and safety audits.

Improving the supply chain

In 2013/14 we invested in the expansion of our existing storage facilities through the Deniliquin container park project operation. In addition to achieving considerable supply chain efficiency advances, the project has improved site safety in the movements of containers and forklift traffic at the site.

SunRice also partnered with the Victorian Government to reopen the Toolamba-Echuca rail line. This will help us to service the needs of our customers more effectively, ensuring SunRice product reaches its many export destinations quicker by overcoming the delays previously experienced when transporting product to the Port of Melbourne from the Deniliquin site via the Bendigo passenger line network.

Achieving excellence in safety

The Group continued to invest in safety across its operations, with an unrelenting commitment to achieving our company wide goal of 'Zero Harm.'

We achieved a 50% reduction in Lost Time Injury Frequency rates over the past year as a result of preventative and predictive safety measures. Key safety programs executed through the year have focused on risk assessments, behaviour based safety inspections and regulatory training.

Delivering superior quality to our customers

To successfully manage the lower than expected yields for the C13 crop, SunRice implemented engineering and processing changes to maximise plant efficiencies. The team deployed an innovative daily testing and analysis program to ensure equipment operated at optimum efficiency and stringent product specifications were being met.

Our commitment to quality was reflected by our results in quality and safety audits. For the second consecutive year, Trukai, APC, SunFoods, Specialty Rice Foods Group and Leeton Mill achieved a record AIB Third Party Audit score.

Our Growers

We continued to build on the strengths of our growers as world leaders in farming efficiency in 2013/14. We are optimistic about the future and are working to make rice the first choice crop for our growers.

**Coleambally rice grower David Brain
with SunRice General Manager
Grower Services Mike Hedditch**

Australian rice growers are the most water efficient in the world, using 50% less water than the global average.







With ideal annual production now closer to 950,000 tonnes we will look to our growers to build on their reputation as world leaders in farming efficiency to meet increasing market demands.

Planning for the 2013/14 rice planting placed a major focus on the increase in market demand for short grain and fragrant long grain production and the best management practices required to avoid a repeat of the significant grain cracking that occurred in the 2012/13 crop.

Grower Services conducted six well attended pre-season meetings with growers to outline the rapidly expanding domestic and international demand for sushi rice and our unique long grain rices.

Growers are well connected to market demand

SunRice has been a market driven business since its formation over 60 years ago and its past and future success flows from growers' preparedness to react quickly to the preferences of rice consumers. This was demonstrated in C14 when we asked growers to lift production of our sushi varieties Koshihikari and Opus. The increased demand for these varieties results from the "Sushi Revolution", driven by consumers' demand for more exciting and healthy food options. High quality and sustainably grown Australian short grain rice is highly sought and growers successfully responded by significantly lifting production of these two varieties.

We expect this demand to continue with even higher quantities required for the 2014/15 crop.

Growers were also advised of the increased market demand for our soft cooking long grain variety Langi and our unique Jasmine fragrant variety Kyeema. Again, it was Australia's reputation for producing high quality, clean and green rice food that drove this increase in demand which required more than 125,000 tonnes of Langi and Kyeema to be produced in 2013/14.

Despite a smaller planting, growers responded positively to market demand

Water availability at planting time in the Murrumbidgee Valley was only 43%, with 100% available in the Murray Valley. This, combined with high prices for alternative summer crops and high water market prices, resulted in the 2013/14 rice planting being smaller than the previous year.

Despite these challenges, growers responded positively to the call for more short and long grain production and with the assistance of favourable weather in the first few months of 2014 and strong yields, the target production of short grain was achieved. In the water restrained Murrumbidgee Valley region, the long grain target was almost achieved.

Above Rice growers Alicia and Craig Perkins with their children Riley and Charlie.
Right Grower Chris Gardiner.
Far Right Grower Ian Payne with son George.



A focus on best management practice

Unseasonably high temperatures during the 2012/13 crop grain maturity period were a major factor that contributed to elevated levels of stress cracks in paddy.

While 2013/14 grain maturity temperatures were above average, they were not as extreme as the previous year and grower adoption of best management practices helped produce lower levels of stress cracks in paddy.

Rice Breeding Program addresses environmental and global market challenges

The increasing market demand for short and long grain production is a favourable shift for SunRice and rice growers, provided we can compete with those countries with lower production costs. The Rice Breeding and Grain Quality Partnership that includes SunRice and our subsidiary Rice Research Australia Pty Ltd (RRAPL), therefore challenged our breeders to deliver higher yielding fragrant and short grain varieties whilst maintaining excellent quality. Added to the challenge is the need to improve water use efficiency, improve seedling vigour and improve straw strength.

Good progress is being made with a semi-dwarf fragrant variety YRF209 performing well in consumer taste

evaluation and from the growers' perspective, producing higher yields than Kyeema. YRF209 is undergoing final evaluation and is expected to be released for commercial production prior to planting the 2014/15 crop.

Progress is also being made with replacement varieties for Reiziq (improved cold tolerance, seedling vigour and quicker maturity) and Langi (improved yield and quality).

2014 Rice Field Day an outstanding success

More than 400 growers and industry stakeholders attended the 2014 Rice Field day in March hosted by RRAPL at "Old Coree", Jerilderie. The day highlighted how research is successfully responding to market demand, including breeding program achievements; the Sushi Revolution, including sushi making demonstrations and tasting; the role of precision agriculture in the rice farming system; and a comprehensive market update presented by the SunRice Chairman and CEO, which highlighted the positive overall outlook for SunRice and the Australian rice industry.

Geographic Information System (GIS) launched

The SunRice GIS was launched for the 2013/14 crop. This web-based application provides growers with a user friendly interface to spatially locate their rice crops and other farm enterprises as well as maintaining management records.

For SunRice, the GIS will provide more timely access to information that is normally supplied by growers in hard copy form, including the annual Grower Survey and information about management practices that will assist with rice product quality assurance. The GIS will also be valuable for research and development purposes and will replace hard copy Ricecheck reports. It was pleasing that 62% of 2013/14 rice crops were mapped in the GIS in its initial year. We aim to cover all crops grown in future years.

Our Subsidiaries

Our subsidiary businesses continued to play an important role in building our global footprint in 2013/14 and contribute to a diversified portfolio.

Subsidiary Products

SunRice is one of the largest rice food companies in the world and one of Australia's largest branded processed food exporters. Our company was built by the Australian rice industry over many decades, and today it's strengthened by a broad portfolio of subsidiary businesses throughout Australia, Papua New Guinea, the USA, the Middle East and the Solomon Islands.







Trukai Industries

2013/14 marked another year of growth for Trukai as it continued to supply Papua New Guinea with a high quality, staple food.

Trukai Industries (Trukai) stabilised its market share in 2013/14. Rice volumes and stockfeed both recorded solid growth. These results were underpinned by our strategy to increase access to rice for rural consumers across Papua New Guinea, supported by additional supply from Australia.

Marketing success

Trukai's ongoing investment in strategic marketing activities to support brand and product awareness played an important role in the growth in sales achieved in 2013/14. These included tradeshow, in-store promotions and sponsorship of the Trukai New Guinea 9's Rugby League tournament.

Trukai's largest corporate sponsorship event, the Trukai Fun Run, attracted more than 60,000 participants and raised around K920,000 (equal to approximately \$370,000AUD) for charities and community organisations, making it the most successful event in its 15 year history.

In line with the Group's strategic plan, Trukai will leverage the expertise of SunRice to support its new product development plan, which will introduce new and exciting products into Papua New Guinea.

Investing in our community

Trukai continued to support education, health and sporting organisations, and local farming communities based in rural areas. Reducing infant mortality, women's health and the prevention and cure of major disease were some of the key programs supported over the past year.

Trukai also made significant investments to support the sustainable development of the local agricultural sector. In 2013, we established a 100 hectare pure rice seed plantation at our Erup Cattle Station in the Markham Valley. The harvested seed will be provided to farmers across Papua New Guinea to generate further rice plantations in the Central and West New Britain Provinces, along with blend testing for the Roots brand.

Strengthening our operations

Operations and distribution delivered efficiency gains during the year in conjunction with increased throughput. Investments in plant upgrades initiated in early 2014 will generate further savings in the coming year.

The first 19 graduates of Trukai's Management Development program celebrated their success in achieving a Diploma of Front Line Management, further strengthening Trukai's management capability.

Trukai also completed the SAI Global audit processes to gain OHSAS 18001 certification at all sites.

Building on our strengths for future growth

Trukai remains well positioned for future growth with a key component being the continuation of its successful strategy to increase access to rice across the rural sector. Meanwhile, strong support from the SunRice Group in the supply of product and raw material continues to ensure a secure pipeline remains in place, while also helping to maintain competitive pricing.

Trukai will also continue to partner with the Papua New Guinea Government. Building on its many years of researching local rice production and Memorandum of Understanding with government and recognised authorities, Trukai will continue to invest in agricultural projects to develop the local rice industry. These projects are designed to create a sustainable solution to local rice production, supporting both local agricultural development and wealth creation.



Riviana Foods

2013/14 proved to be a tough year for Riviana with the sudden devaluation of the Australian dollar at the start of the year resulting in a dramatic increase in import costs.

The past year was marked by rising operating costs, adverse currency movements, and a highly competitive retail landscape. With more than 75% of our product range sourced from markets operating in U.S. Dollars or Euros, the decline in the Australian Dollar has been the most significant hurdle for Riviana.

Despite these financial pressures we continued to drive improved top line performance, securing double digit growth in our foodservice business and solid market share in our core Pickled Vegetable category in the retail business.

Pricing improvements initiated during 2013/14 began to take effect by year's end. However, the concentrated Australian market means the full benefits of these will not be felt until 2014/15.

Retail leadership

Riviana's flagship brand, Always Fresh, increased its market-leading position in the Pickled Vegetable category. This success has been driven by improved category management, new product development and a major consumer promotion campaign for the year—'Win a trip to the Mediterranean.' The campaign received 29,000 entries and generated 15,000 new fans to our Facebook page during the eight week promotional period.

Significant work was also undertaken to identify opportunities to recover margins through product reengineering and relaunching.

Strengthening relationships

In 2013/14, our team worked closely with our Retail and Foodservice customers to address currency related cost pressures.

We also worked closely with our Retail customers to deliver stronger returns on our trade promotions.

Achieving efficiencies

2013/14 required some difficult decisions to lower product, warehouse and distribution costs. This included the closure of our Kelletts Road manufacturing site and the need to put in place alternative sourcing arrangements for some products. As part of this process we also focused on the reduction of our inventory levels, the consolidation of our product range and the sale of property and land, with good momentum achieved on all fronts.

We also reduced our range to eliminate outside warehousing costs and initiated efficiencies in customer service.



SunFoods

We relaunched the Hinode range in 2013/14 to accelerate consumer retail growth with a new look that delivers a more authentic offering.

Over the past year, we continued to establish platforms for long term and sustainable growth with the pursuit of several key initiatives. This included the addition of Australian grown rice to the U.S. sales portfolio and extending our participation in the U.S. domestic segment.

In addition, SunFoods leveraged consumer research insights to improve Hinode brand positioning with the execution of a major packaging redesign to drive sales and volume growth in both Hawaii and Mainland markets.

Despite being successful in specific markets, general market conditions for medium grain rice remained challenging. A surplus in global supply for the first eight months of the year also suppressed pricing in both domestic and export markets.

The emergence of the Californian drought in late 2013, combined with the outlook for a smaller 2014 Australian crop, resulted in a late rally in international markets which should provide a promising start to the new financial year.

Sales and marketing initiatives

In 2013/14, the Hinode brand delivered year-on-year volume growth in the U.S. Mainland. This included strong performances from our Distributor business, and Retail and Foodservice channels. In January 2014, we executed a relaunch of the Hinode range to accelerate consumer retail growth with an entirely new look that delivers a more authentic, natural, yet mainstream brand offering. The new packaging design will help to differentiate the Hinode brand from other major competitors and help to position this flagship brand for the long term with our consumers and retailers.

Hinode is also undergoing minor packaging changes for the Hawaiian market based upon research that leverages our customers' perception of Hinode as the "Oldest and Favourite Rice Brand."

SunFoods also successfully launched Australian grown medium, short and Jasmine rices into the retail and foodservice channels in 2013/14.

The addition of Australian grown rice in our portfolio strengthens SunFoods' value proposition with our customers. We expect that these initiatives will prove beneficial in 2014/15, especially given prevailing drought conditions and the anticipated reduction in global medium grain supply.

Operational excellence

SunFoods achieved no lost time injuries for 2013/14 demonstrating our commitment to the safety and wellbeing of our people.

The incorporation of behavioural based safety initiatives and other programs focused on proactive measures continued to underpin SunFoods' safety, health and environment performance and move the business towards the SunRice Group's 'Zero Harm' goal.



CopRice

CopRice maintained its impressive growth pattern by continuing to increase sales volume in 2013/14 and building on the strengths of the Specialty and Bulk divisions, both domestically and overseas.

Another solid performance in 2013/14 was underpinned by good sales and increasing brand awareness in the Specialty (packaged product) and Bulk (unpackaged product) divisions.

We invested in our operations in 2013/14 with \$8.5 million allocated to upgrade the feed mill and extrusion plant in Leeton.

Specialty sales

CopRice's Specialty division continued its growth pattern in 2013/14, recording a 7% increase in sales volumes in Australia and achieving more than 20% growth in New Zealand. Consistent growth was achieved across all categories.

Our success was highlighted by winning the Feed Supplier of the Year award at the annual Australian Independent Rural Retailers (AIRR) Conference in the category of Animal Nutrition. This is the second consecutive year the team

has received this award, taking the accolade over major global competitors. This award recognises CopRice's performance across business growth, trading and customer support, and service excellence.

As part of our marketing program to drive new sales and increase market share, the CopRice team attended various trade events throughout the year, including the inaugural Dog Lovers Expo held at the Melbourne Exhibition Centre, Equitana at Sydney Olympic Park and the Horse of the Year Expo in Hawkes Bay New Zealand.

Bulk sales

Effective product positioning and marketing along with favourable lamb pricing resulted in continued sales volume growth of sheep nutritional products. Consistent growth in volumes to the pig segment continued, driven by key customer relationships.

Despite some challenging conditions experienced by the Australian dairy industry, including a downturn in milk prices at the beginning of the season, our market share in core regions remained strong and our expansion into new regions continued.

In 2013/14 we made a strategic decision to focus on technical nutritional support on farm to enhance our customers'

businesses. This has also returned good results for our customers, presenting more opportunities for us to build our existing relationships, which will assist in driving further business growth in the year ahead.

CopRice also continued to support regional agricultural field days to further strengthen ties with farmers and rural communities.

Innovation and operational excellence

CopRice continued to perform well in the area of operational excellence throughout 2013/14 maintaining low lost time injury levels.

For 2013/14, there has been considerable investment in upgrading the Leeton feed mill plant along with major upgrades to the extrusion plant at Leeton which will significantly increase product output and support further business growth.

CopRice people

The CopRice team continued to build its high performance culture over the past year across all areas of the business, from driving sales volume and growth, to delivering superior customer service and, most importantly, a commitment to safety.

Our Community and Environment

Thriving communities that are healthy and sustainable are fundamental to the success of SunRice.

**Greg Westerdale and Cory Jenkins
from Deniliquin Freighters with
Amanda Hamonic and John Pearce from
SunRice with the Foodbank donation**

SunRice partnered with rice growers in 2013/14 to provide food relief to people in need over Christmas by donating rice product to Foodbank Australia.







In 2013/14, SunRice again demonstrated its support and commitment to local, regional and international communities.

In 2013/14 we continued to support local, national and global initiatives. Of particular note is the donations made to vulnerable communities impacted by natural disasters and hardship. We also committed to a review of our packaging as part of our commitment to improve our environmental footprint, and we commenced a pilot employment program in partnership with a local Indigenous community group.

Supporting our Riverina rice growing regions

This year, SunRice continued its proud tradition of supporting the Riverina region through a range of initiatives. This included continuing our long history of sponsoring the landmark Leeton SunRice Festival. The Festival recognises the important role the rice industry plays in the region while celebrating the vibrancy and diversity of farming communities. This year the event attracted a crowd of more than 10,000 people and raised more than \$80,000 for local charities.

We also partnered with The CAD Factory in a collaborative art project 'A Night of Wonder' at Coleambally Mill. 'A Night of Wonder' showcased the artistic prowess of local Artistic Director Vic McEwan, and Japanese artists Mayu Kanamori and Shigeaki Iwai; exploring the history of rice, harvest, business and

community through a large-scale light and sound art installation projected onto the Coleambally Mill.

Other local partnerships included sponsorship of the Deniliquin High School Cook-Off and Deni Ute Muster, and coordinating an Indigenous Employment Strategy pilot program in collaboration with the Yarkuwa Indigenous Knowledge Centre Aboriginal Corporation.

CopRice sponsorships

For the 2013/14 year, CopRice sponsored a range of events and organisations including the Australian Show Jumping Championships; the Rotary Club of South Wagga; the Australian Sheep Dog Association – Supreme Championship; the Tasmanian Working Sheep Dog Association; and the Equestrian NSW Interschool Championships.

In response to the bushfire crisis that swept the Blue Mountains in October 2013, CopRice came to the aid of affected animals donating 60 bales of rice hulls to the Disaster Animal Response Team Australia to feed 175 horses at the Hawkesbury Showground relief centre, as well as five pallets of various feed for the RSPCA evacuation centre at Yagoona.

Above SunRice Festival Ambassadors Jane Macarthur, Tayla Johnson, Julie Aulamea, Emma Reneker, and Emily Kennedy.

Left Trukai Fun Run participants.

Right Members of the SunRice 'Clean Up Australia' team Marija Orel, Jason Fields and Craig Johnson.

Far Right Vicki Wilson at Australasia's biggest equestrian event, 'Horse of the Year'.



This financial year, CopRice continued its sponsorship of RSPCA Australia, contributing a proportion of sales of “Lucky Layer” and “Max’s Cat Litter” to this important organisation.

Championing our CopRice brand, we continued to sponsor Olympians Stuart Tinny, Julia Hargreaves and Louisa Hill, in addition to supporting six other equestrian riders throughout Australia and New Zealand.

Foodbank Australia donation

SunRice partnered with rice growers in 2013/14 to provide food relief to people in need over Christmas by donating rice product to Foodbank Australia. The project involved the whole of the rice industry supply chain with paddy rice being donated by SunRice’s growers; milling and packaging donated by the company; and the freight costs associated with transporting the rice products from Leeton to Melbourne donated by Deniliquin Freighters.

The paddy donated by growers provided over 750,000 standard servings of medium grain rice for Australian families.

Global activities

In January 2014, SunRice donated \$50,000 to the Australian Red Cross for its Typhoon Haiyan Appeal. SunRice’s donation acknowledged the extraordinary work of the Red Cross in supporting those communities impacted by the disaster.

Trukai continued to fund rice research and development, and education and training programs in Papua New Guinea, in addition to sponsoring the Trukai Fun Run. The Trukai Fun Run is the largest event of its kind in the Pacific with money raised going to support local athletes and health education programs.

Solrice donated 22 tonnes of rice to the Solomon Islands flood victims following flash flooding in Honiara.

Environment

For the 2013/14 year, we put in place processes to apply the Sustainable Packaging Guidelines to all existing packaging as well as any new packaging materials, where the use of recycled materials does not impact on food quality or safety. We also added the universal recycling logo to SunRice printed flexible packaging materials so consumers know what recycling options are available to them.

In March 2014, we submitted our second Action Plan Report, which is a mandatory requirement for all signatories of the Australian Packaging Covenant (APC). The APC is a sustainable packaging initiative implemented to change the culture of businesses in Australia resulting in the design and use of more sustainable packaging materials; increased recycling rates; and the reduction in the amount of packaging materials entering the waste stream.

SunRice personnel also participated in Business Clean Up Australia Day activities in 2013 where the team collected recyclable materials and non-recyclable waste.

Our People and Performance

In 2013/14 we employed more than 2,100 talented individuals and supported thousands more through our supply chain network.

SunRice Laboratory team members Sarah Mitchell and Scott Bechaz

Our new employment brand 'Embrace the Challenge, Make a Difference' is designed to showcase the many meaningful roles at SunRice and the ways in which all employees can make a difference.







We initiated a number of new programs in 2013/14 to elevate our high performance culture and build on the talent, passion and commitment of our employees.

SunRice's People and Performance team supports the Group through the Human Resources department and the Program Management Office.

In 2013/14, the Human Resources team partnered with the business to deliver initiatives focussed on building on the skills and expertise of our people to continue to achieve strong results through a high performance culture. This included supporting all functions and subsidiaries within the Group to foster a culture of greater accountability and collaboration.

The Program Management Office played an integral role in helping to shape, develop and manage critical Group strategic initiatives over the past year that will underpin our future growth and success.

Building on our strengths

Investment in our people through targeted training and development initiatives continued to be a priority in 2013/14. These initiatives, which included the rollout of High Performance Training workshops, ensured our employees continued to learn and enhance their skills over the past year, while establishing clear pathways to progress within the Group.

To support the importance of working together collaboratively to achieve our strategic goals, the SunRice Performance Management system was introduced with newly created SunRice Behaviours. We also piloted the Workforce and Leadership Development framework to provide employees with increased leadership and interpersonal skills.

In conjunction with the development of our strategic framework, we revised our corporate values in 2013/14. Our values of Dynamic, Innovative, Collaborative, Integrity and Community reflect the way we operate internally and externally. In particular, our focus on delivering strong sustainable business results whilst being a key partner in all of the communities in which we operate demonstrates our corporate values in action.

Ensuring that new employees are effectively welcomed to SunRice was a key focus in 2013/14. A comprehensive induction program 'SunRice Welcome' was developed to introduce employees to our High Performance culture and the opportunity to 'make a difference', while also making sure they understand the importance of their role in delivering the Group strategy.

Recognising our international footprint and the need to operate in partnership

Above Speciality Rice Food Group team member Candice Hunter.
Right Finance team members Donna Hindmarsh and Dearne Lehman.
Far Right Quality Manager International and Trading Tim Allen.



with the communities in which we operate, we piloted cultural awareness training for our Trukai leadership team in Papua New Guinea, with successful results.

Organisational culture

Our organisational culture supports building on our strengths and heritage, whilst delivering sustainable high performance. To ensure we are best-positioned to achieve this, the Human Resources team was accredited to support the cultural change required to empower employees to work collaboratively across functions and businesses to deliver the best outcomes for the SunRice Group.

Making a difference

In 2013/14, we completed the employee branding project that defines our Employee Value Proposition and what it means to work for the SunRice Group. The research undertaken identified three key areas that differentiate SunRice from other employers: our efforts to meet and overcome challenges; our belief in our products; and our ability to look to the future.

The employment brand, 'Embrace the Challenge, Make a Difference' builds on our heritage as a significant employer within the agricultural sector, while

providing meaningful roles in which all employees can make a difference.

A number of key initiatives were implemented to embed the employment brand with existing employees across the SunRice Group and potential candidates. This included the re-launch of the Careers website to provide candidates with valuable information on employment opportunities across the organisation.

We also implemented a number of initiatives to promote working together collaboratively and sharing knowledge across the Group, including the launch of a new intranet site for employees, SunConnect.

Investing for the future

In 2013/14, the Program Management Office played a critical role in supporting each business unit to execute their business strategy. To ensure our investment for the future is focussed and targeted, the Program Management Office worked closely with the SunRice Corporate Management Team to finalise the SunRice Group strategic framework. Development of our long term strategic goals, purpose and priorities will underpin the delivery of future growth across the Group.

Examples of key business initiatives supported by the Program Management Office included a strategic business review of Riviana, and new market entry strategies for our established businesses.

A global workforce

The SunRice Group continues to employ more than 2,100 people in locations throughout Australia, the U.S., the Middle East, Japan, the Solomon Islands and Papua New Guinea.

In 2013/14, a number of strategic appointments were made at the senior level, including Greg Worthington-Eyre as Chief Executive Officer at Trukai Industries and Stephen Forde as Chief Executive Officer at Riviana Foods.

The Board and management thank previous Riviana Foods Chief Executive Officer John Lloyd and Chief Financial Officer David Partridge, Trukai Chief Executive Officer Marc Denovan, and Solrice General Manager Brian Hutchinson for their significant contribution to the success of the Group over many years.

Board of Directors



Gerry Lawson AM

LDA MAICD

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



Noel Graham

FAICD

Caldwell rice grower. Director since 2001. Deputy Chairman since 2013. Directors' Committees: Member, Finance and Audit, Remuneration and Nomination. Chairman, Solomons Rice Company Ltd (Solomon Islands). Director, SunFoods LLC (USA). Member, Rice Marketing Board for the State of NSW. Rice Marketing Board representative to Ricegrowers' Association of Australia Inc. Former Chairman, Murray Irrigation Limited.



Gillian Kirkup

MAICD

Yanco rice grower. Director since 2005. Directors' Committees: Chairman, Grower Services; Chairman, Safety Health & Environment. Director, Riviana Foods Pty Ltd; Rice Research Australia Pty Ltd. Member, Rice Marketing Board for the State of NSW. Member, RIRDC Rice Research and Development Committee; Chairman, Murrumbidgee Irrigation Ltd. Member, NSW Agricultural Consultative Committee to the Bureau of Meteorology.



Grant F Latta AM

MBA BBus FAICD FAIM FAMI CPA

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



Glen Andreazza

AdvDipAgr AAICD FAICD

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



Laurie Arthur

BAGSc GAICD

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



Rob Gordon

BSc (Hons) CEng

Director since 2012. Director, Riviana Foods Pty Ltd; Aqaba Processing Company Ltd (Jordan); Sunshine Rice Inc. (USA); Trukai Industries Ltd (PNG); SunFoods LLC (USA). Member, Agribusiness Advisory Board, Rabobank. 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.



Peter Margin

MBA BSc (Hons)

Director since 2012. Directors' Committees: Chairman, Remuneration; Member, Finance and Audit. Chairman, Riviana Foods Pty Ltd. Non-Executive Director, Bega Cheese Limited; Nufarm Limited; PMP Limited and Pact Pty Ltd. Former Managing Director and Chief Executive Officer, Goodman Fielder Limited; National Foods Ltd.



Mark Robertson

MAICD

Berriquin rice grower. Director since 1996. Directors' Committees: Member, 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; Rice Industries Ltd. Director, Murray Irrigation Ltd. Member, Rice Industry Co-ordination Committee.



Alan Walsh

FAICD

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

Corporate Management Team



Rob Gordon

BSc (Hons) CEng
Chief Executive Officer

Joined SunRice in February 2012 as CEO. Rob has more than 30 years of senior strategic experience, including President South-East Asia and Senior Vice President of Viterro Inc, CEO and Managing Director of Dairy Farmers Ltd, and has held senior executive positions with Goodman Fielder and Unilever. Director of Riviana Foods Pty Ltd; Trukai Industries Ltd (PNG); Aqaba Processing Company Ltd (Jordan); Sunshine Rice Inc. (USA); SunFoods LLC (USA). Member, Agribusiness Advisory Board, Rabobank.



Emmanuel Zammit

BEC CPA MAICD
Group Chief Financial Officer (Interim)

Emmanuel joined SunRice in November 2013 as Group Chief Financial Officer (CFO). He has held senior management roles across a number of industries and has more than 20 years' senior finance experience. Previous roles have included CFO of building products firm, Alesco Corporation and of major coatings producer, Wattyl Ltd. Prior to these, Emmanuel held a number of senior management roles across Australia, Asia and in Europe over a 12 year period with global packaging solutions provider, MeadWestvaco Corporation, including most recently CFO and Vice President, Transformation, Europe.



Mandy Del Gigante

BComm CPA AGIA ACIS
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

BScAgr 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.



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, Solomon Islands and Turkey, 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. Delegate, National Farmers' Federation Trade Committee.



Jo Blackwell

BBus MBA

General Manager, People and Performance

Joined SunRice in September 2012 as General Manager, People and Performance. Jo has held senior leadership roles across a broad range of industries including Manufacturing and FMCG, and has more than 20 years' experience in HR management. She has previously worked in ASX listed companies including Goodman Fielder, Orica, Qantas and AMP across Asia Pacific and started her career at Ford Motor Company in 1992.



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 26 years' experience in the FMCG industry. Director, Aqaba Processing Company Ltd. Director Trukai Industries Ltd (PNG).



Stephen Ray

MBA DipManagement

General Manager, Operations

Joined SunRice in September 2012 as General Manager, Operations. In his role, Stephen is responsible for driving best practice in manufacturing, supply chain, quality and safety. He has significant operations, supply chain and financial management experience. Before joining SunRice, Stephen was Operations Director at Solaris with responsibility for manufacturing plants across Australia, New Zealand and Asia. He has also held several senior positions at Nestle.



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, NSW Grains Board and Weston.

Subsidiary Company Heads



Matt Alonso

BSc (AgEngr) MBA
Chief Executive Officer,
SunFoods LLC

Matt 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 more than 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. He is a Board member of the California Rice Commission and the USA Rice Federation.



Stephen Forde

Chief Executive Officer,
Riviana Foods Pty Ltd

Stephen joined Riviana Foods in October 2013 as CEO. He has more than 24 years of strategic experience across sales, marketing and general management. In a 20 year career with Reckitt Benckiser, Stephen held senior roles across the sales and marketing functions before being appointed Global Customer Director, U.K and then General Manager, New Zealand. More recently, Stephen was in the role of General Manager, New Zealand for Campbell Arnott's. Stephen has an established track record of success in the FMCG industry, with a wealth of experience in the Australia and New Zealand markets and with global retailers, including Tesco and Walmart.



Greg Worthington-Eyre

Chief Executive Officer,
Trukai Industries Limited

Greg joined Trukai in 2013 as Chief Executive Officer. Prior to joining Trukai, Greg was the Managing Director at Pink Hygiene Solutions and Ambius Australia, and was responsible for managing the Safety, Health and Environment, Sales, Marketing, Finance, HR, IT, Operations and Customer Service functions through a national and branch-based management team. Greg started his career at Unilever and over the course of 30 years held numerous positions across Asia, including Vice President of Modern Trade, Asia Pacific, and Customer Development Director, Unilever China.

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.

Although the company is not listed on the ASX, the Board has taken the view that the company should, to the extent possible, comply with the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (ASX Principles). The following sections summarise the main corporate governance practices of the company and identify the extent to which those practices do not comply with the ASX Principles.

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).

Within the constraints of the company's constitution, the company aims to

achieve a mix of rice industry, finance and business skills among the Directors.

Elections are held for the four Directors, who are A Class Shareholders, every four years (or such other period as the A Class Shareholders may determine concluding at the end of the Annual General Meeting in the last year of their term of office). A retiring Director is eligible for re-election.

Prior to the election of any Director, candidate information, with appropriate details 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 procedure for the selection and appointment of new Directors and the re-election of incumbent Directors, and the Board's policy for the nomination and appointment of Directors, is available on the company's website, in the Nomination Committee Charter.

The independence, relevant skills, experience and expertise held by each Director in office at the date of the Annual Report, are provided in the Annual Report.

Independence of Directors

The company's independent Directors are Grant F Latta and Peter Margin.

The Board considers a Director to be independent only where they are independent of management (i.e. non executive Director) and free of any business or other relationship or interest that could materially interfere with, or could reasonably be perceived to materially interfere with, their ability to independently exercise their judgement. The Board has not set materiality thresholds, considering it more effective to assess relationships on the individual

circumstances applicable on a case-by-case basis, and where appropriate with the assistance of external advice.

The Board regularly reviews the independence of each non-executive Director. Each non-executive Director is required to provide to the Board all information that may be relevant to this assessment. In addition, all Directors are required to disclose to the Board any conflicts of interest or duty and any material personal interest in any matter that relates to the affairs of the company.

Directors who are A Class Shareholders supply rice to the company on the same terms as other rice suppliers, and the company's procedures and systems ensure that the Paddy Price is set according to the commercial interests and needs of the company.

However, the Board recognises that there may be a perception that the rice supply relationship between the company and these Directors may influence the decision-making of these Directors. Accordingly, while they are able to bring an independent judgement to bear on Board decisions, the seven Directors who are A Class Shareholders have not been characterised as independent due to this potential perception concern. This means that contrary to Recommendation 2.1 and 2.2 of the ASX Principles, the Board does not have a majority of independent Directors nor an independent Chairman.

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

During the reporting period an evaluation of the performance of the Board, the Committees and the Directors was conducted. This evaluation involved the Chairman meeting with each individual Director to discuss the review and the Director's own performance.

Matters covered in the review included the role and performance of the Board and its Committees, Directors' understanding of SunRice's long-term objectives and key risks to the business and achievement of those objectives, succession planning and the effectiveness of the Chairman in leading the Board.

Senior Executives Performance Evaluation

The company has established processes for evaluating the performance of its senior executives. In summary, each senior executive is evaluated against the achievement of pre-agreed performance objectives. The evaluation process is conducted annually and is followed by the determination of appropriate remuneration of the relevant senior executive.

Detailed information regarding the company's remuneration practices is provided in the Remuneration Report. An evaluation of senior executives has taken place during the reporting period in accordance with the processes described above.

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 provide a written declaration to the Board, in accordance with Section 295A of the Corporations Act that in their opinion, the financial records of the company have been properly maintained and the company's financial reports comply with accounting standards and present a true and fair view, of the company's financial position and performance.

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. In accordance with the Corporations Act, the lead partner and review partner of the external auditor will be rotated at least every five years.

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. A copy of the company's Corporate Policy on Audit Services by the External Audit Firm is available on the company's website.

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.

Currently, the membership of the Committee is comprised of two independent Directors and three non-independent Directors. An independent Director is the Chairman of the Committee.

The composition of the Finance and Audit Committee does not comply with Recommendation 4.2 of the ASX Principles to the extent that it recommends that an audit committee

consists of a majority of independent directors. However, the Board believes that, in the context of the current make-up and size of the Board, the perspective and expertise that the current members bring to the Committee is appropriate.

The names and qualifications of the Committee members and their 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 and qualifications of the Committee members and their 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.

Currently, the membership of the Committee is comprised of two independent Directors and two non-independent Directors. An independent Director is the Chairman of the Committee.

The composition of the Remuneration Committee does not comply with Recommendation 8.2 of the ASX Principles to the extent that it recommends that a remuneration committee consists of a majority of independent directors. However, the Board believes that, in the context of the current make-up and size of the Board, the perspective and expertise that the current members bring to the Committee is appropriate.

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

Nomination Committee

The role of the Nomination Committee is to identify the attributes that are required by the Board and to enhance those attributes, both on an ongoing basis and in the circumstances that candidates are recommended to shareholders for election to the Board. The Committee considers the appropriate balance of skills and experience required by the Board to properly fulfil its objectives and

recommend to the Board strategies for redressing any imbalances.

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.

Currently, the membership of the Committee is comprised of two independent Directors and two non-independent Directors. An independent Director is the Chairman of the Committee.

The composition of the Nomination Committee does not comply with the commentary on Recommendation 2.4 of the ASX Principles to the extent that it recommends that a nomination committee consists of a majority of independent directors. However, the Board believes that, in the context of the current make-up and size of the Board, the perspective and expertise that the current members bring to the Committee is appropriate.

All members of the Committee are non executive Directors and the Chairman of the Board is not the Chairman of the Committee.

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

Safety Health and Environment Committee

The role of the Safety Health and Environment Committee is to support the provision of robust systems to ensure that SunRice achieves and maintains its objectives in relation to Safety Health and Environment including all relevant legislation, policies and targets.

The Committee reviews and makes recommendations to the Board on policies in relation to Safety Health and Environment policies, priorities and targets.

The conduct, objectives and proceedings of this Committee are governed by a charter, approved by the Board. The Chief Executive Officer is Chairman of the Committee.

The names and qualifications of the Committee members and their 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.

Management has reported to the Finance and Audit Committee and the Board on the effectiveness of the risk management and internal control system during the year and of the company's management of its material business risks.

The Chief Executive Officer and the Chief Financial Officer have provided an assurance to the Board that the opinion expressed in the declaration provided by them in accordance with S 295A of the Corporations Act has been formed on

the basis of a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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 Codes of Conduct for Directors and employees and a 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 Codes of Conduct which address its commitment to compliance with its legal obligations to stakeholders.

The company has established a Group Code of Conduct which applies to all Board members, officers, employees and contractors of the company. The Group Code of Conduct is a detailed statement of:

- the practices required by employees to maintain confidence in the company's integrity;
- the legal obligations of employees and the reasonable expectation of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

All Directors also need to comply with the Directors' Code of Conduct.

Copies of the Directors' Code of Conduct and the Group Code of Conduct are available on the company's website.

Diversity at SunRice

The Group's diversity policy provides a framework for SunRice to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours, and improved employment and career development opportunities for women. A copy of the Diversity Policy is available on the company's website.

SunRice's diversity strategies include:

- recruiting from a diverse pool of candidates, including senior management and the Board;
- reviewing succession plans to ensure an appropriate focus on diversity;
- identifying specific factors to take account of in recruitment and selection processes to encourage diversity; and
- establishing programs to develop a broader pool of skilled and experienced senior management and board candidates.

Across the Group, the respective proportions of men and women employees in senior executive positions and on the Board as at 30 April 2014 are as follows:

- proportion of women employees: 487, representing 22% of the total workforce of 2,250 employees. Proportion of men employees: 1,763, representing 78% of the total workforce of 2,250 employees.
- proportion of women in senior executive positions in the Group: two, representing 20% of senior executive positions. Proportion of men in senior executive positions: eight, representing 80% of men in senior executive positions.
- proportion of women on the Board: one, representing 10% of Board members. Proportion of men on the Board: nine representing 90% of Board members.

“Senior executive” means the Group CEO and other members of the Corporate Management Team for these purposes.

Measurable objectives

Objective	Initiatives and Outcome
Increase the representation of women in senior management positions	<ul style="list-style-type: none"> – Launched the SunRice employment brand on the company website to attract a diverse range of candidates including gender, culture and experience – Appointments of females to senior roles brought the total proportion of females across senior management (including senior executives) to 15% – Requirement for recruitment agencies to have at least one qualified female candidate on shortlists.
Establish programs to develop a broader pool of skilled and experienced senior management and board candidates	<ul style="list-style-type: none"> – Commenced research on best practice in diversity practices: <ul style="list-style-type: none"> · Became a member of the Diversity Council of Australia · Consulted with peers on achieving best practice within the agricultural industry · Sponsor in the Rural Industries Research and Development Corporation Rural Women's Award Celebratory dinner. The Award identifies and supports emerging leaders and change agents who have the capability and resources to drive innovation, productivity and sustainability within primary industries, and build economic and social development within rural communities.
Achieve performance and reward equity	<ul style="list-style-type: none"> – Assessed if bias occurred in pay increases. The Remuneration Committee concluded that the average pay increase based on employees' performance rating and level was fair and equitable for men and women.
Enhance workplace flexibility for our people	<ul style="list-style-type: none"> – Implemented a Flexible Work Policy to provide guidelines for employees to request a change to their working arrangements, including (but not limited to) reduced hours, job sharing, working from home or another location on a regular basis or non-standard hours of work patterns.
Make a difference in our local communities across our business	<ul style="list-style-type: none"> – Indigenous Employment Strategy <ul style="list-style-type: none"> · Demonstrated commitment to increasing indigenous employment through implementation of the strategy across the Riverina · Eleven appointments made across all sites · Support and mentoring programs trialled at selected sites · Sustainable career paths fostered through training and cross-skilling. – 2013 Westpac Outstanding Women Awards in Papua New Guinea <ul style="list-style-type: none"> · Recognises women in PNG for stepping up and being counted and helps to build a stronger, more tolerant and accepting community · Trukai's General Manager Finance, won the PricewaterhouseCoopers Private Sector Award category.
Implement Leadership Development Framework by April 2015	<ul style="list-style-type: none"> – Ensure involvement of women in management and leadership roles development activities to encourage their ambitions to take on managerial roles – Launching the Leadership Development Framework will support the development of senior management skills for high potential women
Enhanced monitoring and reporting of gender metrics across the group	<ul style="list-style-type: none"> – Commenced the development of gender metrics across the group, including new recruits and turnover by gender and location – A copy of the 2014 WGEA submission is available on the SunRice website at www.sunrice.com.au and the WGEA website at www.wgea.gov.au/public-reports-0.

Measurable Objectives for 2014/15

SunRice is committed to the regular review and update of its measurable objectives to ensure that they continue to be appropriate and operate to enhance SunRice's diversity profile. The objectives that SunRice has reaffirmed during the 2014/15 year are as follows:

- Increase the representation of women in Senior Management positions to 20% by 2016
- Establish programs to develop a broader pool of skilled and experienced senior management and Board candidates
- Make a difference in our local communities by attracting, developing and retaining a diverse workforce
- Raise awareness of diversity and inclusion for Senior Leaders by providing specific development programs to Senior Leaders across the organisation
- Enhanced monitoring and reporting of gender metrics across the group.

Trading in Company Securities

The Board has adopted a Share Trading Policy, which applies to all Directors, executives, employees and agents of the company. 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. A copy of the Share Trading Policy is available on the company's website.

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 a Disclosure Committee established to ensure that the company complies with its continuous disclosure obligations. The company's continuous disclosure policy is consistent with the ASX Principles, except that the company is obliged to comply with the disclosure provisions of the NSX Listing Rules rather than the ASX Listing Rules.

A copy of the Continuous Disclosure Policy is available on the company's website.

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.

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.

A copy of the Communication with Shareholders Policy is available on the company's website.

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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 26 June 2014.

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 2014.

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
NG Graham
GA Andreazza
LJ Arthur
R Gordon
GL Kirkup
GF Latta AM
PM Margin
DM Robertson
AD Walsh

2 Company Secretary

Mandy Del Gigante

3 Principal activities

The principal activities of Ricegrowers Limited and its controlled entities consist of receipt 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 \$29,730,000 (2013: \$32,265,000).

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 26 June 2014 the Directors declared a fully franked final dividend of 23.0 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.

Directors' Report continued

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

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

The Group holds licences and approvals for its manufacturing sites in New South Wales, Queensland and Victoria. The licences require air, water, noise and dust 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.

The Australian Packaging Covenant Action Plan report for Year 2 of the SunRice Five Year Action Plan has been submitted and accepted by the Australian Packaging Covenant.

The focus on reducing the volume of packaging waste sent to landfill is being maintained where possible. Retail core rice packs now include consumer information for recycling of flexible packaging. The management of trade waste water is an ongoing process being undertaken at the Specialty Rice Foods Plant. This water treatment facility continues to operate well with outgoing water quality being 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 and submitted its National Greenhouse and Energy Report to the Clean Energy Regulator for the period 1/7/2012 to 30/6/2013. This report requires the reporting of direct and indirect emissions with calculated emissions of 107,599 tonnes of CO₂ and consumption of 581,408 gigajoules of energy for that period. 500,000 gigajoules of energy usage is the threshold that triggers the statutory reporting requirement under the *Energy Efficiency Opportunities Act 2006*. Following on from the registration for EEO reporting in March 2013 the company submitted its first 5 Year Cycle Assessment Plan in December 2013.

10 Paddy supply

The paddy supply for 2014/2015 from Australian ricegrowers is approximately 820,000 tonnes (2013/2014 1,161,000 tonnes).

11 Top ten shareholders

The following table represents the top ten shareholders as at 30th April 2014.

Rank	Shareholder	No. of B Class Shares
1	Menegazzo Enterprises Pty Ltd	2,787,748
2	Australian Food & Agriculture Company Limited	2,365,086
3	Dellapool Nominees Pty Ltd	904,809
4	Germanico Super Pty Ltd	810,625
5	Indara Holdings Pty Ltd	796,332
6	Mr Alan David Walsh	492,285
7	Industry Designs Pty Ltd	467,290
8	Taurian Pty Ltd	402,529
9	AMBO Farms Pty Ltd	341,479
10	GF & SB Lawson Pty Ltd	330,139

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

Director	Directors' interests in A and B Class shares of Ricegrowers Limited			
	2014		2013	
	A Class Shares	B Class Shares	A Class Shares	B Class Shares
GF Lawson AM	1	330,139	1	330,139
NG Graham	1	100,897	1	100,897
GA Andreazza	1	80,279	1	80,279
LJ Arthur	1	233,818	1	233,818
GL Kirkup	1	67,424	1	67,424
GF Latta AM	–	29,838	–	29,838
DM Robertson	1	224,539	1	224,539
AD Walsh	3	500,350	3	500,350

R Gordon and PM Margin do not hold any shares.

14 Directors' meetings

	RL Board		F & A Committee		Grower Services Committee		Remuneration Committee		SHE Committee	
	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible
GF Lawson AM	16	16	–	–	–	–	5	5	–	–
NG Graham	16	16	4	5	–	–	1	1	2	2
GA Andreazza	16	16	–	–	4	4	–	–	5	5
LJ Arthur	16	16	5	5	4	4	–	–	–	–
R Gordon	16	16	5	5	2	4	–	–	5	5
GL Kirkup	16	16	–	–	4	4	–	–	5	5
GF Latta AM	16	16	5	5	2	2	5	5	5	5
PM Margin	16	16	5	5	–	–	5	5	–	–
DM Robertson	16	16	5	5	–	–	4	4	–	–
AD Walsh	16	16	–	–	4	4	–	–	1	1

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

Directors' Report continued

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)

Ricegrowers Limited seeks to create value for our shareholders through a robust remuneration and benefits strategy designed to attract, retain and motivate suitably qualified people. This Remuneration Report outlines Ricegrowers Limited's remuneration policy and remuneration outcomes for the Key Management Personnel of the Group for the year ended 30 April 2014.

This Remuneration Report is audited and has been prepared in accordance with requirements of the *Corporations Act 2001* (Cth).

Outline of this Remuneration Report

The Remuneration Report has the following sections:

1. Overview
2. Key Management Personnel
3. Remuneration governance at Ricegrowers Limited
4. Remuneration of Non-Executive Directors
5. Executive remuneration policy and framework
6. Remuneration tables
7. Remuneration Consultants

1. Overview

The Directors are pleased to provide shareholders with this Remuneration Report for the year ended 30 April 2014.

Remuneration policies and practices are guided by the following principles:

- The remuneration policies provide a greater degree of transparency and consistency, governance and structure of remuneration for employees of the company, shareholders and rice growers
- Total remuneration is fair and equitable internally and in our chosen markets
- Robust policies and processes which underpin the approach to benchmarking remuneration and setting incentive targets to ensure the remuneration is adequate to attract, retain and motivate key employees while providing a suitable return for shareholders; and
- Variable remuneration is aligned to strategy, drives consistent and sustainable performance and drives the right outcomes and behaviours

The Directors are also pleased to update shareholders on the remuneration strategy and changes to the remuneration framework, using the above principles, as a result of the strategic remuneration review conducted in 2013, in Section 5 of this Remuneration Report – Executive Remuneration policy and framework.

17. Remuneration report (audited) (continued)

2. Key Management Personnel

In determining the Key Management Personnel of the Group, the Directors of the Company have applied the definition of Key Management Personnel in the Corporations Act 2001 (Cth) (and the corresponding definition in the Australian Accounting Standards) being the Directors of Ricegrowers Limited during the year and any other person who, during the year, had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

Note that for the purpose of this Remuneration Report, the term 'Executive' is used to describe current and former Executives of the Group listed below (including the Executive Director). These Executives, in addition to the Non-Executive Directors represent the Key Management Personnel of the Group for FY2014 as defined under the Australian Accounting Standards. Where relevant this Remuneration Report discusses policies that apply to the executive management team (referred to as the Corporate Management Team) more broadly but includes Executives.

The Key Management Personnel of the Group for the year ended 30 April 2014 were:

A. Directors (including the Executive Director)

Name	Date of Commencement
GF Lawson AM	2 December 1985
NG Graham	22 November 2001
GA Andreazza	26 August 2011
LJ Arthur	24 August 2007
R Gordon, Executive Director and CEO	6 February 2012
GL Kirkup	24 November 2005
GF Latta AM	28 October 1999
PM Margin	27 September 2012
DM Robertson	24 September 1996
AD Walsh	25 August 2000

B. Current Executives

Name	Position
E Zammit	Interim Chief Financial Officer (appointed to Key Management Personnel role 11 November 2013)
M Bazley	General Manager, International Commodity & Trading
D Keldie	General Manager, Consumer Markets
G Woods	General Manager, AGS and CopRice

C. Former Executives

Name	Position
B Hingle	Chief Financial Officer (resigned effective 23 December 2013)
J Lloyd	Chief Executive Officer, Riviana Foods (retired effective 30 April 2014)

3. Remuneration governance at Ricegrowers Limited

A formal Remuneration Committee is constituted to govern matters related to Director and Executive remuneration. A discussion in respect of the members can be found on page 47 of the Annual Report and the Charter of the Remuneration Committee is available on the Company's website.

The role of the Remuneration Committee is to review and make recommendations to the Board in respect of the remuneration of the Directors and Executives of the Group. The Remuneration Committee makes no formal decisions on behalf of the Company (other than the decision from time to time to appoint Remuneration Consultants).

Directors' Report continued

17. Remuneration report (audited) (continued)

3. Remuneration governance at Ricegrowers Limited (continued)

The duties of the Remuneration Committee include reviewing and, where appropriate, making recommendations to the Board on remuneration, compensation and benefits, including:

- a) Executive remuneration policies
- b) The remuneration packages of Executive management including short and long term remuneration targets and outcomes, including performance targets
- c) Employment contracts of Executive management
- d) Incentive policies and schemes
- e) Termination payments for Executives
- f) Executive and Board development programs
- g) Superannuation arrangements including receiving reports from the Superannuation Policy Committee
- h) The consistency of Ricegrowers' remuneration policies, recruitment practices, training and development processes with strategic goals and Human Resources initiatives
- i) The terms and conditions of appointment of Directors, including the retirement allowances and remuneration framework for Directors
- j) Remuneration by gender

4. Remuneration of Non-Executive Directors

Directors' fee

Non-Executive Directors receive fees which are determined by the Board within the aggregate allotment approved by Shareholders. The fees for FY2014 are set out in the table below.

Base fees	\$
Board Chair	150,000
Board Deputy Chair	76,000
All other Non-Executive Directors	65,000

The Deputy Chair and Directors receive the following fees for the additional responsibilities and time commitment as committee chair or members:

Committee Chair and Member fees	\$
Finance & Audit Committee Chair	12,000
Finance & Audit 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
Safety Health and Environment Committee Chair	6,000
Safety Health and Environment Committee Member	3,000
Nomination Committee Chair/Member	nil

In addition to the above fees, Ricegrowers Limited contributes the statutory superannuation (currently 9.25%) on behalf of all Directors.

Non-Executive Directors of Ricegrowers Limited who are Directors of Trukai Industries Limited also received annual Director Fees for their roles in recognition of the additional workload associated with travel to and management of an operation based in Papua New Guinea. M Robertson received \$8,788 (Kina 25,000) and L Arthur received \$7,030 (Kina 20,000) in relation to FY14. Total remuneration received by Directors published in the Remuneration Tables on page 66 reflects the aggregate of all Directors' Fees received by a Director in respect of Ricegrowers Limited and any of its Subsidiaries.

17. Remuneration report (audited) (continued)

4. Remuneration of Non-Executive Directors (continued)

All remuneration is provided to Directors in cash, and no Director (other than the Executive Director, the Ricegrowers CEO) is entitled to performance-based remuneration.

Directors' fee review

During the year, the Board reviewed the Non-Executive Directors remuneration quantum and structure with the assistance of Egan Associates and found it to be less than the 25th percentile of fees paid for Directors in the Australian consumer staples sector. This impacts the Company's ability to attract and retain the highest quality Directors to manage what is a complex international public company.

The Board considered the recommendations from Egan Associates in relation to the Directors' current fee pool and recommended an increase to the aggregate fee pool to \$1,100,000 which was approved by Shareholders at the 2013 Annual General Meeting.

Following approval at the Annual General Meeting in August 2013 to increase the fee pool, the Board increased the base fees for Non-Executive Directors by an average of 9%. In addition the Board introduced fees for the Safety, Health and Environment Committee Chair and members and maintained fees for other committees (Finance & Audit, Remuneration & Grower Services).

The total fees paid in the reporting period (including superannuation contributions in respect of Directors' remuneration) were \$832,485 (76% of the total fee pool). This is within the fee pool limit as approved by members at the 2013 Annual General Meeting. Refer to the Remuneration Table on page 66 for details of the total remuneration received by each Director during the reporting period.

Out of pocket expenses

Directors attending to the business of the Group are reimbursed for the reasonable costs of travel and reasonable out of pocket expenses. These costs are excluded from the Director Fee Pool.

Retirement allowances for Non-Executive Directors

Historically, the Directors of the Company participated in a Retirement Benefit Scheme, consistent with market practice at the time. Following a review by expert remuneration consultants, shareholders approved at the Annual General Meeting held on 27 August 2010 a change to the structure of Directors' remuneration which included the termination of the Retirement Benefit Scheme. Ricegrowers Limited's liability has been fully provided in previous years, therefore there will be no additional cost to the company.

5. Executive remuneration policy and framework

Review of remuneration strategy and policies

During 2013, the Remuneration Committee worked with Hay Group, an independent remuneration expert, to assist management with the review and improvement of the Group's approach to remuneration. As a result of the review the following was achieved:

1. Development of a remuneration strategy that defines how the Group applies a set of remuneration principles to attract and retain the right people in its chosen markets
2. Design of a remuneration framework, which provides the tools to measure and differentiate individual roles internally and measure competitiveness to the external market
3. Market remuneration comparison of executives to provide an independent report on the Group's competitive remuneration relative to the external market for executives, and a view on the current internal remuneration equity practice across the executive group
4. Review Ricegrowers' remuneration policies which outline the management of remuneration within the Business Units. Policies include:
 - a) Fixed remuneration
 - b) Variable remuneration, including consideration of short term incentive programs and long term incentive programs; and
5. As a result, alignment with the principles as set out in the Overview to this Remuneration Report.

Directors' Report continued

17. Remuneration report (audited) (continued)

5. Executive remuneration policy and framework (continued)

(Note that in accordance with the Corporations Act 2001 (Cth), the nature of the remuneration recommendations provided by Hay Group is discussed under the heading 'Remuneration Consultants' on page 67 of this Remuneration Report.)

Remuneration strategy

The remuneration strategy implemented in 2013 provides the Remuneration Committee and the Corporate Management Team with the parameters for governing remuneration at executive and salaried level. The strategy is designed to provide competitive remuneration across Ricegrowers that is broadly in-line with appropriate market practice. Remuneration at Ricegrowers should:

- provide market competitive remuneration opportunities for sustainable performance in line with strategic expectations;
- encourage balanced outcomes for all stakeholders being shareholders, rice growers, employees and the communities in which we operate;
- reward for outputs and behaviours (ie. the 'what' and the 'how');
- promote a balance between short-term and long-term goals;
- align the financial interests of executives and shareholders; and
- not encourage excessive risk taking.

Remuneration framework

In developing a remuneration framework to apply across Ricegrowers and its subsidiaries around the world, the Remuneration Committee considered the size and complexity of the Group's operations.

The remuneration framework provides a mix of fixed remuneration and variable 'at-risk' pay to reward performance against short and medium term goals. Ricegrowers approaches remuneration in the context of total remuneration whereby the remuneration received includes both tangible remuneration and other benefits.

The elements of executive remuneration are described below. Note that while this Remuneration Report discloses the details of those Executives who are disclosed as Key Management Personnel, the comments are generally applicable to Corporate Management Team members.

Fixed Annual Remuneration

Fixed Annual Remuneration comprises the base remuneration, superannuation plus other short-term benefits. Executives are able to elect to take a range of benefits as part of their remuneration package, including novated vehicle, additional superannuation or remote housing subsidy.

Fixed remuneration is designed to align to the value the individual provides to the organisation including the following:

- i. Relative size and complexity of the role
- ii. Skills and competencies needed to generate results
- iii. Sustained contribution to the team and organisation
- iv. The value of the role and contribution of the individual in the context of the external market
- v. Strategic planning including succession and retention of corporate knowledge

In 2013 the Remuneration Committee engaged Hay Group to provide comprehensive benchmarking review and market practice advice for the Executives. The independent report compared the fixed and variable remuneration of Executives against defined peer companies in guiding the Remuneration Committee in setting the appropriate target fixed and variable remuneration for Executives for FY14.

17. Remuneration report (audited) (continued)

5. Executive remuneration policy and framework (continued)

Benchmarking for Executive positions is based on specific roles in peer companies from the following sectors:

- Consumer Staples
- Agriculture & Food Products
- Industrial & Services

Ricegrowers' remuneration policy for Executive fixed remuneration is to position around the median of the market, with opportunity for above target outcomes through variable remuneration for outstanding performance.

While there is an annual salary review process, no Executive has a contractual entitlement to an increase in their Fixed Annual Remuneration. Actual remuneration changes vary by individual based on

- The employee's current position relative to the market, and
- The employee's level of performance.

Variable Remuneration

Executives are eligible to participate in a Short Term Incentive (STI) scheme. In addition, the Ricegrowers Chief Executive Officer is contractually entitled to participate in a Long Term Incentive (LTI) scheme.

A. "At risk" remuneration

The "at risk" remuneration in the table below describes the portion of remuneration for the Ricegrowers CEO, Riviana CEO and other Executive Key Management Personnel that is not guaranteed. The "remuneration mix" describes the mix of remuneration as a proportion of total remuneration (including incentives) and is based on the target opportunity.

	Fixed Annual Remuneration	Short Term Incentive	Long Term Incentive
	% of total remuneration		
Ricegrowers CEO	50%	25%	25%
Riviana CEO	67%	33%	–
Other Executive Key Management Personnel	77%	23%	–

B. Short Term Incentive scheme

The STI is a cash-settled incentive and is in respect of performance across the financial year. It is designed to reward the participants for meeting stretch targets, as set by the Board. In addition to the Executives disclosed as Key Management Personnel in this Remuneration Report, other group executives and senior managers were invited to participate in the scheme as a key driver of their performance.

For FY14 the Ricegrowers CEO had a target STI opportunity equal to 50% of his Fixed Annual Remuneration as set by the Board to drive profit and paddy price per tonne for the year as well as other strategic and operational goals. The Riviana CEO had a target STI opportunity of 50% of his Fixed Annual Remuneration. All other current Executives have a target STI of 30%, with the potential of a maximum of 37.5% for exceptional performance.

STI for Executives (excluding Ricegrowers CEO and Riviana CEO)

A group-wide performance 'gateway measure' was in place before any STI pool is released. This gateway measure ensures that incentive payments are funded through profitability, as distinct from a scenario (without the gateway) where incentives may be paid for, say, individual performance, notwithstanding the Group performance being below expectations. The key gateway measure is threshold performance against the Group Net Profit Before Tax after applying a budgeted paddy price. If the threshold (being at least 95% of the target) is not achieved, the gate does not open and no STI payments are awarded except for circumstances where the Board exercises discretion to do so. The specific target is not disclosed due to it being commercially sensitive.

Directors' Report continued

17. Remuneration report (audited) (continued)

5. Executive remuneration policy and framework (continued)

Once the threshold is achieved, the FY14 STI for each individual is determined against three broad components. The weighting and examples of performance measures are shown in the table below. For the Corporate Management Team generally (excluding the Ricegrowers CEO and Riviana CEO), the performance measures are recommended to the Remuneration Committee by the Ricegrowers CEO. For the CEO and the Executives, the Remuneration Committee sets the performance measures. Specific performance measures are disclosed to the extent that they are not commercially sensitive.

Key Management Personnel	Group Performance	Business Unit Performance	Safety, Health and Environment	Individual Performance	Total
Chief Financial Officer	50%	0%	10%	40%	100%
GM Consumer Markets	35%	30%	10%	25%	100%
GM International Commodity	35%	30%	10%	25%	100%
GM AGS & CopRice	35%	30%	10%	25%	100%

Component	Performance measures
Group performance	Each Executive is subject to the same Group profit performance measure. This component is awarded on a sliding scale between 95% of target (at which point 50% is awarded) and 110% of the target (at which point 125% is awarded). The above measure was chosen as a key metric to provide the link between Group performance and balancing our objective to achieve the best possible returns for rice growers whilst acting in the best interests of shareholders.
Business Unit performance	<p><i>1. Profit</i></p> <p>Each Executive is set with Business Unit performance targets, measured as Net Profit Before Tax for their respective Business Unit or Functional Team. The measures are chosen as they indicate the success of the Executive in executing the strategy for their Business Unit.</p> <p><i>2. Safety, Health and Environment</i></p> <p>The Safety, Health and Environment (SHE) Target assesses the safety performance of the Executives' Business Unit by measuring the reduction in Lost Time Injury Frequency Rate (LTIFR) whilst progressively moving towards proactive preventative SHE actions. The three lead indicators used to measure preventative SHE actions comprise:</p> <ul style="list-style-type: none"> a) Safety Health and Environment Regulatory Compliance Training b) Safety Health and Environment Element Audits c) Near Miss Identification <p>The Safety Health and Environment performance measure has been selected to drive the Zero Harm culture initiative across the Group.</p>
Individual performance	Each Executive is set with individual performance measures relating to their role as an individual contributor. The individual scorecard measures include leadership, innovation, process improvement and customer focus.

The Directors rigorously test the annual STI performance measures to ensure the performance required to achieve "on target" performance is sufficiently stretched. Similarly, the Directors recognise that participants should have the opportunity for above-target outcomes for outstanding performance and the STI allowed for up to 125% of target (in any or all of the three categories above) in instances of outstanding performance (measured against the pre-agreed target as to what would constitute 'outstanding performance').

17. Remuneration report (audited) (continued)

5. Executive remuneration policy and framework (continued)

STI for the Riviana Chief Executive Officer

Goals for the Riviana Chief Executive Officer were specified in his service agreement and related to strategic organisational review and effective succession.

STI for the Ricegrowers Chief Executive Officer

The CEO is subject to a different STI plan. The Board have implemented this approach to ensure the CEO is rewarded for the achievement of key strategic and operational goals. Further, the Board engages in a thorough process to ensure that the performance measures of the CEO and his direct reports are complementary and align to the Group's strategic objectives.

The CEO's STI has various components which includes improvement in profit, maximisation of return to growers, strategic and operational goals.

General comments in respect of the STI for all Executives (including the Ricegrowers CEO)

None of the performance measures applicable in this reporting period were relative to external benchmarks.

At the end of the financial year, the Remuneration Committee assesses the performance of the Ricegrowers CEO and recommends STI outcomes to the Board. The Remuneration Committee also reviews the assessment of performance against KPIs and final STI outcomes for Executives after considering recommendations of the Ricegrowers CEO. While the Remuneration Committee receives information from management, it rigorously and independently verifies the information prior to declaring STI outcomes.

Financial highlights in respect of STI for this reporting period include:

- a. Group net profit before tax of \$54.039m
- b. Maintained a dividend of 23.0 cents
- c. Paddy price of \$293.61 per tonne

Key Management Personnel	STI Target Opportunity	STI Stretch Opportunity (Maximum)	% of STI Maximum Earned
Ricegrowers Chief Executive Officer	100%	125%	80%
Chief Financial Officer	100%	125%	91%
General Manager – Consumer Markets	100%	125%	94%
General Manager – AGS and CopRice	100%	125%	87%
General Manager – Int'l Commodity & Trading	100%	125%	94%
Riviana Chief Executive Officer	100%	100%	100%

Directors' Report continued

17. Remuneration report (audited) (continued)

5. Executive remuneration policy and framework (continued)

Link to performance of Ricegrowers Limited

	2010	2011	2012	2013	2014
Group NPBT \$000s	15,515	17,500	54,635	57,347	54,039
Paddy Supplement / (Retention) ¹	22,800	22,709	(16,000)	–	–
Medium Grain Paddy Price (\$/t) ²	550	417	255	317	294
Earnings per Share (cents) ¹	24.5	23.0	57.3	57.9	53.3
Return on Funds Employed (%) ^{1,4}	6.4%	8.1%	11.7%	13.6%	14.1%
Dividend (cents per B Class Share)	22.5	18.0	18.0	23.0	23.0
Average STI payment as a % of Maximum STI opportunity for Key Management Personnel ³	46.5%	17.6%	77.1%	86.0%	91.4%

1. The NPBT used to evaluate performance includes key adjustments. In 2010 and 2011 respectively, paddy supplements to the value of \$22.8m and \$22.7m were paid. In 2012, retention was applied from the paddy pool to the value of \$16m. The FY12 ROFE calculation excludes this retention of \$16m (\$20/t)

2. Medium Grain Paddy Price of \$417/t for FY11 is the weighted average for the premium pool and pool #2.

3. Ricegrowers CEO and Riviana CEO are excluded and participate under separate STI plans.

4. ROFE defined as the ratio of Profit Before Income Tax and Interest to Net Assets excluding Cash and Borrowings.

C. Long Term Incentive scheme

While the Group has previously operated a Long Term Incentive scheme, it has not actively awarded Long Term Incentives in the current year.

The Ricegrowers CEO is eligible to participate in the Company's Long Term Incentive scheme. For FY14 the CEO had a target Long Term Incentive opportunity equal to 50% of his Fixed Annual Remuneration. The objectives set by the Board for the Ricegrowers CEO's Long Term Incentives are:

1. Compound annual growth in Group Net Profit After Tax over three years while maximising return to growers as measured by price per tonne each and every year over the three years;
2. Achieve significant reduction in milling conversion costs over three years;
3. Strategic goals arising from the strategic planning process in relation to the Company's strategic direction and capital structure
4. Talent and succession planning goals

The amounts represented in the other long term benefits for the Ricegrowers CEO within the remuneration tables represents the amount provided for the Ricegrowers CEO under the Long Term Incentive scheme in FY14.

17. Remuneration report (audited) (continued)

6. Remuneration tables

Executives

	Short term benefits			Post employment benefits	Termination Benefit	Other long term benefits	Retention benefit ¹	Total Paid and Payable	Other long term benefits ²	Total
Name	Cash Salary and fees \$	Cash Bonus \$	Non-Monetary Benefits ³ \$	Super-annuation \$	\$	\$	Cash Bonus \$	\$	Provided \$	\$
<i>R Gordon</i>										
2014	907,400	400,000	8,778	25,000	–	–	–	1,341,178	400,000	1,741,178
2013	879,167	700,000	3,711	20,833	–	–	–	1,603,711	400,000	2,003,711
<i>E Zammit⁴</i>										
2014	215,297	81,720	4,058	8,888	–	–	–	309,963	–	309,963
<i>M Bazley</i>										
2014	370,806	139,225	–	25,000	–	–	–	535,031	–	535,031
2013	359,278	122,488	–	25,000	–	–	49,087	555,853	–	555,853
<i>D Keldie</i>										
2014	366,439	137,688	8,778	24,999	–	–	–	537,904	–	537,904
2013	360,998	117,142	4,566	23,800	–	–	49,262	555,768	–	555,768
<i>G Woods</i>										
2014	248,811	121,784	99,413	24,376	–	–	–	494,384	–	494,384
2013	231,060	124,038	102,152	23,026	–	–	–	480,276	–	480,276
Former Executives										
<i>B Hingle⁵</i>										
2014	227,148	–	28,180	16,660	–	–	–	271,988	–	271,988
2013	342,604	127,274	36,067	24,330	–	–	51,666	581,941	–	581,941
<i>J Lloyd⁶</i>										
2014	572,034	318,005	7,400	56,575	106,002	53,000	–	1,113,016	–	1,113,016
2013	572,034	–	7,400	56,575	–	53,000	–	689,009	–	689,009

1. Mr Hingle, Mr Keldie and Mr Bazley had a retention arrangement that ended on 31 October 2012.

2. In accordance with accounting standards, the Ricegrowers Chief Executive Officer's remuneration includes amounts provided in the relevant years as the best estimate of the LTI relating to that year's performance. No amounts will be paid until the end of 3 years' service and any Long Term Incentive paid will be based on performance over the 3 years.

3. Non-monetary benefits include benefits such as car parking and fringe benefits tax. In some cases, these are at the election of the Executives i.e. they are salary sacrificed.

4. Mr Zammit commenced as Interim Chief Financial Officer on 11 November 2013.

5. Mr Hingle ceased as Chief Financial Officer on 23 December 2013.

6. Mr Lloyd retired on 30 April 2014 at which time he was provided with a Termination Benefit as provided for in his service agreement.

It is noted that there are no Share Based Payments for any Key Management Personnel.

Directors' Report continued

17. Remuneration report (audited) (continued)

6. Remuneration tables (continued)

Non-Executive Directors

	Short term benefits		Post employment benefits	Total
	Cash Salary and fees	Cash Salary & fees Other Controlled Entities	Superannuation	
	\$	\$	\$	\$
<i>GF Lawson</i>				
2014	150,000	–	13,818	163,818
2013	138,000	–	12,420	150,420
<i>NG Graham</i>				
2014	78,583	–	7,241	85,824
2013	66,000	–	5,940	71,940
<i>GA Andreazza</i>				
2014	71,000	–	6,541	77,541
2013	63,000	–	5,670	68,670
<i>LJ Arthur¹</i>				
2014	74,000	7,030	6,816	87,846
2013	69,000	9,326	6,210	84,536
<i>GL Kirkup</i>				
2014	75,000	–	6,910	81,910
2013	66,000	–	5,940	71,940
<i>GF Latta</i>				
2014	86,000	–	7,740	93,740
2013	78,000	–	7,020	85,020
<i>PM Margin²</i>				
2014	75,000	–	6,909	81,909
2013	40,300	–	3,627	43,927
<i>DM Robertson¹</i>				
2014	79,417	8,788	7,313	95,518
2013	79,000	11,657	7,110	97,767
<i>AD Walsh</i>				
2014	69,000	–	6,356	75,356
2013	63,000	–	5,670	68,670
<i>RA Higgins³</i>				
2013	20,804	–	1,872	22,676

1. Mr Arthur and Mr Robertson as Directors of Trukai Industries Limited receive Directors' fees from Trukai Industries Limited.

2. Mr Margin commenced as a Non-Executive Director on 29 September 2012.

3. Mr Higgins retired as a Non-Executive Director on 24 August 2012.

17. Remuneration report (audited) (continued)

6. Remuneration tables (continued)

Service Agreements

The remuneration arrangements for the Ricegrowers Chief Executive Officer and the Executives are formalised in Service Agreements.

Name and Role	Term of Agreement	Notice Periods
R Gordon, Ricegrowers Chief Executive Officer	Service agreement until February 2017	6 months
E Zammit, Interim Chief Financial Officer	Fixed Term Contract until October 2014	2 months
M Bazley, General Manager – International Commodity & Trading	Rolling contract with no fixed end date	3 months
D Keldie, General Manager – Consumer Markets	Rolling contract with no fixed end date	3 months
G Woods, General Manager – AGS and CopRice	Rolling contract with no fixed end date	3 months

Additional comments:

1. The Ricegrowers Chief Executive Officer has a contractual entitlement to a STI and LTI programs. The remaining Executives are eligible to participate in the Variable Remuneration schemes and participation is by invitation only.
2. The Riviana Chief Executive Officer (who retired on 30 April 2014) had a service agreement in force until 30 April 2014. This prescribed 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 Chief Executive Officer's agreement to extend his term of employment and consists of 2 months' total employment cost and one month's total employment cost for each year or part thereof service with the company commencing 20 September 1993 to termination date payable on termination.
3. The remaining Executives, with the exception of the Interim Chief Financial Officer, have standard permanent employment contracts. Under these employment contracts the Company can terminate without notice for cause. The Interim Chief Financial Officer has a fixed term contract as specified in the above table.
4. None of the Service Agreements detailed above provide an entitlement to Termination Benefits other than (a) any contractual benefits accrued up until the date of termination and (b) payment in lieu of notice if mutually agreed by the parties.

7. Remuneration Consultants

During the reporting period, the Company engaged remuneration consultants for a variety of purposes including access to remuneration databases, job analysis, external benchmarking reports and other services.

Provision of a "remuneration recommendation"

1. Hay Group was engaged by the Remuneration Committee to assist with the review of the remuneration strategy including the approach to setting Fixed Annual Remuneration and the design of Variable Remuneration.

During the engagement, Hay Group provided several recommendations that may constitute a "remuneration recommendation" for the purposes of the Act. The remuneration recommendations included recommendations as to the remuneration mix for the Ricegrowers Chief Executive Officer and Executives and recommendations as to the design of Variable Remuneration for the Chief Executive Officer and Executives.

Hay Group also provided other services, as part of the one engagement, which did not constitute a remuneration recommendation including for example providing access to the Hay Group PayNet remuneration database, advice in respect of the reward strategy for the Group, compliance and governance advice.

The fees paid to Hay Group during the reporting period were \$139,748 of which approximately \$22,000 related to the remuneration recommendations, as defined in the Corporations Act 2001 (Cth).

2. Egan Associates was engaged by the Remuneration Committee to conduct a review of Ricegrowers' Non-Executive Directors' remuneration.

Directors' Report continued

17. Remuneration report (audited) (continued)

7. Remuneration Consultants (continued)

During the engagement, Egan Associates provided recommendations that may constitute a "remuneration recommendation" for the purposes of the Act. The remuneration recommendations related to Non-Executive Directors' fees and the aggregate fee pool.

During the financial year, Egan Associates also provided other services to the Group which did not constitute a remuneration recommendation including the provision of market remuneration data.

The fees paid to Egan Associates during the reporting period, related to the remuneration recommendations, as defined in the Act were \$25,757 of which approximately \$13,860 related to the provision of a Remuneration Recommendation as defined in the *Corporations Act 2001* (Cth).

3. AON Hewitt provided market remuneration data in relation to Ricegrowers Executive and non-Executives, of which no remuneration recommendations were made in relation to Key Management Personnel.

Governance arrangements

To uphold the highest standards of governance, Hay Group and Egan Associates were engaged by the Directors and reported directly to the Remuneration Committee in respect of their advice.

Although Hay Group and Egan Associates were provided with information from management to assist with their work, clear communication channels were opened between the Remuneration Committee and each of Hay Group and Egan Associates to ensure they could confer with the Remuneration Committee should the Key Management Personnel do or say anything to impede on Hay Group's or Egan Associates' independence. Further, each of Hay Group and Egan Associates provided the Company with a statement that the remuneration recommendation was free from undue influence from the members of Key Management Personnel to whom the recommendation relates.

On the basis of the above arrangements, the Board is satisfied that the remuneration recommendations (and indeed all of the advice provided by Hay Group and Egan Associates) are free from undue influence from the Key Management Personnel to whom the recommendation relates.

Voting and comments made at Ricegrowers Limited's Annual General Meeting

It is noted that at the 2013 AGM held on 23 August 2013 that the company received less than 25% 'no vote' on the Remuneration Report. Consequently, no additional disclosures have been triggered.

18 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 70.

19 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



NG Graham
Deputy Chairman

26 June 2014

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 71 to 116 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 2014 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



NG Graham
Director

26 June 2014



Auditor's Independence Declaration

As lead auditor for the audit of Ricegrowers Limited for the year ended 30 April 2014, 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.

A handwritten signature in black ink, appearing to read 'S J Bourke'.

S J Bourke
Partner
PricewaterhouseCoopers

Sydney
26 June 2014

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated income statement

For the year ended 30 April 2014

		2014	2013
	Note	\$000's	\$000's
Sales revenue	5	1,138,264	1,061,931
Other revenue	5	12,699	6,303
Revenue from continuing operations		1,150,963	1,068,234
Other income	6	1,757	875
Impairment of assets		–	(3,837)
Changes in inventories of finished goods		21,101	(1,998)
Raw materials and consumables used		(666,152)	(599,129)
Freight and distribution expenses		(168,559)	(139,055)
Employee benefits expense		(113,938)	(106,825)
Depreciation and amortisation expense	7	(19,330)	(21,141)
Finance costs		(15,281)	(11,975)
Other expenses	7	(136,815)	(127,767)
Share of net profit/(loss) of associate accounted for using the equity method	14	293	(35)
Profit before income tax		54,039	57,347
Income tax expense	8	(20,519)	(21,554)
Profit for the year		33,520	35,793
Profit for the year is attributable to:			
Non-controlling interests		3,790	3,528
Ricegrowers Limited shareholders	24	29,730	32,265
		33,520	35,793
Earnings per share for profit attributable to B Class Shareholders			
Basic and diluted earnings (cents per share)	32	53.3	57.9

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

Consolidated statement of comprehensive income

For the year ended 30 April 2014

		2014	2013
	Note	\$000's	\$000's
Profit for the year		33,520	35,793
Items that may be reclassified to the profit or loss			
Changes in fair value of cash flow hedges	24	(224)	(1,913)
Exchange differences on translation of foreign operations	24	(6,068)	(125)
Income tax relating to items of other comprehensive income	24	185	574
Other comprehensive income for the year, net of tax		(6,107)	(1,464)
Total comprehensive income for the year		27,413	34,329
Total comprehensive income for the year is attributable to:			
Non-controlling interests		1,915	4,167
Ricegrowers Limited shareholders		25,498	30,162
		27,413	34,329

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

Consolidated balance sheet

As at 30 April 2014

	Note	2014 \$000's	2013 \$000's
Current assets			
Cash and cash equivalents	9	84,810	146,263
Receivables	10	127,111	150,326
Inventories	11	403,648	456,364
Current tax receivable		2,101	–
Derivative financial instruments	13	5,105	4,517
Total current assets		622,775	757,470
Non-current assets			
Other financial assets	12	52	65
Property, plant and equipment	15	194,854	185,210
Investment properties	17	1,150	1,150
Intangibles	16	7,638	7,451
Deferred tax assets	18	12,470	14,520
Investments accounted for using the equity method	14	1,468	1,113
Total non-current assets		217,632	209,509
Total assets		840,407	966,979
Current liabilities			
Payables	19	83,524	87,080
Amounts payable to Australian Rice Growers	19	140,245	128,233
Borrowings	20	107,872	183,467
Current tax liabilities		12,061	18,186
Provisions	21	15,853	16,100
Derivative financial instruments	13	2,391	1,324
Total current liabilities		361,946	434,390
Non current liabilities			
Payables	19	7,243	9,895
Amounts payable to Australian Rice Growers	19	34,918	60,260
Borrowings	20	109,835	145,146
Provisions	21	2,445	2,991
Total non-current liabilities		154,441	218,292
Total liabilities		516,387	652,682
Net assets		324,020	314,297
Equity			
Contributed equity	23	107,819	107,819
Reserves	24	12,783	17,015
Retained profits	24	191,443	174,538
Capital & resources attributable to Ricegrowers Limited shareholders		312,045	299,372
Non-controlling interests		11,975	14,925
Total equity		324,020	314,297

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

Consolidated statement of changes in equity

For the year ended 30 April 2014

	Contributed equity \$000's	Reserves \$000's	Retained Profits \$000's	Parent entity interest \$000's	Non- controlling interests \$000's	Total Equity \$000's
Balance as at 1 May 2013	107,819	17,015	174,538	299,372	14,925	314,297
Profit for the year	–	–	29,730	29,730	3,790	33,520
Other comprehensive income	–	(4,232)	–	(4,232)	(1,875)	(6,107)
Total comprehensive income for the year	–	(4,232)	29,730	25,498	1,915	27,413
Transactions with owners in their capacity as owners:						
Dividends paid	–	–	(12,825)	(12,825)	(4,865)	(17,690)
	–	–	(12,825)	(12,825)	(4,865)	(17,690)
Balance as at 30 April 2014	107,819	12,783	191,443	312,045	11,975	324,020
	Contributed equity \$000's	Reserves \$000's	Retained Profits \$000's	Parent entity interest \$000's	Non- controlling interests \$000's	Total Equity \$000's
Balance as at 1 May 2012	107,819	19,118	152,310	279,247	13,677	292,924
Profit for the year	–	–	32,265	32,265	3,528	35,793
Other comprehensive income	–	(2,103)	–	(2,103)	639	(1,464)
Total comprehensive income for the year	–	(2,103)	32,265	30,162	4,167	34,329
Transactions with owners in their capacity as owners:						
Dividends paid	–	–	(10,037)	(10,037)	(2,919)	(12,956)
	–	–	(10,037)	(10,037)	(2,919)	(12,956)
Balance as at 30 April 2013	107,819	17,015	174,538	299,372	14,925	314,297

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

Consolidated cash flow statement

For the year ended 30 April 2014

	Note	2014 \$000's	2013 \$000's
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,196,006	1,073,268
Payments to suppliers (inclusive of goods and services tax)		(684,200)	(577,294)
Payments of wages, salaries and on-costs		(114,732)	(103,831)
Interest received		4,886	2,622
Other revenue		785	3,848
Interest paid		(15,891)	(10,971)
Income taxes paid		(25,750)	(20,488)
		361,104	367,154
Payments to growers		(266,565)	(339,959)
Net cash inflow from operating activities	31	94,539	27,195
Cash flows from investing activities			
Payments for property, plant and equipment		(31,922)	(13,022)
Proceeds from sale of property, plant and equipment		4,419	540
Payments for intangibles		(365)	(1,111)
Net cash outflow from investing activities		(27,868)	(13,593)
Cash flows from financing activities			
Proceeds from borrowings		105,001	661,339
Repayment of borrowings		(224,220)	(529,230)
Repayment of finance leases		(948)	(822)
RMB equity redemptions	19	(2,363)	(7,879)
Dividends paid to non controlling interests		(3,085)	(2,920)
Dividends paid to company's shareholders		(12,825)	(10,037)
Net cash (outflow)/inflow from financing activities		(138,440)	110,451
Net (decrease)/increase in cash and cash equivalents		(71,769)	124,053
Cash and cash equivalents at the beginning of the financial year		134,413	11,003
Effect of exchange rate changes on cash and cash equivalents		1,817	(643)
Cash and cash equivalents at end of year	9	64,461	134,413

The above consolidated 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

AASB 10 *Consolidated Financial Statements* replaces previous guidance on control and consolidation. 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. There has been no change to the entities consolidated as a result of changes to this standard.

AASB 12 *Disclosure of Interest in Other Entities* sets out the required disclosures for entities reporting under the new standard AASB 10. There has been no change as a result of the application of these standards by the Group in any of the amounts recognised in the financial statements. Additional disclosure is included at note 29 and note 35.

AASB 13 *Fair Value Measurement* explains how to measure fair value and aims to enhance fair value disclosures. The Group does not use fair value measurements extensively. Adoption of the standard had no material impact on any of the amounts recognised in the financial statements. Additional disclosure is included at note 3.

None of the other new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 May 2013 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 periods beginning after 1 May 2014.

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, investment property and derivative financial instruments.

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 2014 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 over which the Group has control in accordance with AASB 10. Control includes the power to direct the activities which significantly affect the subsidiaries return, the rights to the variable returns of the subsidiary and the ability of the parent to exercise power to affect returns. The existence of all substantive rights are considered when assessing whether the parent has power over a subsidiary.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

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.

(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 or, where the purchase is not hedged, inventory is translated at the spot rate on the date of purchase. 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 of the Group's interest in foreign operations 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.

Notes to the financial statements continued

1 Summary of significant accounting policies (continued)

(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 consolidated income statement as part of other income or expense.

(f) Inventory

Raw materials, finished goods and packaging materials 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 hedge rate for the specific transactions. Raw materials, finished goods, consumable stores and packaging materials 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 with 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 consideration transferred, amount of any non-controlling interest in the acquired assets and acquisition date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired. 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.

1 Summary of significant accounting policies (continued)

(i) Intangible assets (continued)

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.

(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. Grower payables also comprises the next financial year's pool payments where paddy rice for next years pool 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

Short term obligations

Liabilities for wages and salaries, sick 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 term obligations

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.

Notes to the financial statements continued

1 Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

Long term obligations (continued)

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.

(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.

1 Summary of significant accounting policies (continued)

(p) Financial Instruments

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 consolidated income statement. Amounts accumulated in the hedging reserve are 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 re-measured 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 consolidated 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.

Notes to the financial statements continued

1 Summary of significant accounting policies (continued)

(t) Business Combinations

The purchase method of accounting is used to account for all 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.

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 consolidated 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.

1 Summary of significant accounting policies (continued)

(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.

(ac) New accounting standards and interpretations

(i) AASB 9 Financial Instruments (effective for year ending 30 April 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting. The standard is expected to have no material effect on the Group’s accounting for financial instruments.

(i) AASB 15 Revenue from contracts with customers (effective for year ending 30 April 2018)

AASB 15 clarifies that revenue must be recognised when goods or services are transferred to the customer, at the transaction price. The standard is expected to have no material effect on the Group’s accounting for revenue recognition.

There are no other standards that are effective for periods beginning on or after 1 May 2014 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.

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.

Notes to the financial statements continued

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.

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.

	2014	2013
	USD	USD
	000's	000's
Cash	1,941	2,052
Trade receivables	86,811	93,142
Trade payables	(38,307)	(36,164)
Forward exchange contracts:		
– selling foreign currency	(194,700)	(214,500)
– buying foreign currency	69,265	78,502
Net exposure – selling currency/(buying currency)	(74,990)	(76,968)

Sensitivity analysis

At 30 April 2014, had the US dollar increased by 5 cents to the Australian dollar with all other variables held constant, the Group's post tax profit for the year would have been \$1,017,000 lower (2013 – a change of 5 cents: \$709,000 lower) and other equity would have been \$3,905,000 higher (2013: \$3,101,000 higher) mainly as a result of foreign exchange gain/loss on translation of the US dollar.

At 30 April 2014, had the US dollar decreased by 5 cents to the Australian dollar with all other variables held constant, the Group's post tax profit for the year would have been \$1,132,000 higher (2013 – a change of 5 cents: \$1,116,000 higher) and other equity would have been \$4,349,000 lower (2013: \$4,879,000 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.

2 Financial risk management (continued)

(a) Market risk (continued)

(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 cash at bank, borrowings and interest rate swap contracts outstanding:

	Weighted average interest rate	Balance
	%	\$000's
30 April 2014		
Cash at bank	0.9	(20,798)
Bank loans and bank overdrafts	4.1	194,420
Interest rate swap (notional principal amount)	4.0	(71,000)
Net exposure to cash flow interest rate risk		102,622
	Weighted average interest rate	Balance
	%	\$000's
30 April 2013		
Cash at bank	3.7	(72,007)
Bank loans and bank overdrafts	4.2	312,109
Interest rate swap (notional principal amount)	4.1	(71,000)
Net exposure to cash flow interest rate risk		169,102

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

Sensitivity analysis

At 30 April 2014, 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 \$180,000 lower/higher (2013: \$423,000 lower/higher) mainly as a result of higher/lower interest expense on variable borrowings.

(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 10.

(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.

Notes to the financial statements continued

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Financing arrangements

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

	2014 \$000's	2013 \$000's
Floating rate:		
Bank overdraft – expiring within one year	9,660	11,358
Bank loans – expiring within one year	168,000	10,127
Bank loans – expiring beyond one year	42,000	–
	219,660	21,485

Undrawn bank loans – expiring within one year were affected by rain delays impacting the timing of receipt of the C14 crop.

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 2014	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	223,769	37,708	4,453	–	265,930	265,930
Variable rate	92,117	4,697	112,383	–	209,196	194,420
Fixed rate	21,355	1,019	1,088	646	24,108	24,050
Total non-derivatives	337,241	43,424	117,924	646	499,234	484,400
Derivatives						
Interest rate swaps – net settled	651	274	442	–	1,367	1,367
Foreign currency contracts – gross settled						
(inflow)	292,206	–	–	–	292,206	(4,080)
outflow	(296,286)	–	–	–	(296,286)	
Total derivatives	(3,429)	274	442	–	(2,713)	(2,713)

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Maturities of financial liabilities (continued)

	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
30 April 2013						
Non-derivatives						
Non-interest bearing	216,661	63,055	5,745	1,355	286,816	285,522
Variable rate	173,236	142,000	–	–	315,236	312,109
Fixed rate	13,715	978	1,754	965	17,412	16,450
Total non-derivatives	403,612	206,033	7,499	2,320	619,464	614,081
Derivatives						
Interest rate swaps – net settled	1,016	442	–	–	1,458	1,324
Foreign currency contracts – gross settled						
(inflow)	279,458	–	–	–	279,458	(4,517)
outflow	(283,975)	–	–	–	(283,975)	
Total derivatives	(3,501)	442	–	–	(3,059)	(3,193)

3 Fair value measurement of financial instruments

The Group's financial instruments that are carried at fair value are valued using observable market data as there is no price quoted in an active market for the financial instruments (level 2). The Group's financial instruments carried at fair value are limited to currency and interest rate derivatives. The fair value of derivative financial instruments are determined based on dealer quotes for similar instruments. The valuation inputs are calculated in accordance with industry norms and the inputs include spot market exchange rates and published interest rates.

The Group does not have any financial instruments that are carried at fair value using inputs classified as level 1 or level 3 inputs.

The Directors consider the carrying amounts of other financial instruments approximates their fair value due to either their short term nature or being at market rates. These financial instruments include receivables, payables, bank overdrafts, bank loans and grower payables.

4 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 non-current 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 used for goodwill impairment testing.

Notes to the financial statements continued

4 Critical accounting estimates and judgements (continued)

(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.

(iii) Deferred tax assets not recognised for capital losses and USA related revenue losses.

The Group has not recognised deferred tax assets for capital losses as the group does not believe it is probable that taxable capital gains will arise against which capital losses can be utilised. The group has also not recognised deferred tax assets for revenue tax losses in the USA as the Group considers it is inappropriate to recognise such deferred tax assets until such time as the group begins to generate taxable income against which these losses can be utilised. Refer to note 8(d) for further details on unrecognised deferred tax assets.

5 Revenue

	2014 \$000's	2013 \$000's
Sales revenue		
Sale of goods	1,136,582	1,060,068
Services	1,682	1,863
	1,138,264	1,061,931
Other revenue		
Interest received	4,980	1,967
Other sundry items	7,719	4,336
	12,699	6,303
	1,150,963	1,068,234

6 Other income

	2014 \$000's	2013 \$000's
Net gain on disposal of property, plant and equipment	249	–
Foreign exchange gains	1,508	875
	1,757	875

7 Expenses

Profit before income tax includes the following specific expenses:

	2014 \$000's	2013 \$000's
Contributions to employee superannuation plans	4,004	3,721
Depreciation and amortisation		
Buildings	7,360	7,522
Plant and equipment	10,334	11,923
Leasehold improvements	382	666
Patents/brands and software	1,254	1,030
Total depreciation and amortisation expense	19,330	21,141

Other expenses

Energy	22,479	24,993
Contracted services	19,666	19,096
Operating lease expenditure	8,138	7,521
Research and development	4,012	3,461
Advertising and artwork	22,116	20,003
Fair value adjustment to investment properties	–	50
Net loss on disposal of property, plant and equipment	–	500
Repairs and Maintenance	11,397	12,471
Insurance	3,438	3,722
Equipment Hire	4,318	4,036
Training	1,110	1,209
Internet, telephone and fax	2,330	2,274
Vehicles and travel	7,096	6,702
Capital restructuring costs	2,840	1,199
Other	27,875	20,530
Total other expenses	136,815	127,767

8 Income tax expense

(a) Income tax expense

Current tax expense	(19,301)	(22,647)
Deferred tax (expense)/benefit	(1,927)	303
Adjustments for current tax of prior periods	709	790
Income tax expense attributable to profit from continuing operations	(20,519)	(21,554)

Deferred income (expense)/benefit included in income tax expense comprises:

(Decrease)/increase in deferred tax assets (note 18)	(1,090)	28
(Increase)/decrease in deferred tax liabilities (note 22)	(837)	275
	(1,927)	303

Notes to the financial statements continued

8 Income tax expense (continued)

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

	2014 \$000's	2013 \$000's
Profit from continuing operations before related income tax	54,039	57,347
Income tax expense calculated at the Australian rate of tax of 30% (2013: 30%)	(16,212)	(17,204)
Tax effect of amounts which are not taxable/(deductible) in calculating taxable income:		
Entertainment	(43)	(62)
Research & development	186	213
Overseas withholding tax on subsidiary dividends	(1,438)	(986)
Double taxation of foreign subsidiary income under Australian attribution rules	(643)	–
Sundry items	432	(57)
	(1,506)	(892)
Tax effect of tax losses and temporary differences not recognised	(2,201)	(3,124)
Difference in overseas tax rates	108	–
Adjustments for prior periods	(708)	(334)
Income tax expense	(20,519)	(21,554)
(c) Tax relating to items of other comprehensive income		
Cash flow hedges	185	(574)
	185	(574)

(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.

The Group has not recognised deferred tax assets for capital losses of \$6,835,000 (2013: \$8,643,000) in Australia and the USA as the Group does not believe it is probable that taxable capital gains will arise against which capital losses can be utilized. The Group has also not recognised deferred tax assets for revenue tax losses of \$11,463,000 (2013: \$8,245,000) in the USA as the Group does not believe it is probable that future taxable amounts will be available to utilise the losses. The Group will reassess this position should conditions in the USA improve.

9 Cash and cash equivalents

	2014 \$000's	2013 \$000's
Cash at bank and on hand	84,810	146,263
	84,810	146,263

The Group manages its cash and borrowings on a net basis. At 30 April 2014, the Group had \$84,810,000 (2013: \$146,263,000) in cash at bank and on deposit. This needs to be notionally off-set against total borrowings of \$217,707,000 (2013: \$328,613,000) and the amounts owing to RMB for equity certificates of \$8,517,000 (2013: \$10,880,000). At 30 April 2014, Net Debt was \$141,414,000 (2013: \$193,230,000).

(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:

Cash and cash equivalents	84,810	146,263
Less: Bank overdraft (note 20)	(20,349)	(11,850)
Balances per statement of cash flows	64,461	134,413

(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.

10 Receivables

	2014 \$000's	2013 \$000's
Current		
Trade receivables	104,405	120,207
Provision for impairment of receivables (note a)	(623)	(1,690)
	103,782	118,517
Other receivables	3,433	2,957
GST receivable	8,897	17,942
Prepayments	10,999	10,910
	127,111	150,326

(a) Impaired trade receivables

Nominal value of impaired trade receivables is as follows:

1 to 3 months	32	3,694
3 to 6 months	489	78
Over 6 months	205	143
	726	3,915

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

Included in the prior year impaired receivables was an amount due from a customer who was owed \$2,300,000 by the Group. The amount was settled in the current financial year.

Notes to the financial statements continued

10 Receivables (continued)

Movements in the provision for impairment of trade receivables are as follows:

	2014 \$000's	2013 \$000's
At 1 May	1,690	347
Provision for impairment recognised during the year	578	1,538
Receivables written off during the year as uncollectible	(760)	(150)
Amounts subsequently collected	(858)	–
Foreign currency difference on translation	(27)	(45)
At 30 April	623	1,690

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.

The directors are satisfied that debtors are fairly valued with respect to credit risk. Of the total trade receivables outstanding 96% (2013: 78%) are current, 3% (2013: 20%) are at 30 days, 0% (2013: 2%) are at 60 days and 1% are overdue. The directors have no reason to believe amounts not provided for will not be collected in full.

(b) Past due but not impaired

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

Up to 3 months	3,379	9,549
3 to 6 months	362	104
	3,741	9,653

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.

11 Inventories

	2014 \$000's	2013 \$000's
Raw materials	255,103	327,040
Finished goods	133,079	111,977
Packaging materials	9,108	11,254
Engineering and consumable stores	6,358	6,093
	403,648	456,364

12 Other financial assets

	2014 \$000's	2013 \$000's
Other unlisted securities	52	65
	52	65

13 Derivative financial instruments

	2014 \$000's	2013 \$000's
Current assets		
Forward foreign exchange contracts (cash flow hedges)	5,105	4,517
	5,105	4,517
Current liabilities		
Interest rate swaps (cash flow hedges)	1,367	1,324
Forward foreign exchange contracts (cash flow hedges)	1,024	–
	2,391	1,324

(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 Group 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. The timing of cashflows and the effect on the P&L are materially the same.

Swaps currently in place cover 66.4% (2013: 48.6%) of the Obligor Group core debt and AGS bank loans. The fixed interest rates range between 2.93% – 4.805% (2013: 2.93% – 4.98%) and the variable rates are between 4.31% and 4.61% (2013: 3.34% and 4.77%).

The gain or loss from re-measuring 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.

(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 timing of cashflows and the effect on the P&L are materially the same.

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.

Notes to the financial statements continued

13 Derivative financial instruments (continued)

(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.

14 Investments accounted for using the equity method

	2014 \$000's	2013 \$000's
Shares in associates	1,468	1,113

Information relating to the associate is set out below.

Name of company	Principal activity	Ownership interest	
		2014	2013
Pagini Transport (incorporated in Papua New Guinea)	Transport	28.85%	28.85%

	Consolidated	
	2014 \$000's	2013 \$000's
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	1,113	834
Share of profit/(loss) after related income tax	293	(35)
Gain on dilution of investment	–	333
Foreign currency difference	62	(19)
Carrying amount at the end of the financial year	1,468	1,113

(b) Share of associates' losses

Profit/(loss) before related income tax	293	(35)
Income tax benefit	–	–
Loss after related income tax	293	(35)

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

	Assets \$000's	Liabilities \$000's	Revenues \$000's	Profits \$000's
2014	11,331	6,243	2,163	1,016
2013	9,961	6,104	1,443	(113)

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

	2014 \$000's	2013 \$000's
Freehold land		
At cost	12,912	15,051
	12,912	15,051
Buildings		
At cost	187,382	184,540
Less accumulated depreciation	(75,936)	(68,887)
	111,446	115,653
Leasehold improvements		
At cost	10,731	11,532
Less accumulated depreciation	(4,425)	(4,296)
	6,306	7,236
Plant and equipment		
At cost	191,730	185,510
Less accumulated depreciation	(143,638)	(141,505)
Under finance lease	3,328	2,447
Less accumulated depreciation	(2,421)	(1,992)
	48,999	44,460
Capital works in progress		
At cost	15,191	2,810
	194,854	185,210

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.

	Land & Buildings \$000's	Leasehold Improvements \$000's	Plant & Equipment \$000's	Capitalised WIP \$000's	Totals \$000's
Carrying amount at 1 May 2013	130,704	7,236	44,460	2,810	185,210
Additions	795	49	2,990	28,088	31,922
Recognition of finance lease	–	–	863	–	863
Capital works in progress reclassifications	3,493	64	11,644	(15,201)	–
Transfers/disposals/scrapping	(3,515)	–	(558)	(290)	(4,363)
Depreciation expense	(7,360)	(382)	(10,334)	–	(18,076)
Foreign currency differences	241	(661)	(66)	(216)	(702)
Carrying amount at 30 April 2014	124,358	6,306	48,999	15,191	194,854

Notes to the financial statements continued

15 Property, plant and equipment (continued)

	Land & Buildings \$000's	Leasehold Improvements \$000's	Plant & Equipment \$000's	Capitalised WIP \$000's	Totals \$000's
Carrying amount at 1 May 2012	136,770	7,315	50,263	2,380	196,728
Additions	79	40	3,757	9,146	13,022
Recognition of finance lease	–	–	160	–	160
Capital works in progress reclassifications	1,696	529	6,427	(8,652)	–
Impairment	(380)	–	(3,457)	–	(3,837)
Transfers/disposals/scrapping	–	(4)	(918)	(62)	(984)
Depreciation expense	(7,522)	(666)	(11,923)	–	(20,111)
Foreign currency differences	61	22	151	(2)	232
Carrying amount at 30 April 2013	130,704	7,236	44,460	2,810	185,210

The impairment in 2013 relates to the fixed assets at SunFoods in the USA and Aqaba Processing Company in Jordan.

The impairments arose due to trading performance and results in the relevant assets being recorded at fair value less costs to sell determined by independent valuers.

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

	2014 \$000's	2013 \$000's
Goodwill	2,819	2,819
Patents and brands	8,637	8,278
Less accumulated amortisation	(5,830)	(5,425)
	2,807	2,853
Software	5,743	4,926
Less accumulated amortisation	(4,164)	(3,780)
	1,579	1,146
Other	1,000	1,000
Less accumulated amortisation	(567)	(367)
	433	633
	7,638	7,451

	Goodwill \$000's	Brands \$000's	Software \$000's	Other \$000's	Total \$000's
Carrying amount at 1 May 2013	2,819	2,853	1,146	633	7,451
Additions	–	–	365	–	365
Recognition of finance lease	–	–	819	–	819
Amortisation charge	–	(297)	(757)	(200)	(1,254)
Disposals	–	–	(8)	–	(8)
Foreign exchange difference on translation	–	251	14	–	265
Carrying amount at 30 April 2014	2,819	2,807	1,579	433	7,638

	Goodwill \$000's	Brands \$000's	Software \$000's	Other \$000's	Total \$000's
Carrying amount at 1 May 2012	2,819	3,109	771	833	7,532
Additions	–	–	1,111	–	1,111
Amortisation charge	–	(277)	(553)	(200)	(1,030)
Disposals	–	–	(186)	–	(186)
Foreign exchange difference on translation	–	21	3	–	24
Carrying amount at 30 April 2013	2,819	2,853	1,146	633	7,451

Notes to the financial statements continued

16 Intangibles (continued)

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

	2014 \$000's	2013 \$000's
Rice Marketing Global	29	29
Riviana Foods	2,605	2,605
CopRice	185	185
	2,819	2,819

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 2014 financial year are extrapolated using the estimated growth rates stated below.

Key assumptions used for value in use calculations

	Growth Rate		Discount Rate	
	2014	2013	2014	2013
CGU	%	%	%	%
Rice Marketing Global	2.9	1.0	10.5	10.0
Riviana Foods	2.9	1.0	10.5	10.0
CopRice	2.9	1.0	10.5	10.0

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

Sensitivity to changes in assumptions

No realistic change in assumptions above would give rise to an impairment in the Riviana, Coprice and Rice Marketing Global cash generating units.

17 Investment properties

	Consolidated	
	2014 \$000's	2013 \$000's
At fair value		
Opening balance at 1 May	1,150	1,200
Net loss from fair value adjustment	–	(50)
Closing balance at 30 April	1,150	1,150

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 2013 by a certified practising valuer.

18 Deferred tax assets

	2014 \$000's	2013 \$000's
The balance comprises temporary differences attributable to:		
Provisions	6,959	6,411
Accruals	1,076	1,273
Depreciation	5,779	6,570
Foreign exchange	2	16
Inventories	1,821	2,505
Other	–	77
	15,637	16,852
Interest rate swaps	717	397
Total deferred tax assets	16,354	17,249
Set-off of deferred tax liabilities pursuant to set-off provisions (note 22)	(3,884)	(2,729)
Net deferred tax assets	12,470	14,520
Deferred tax assets expected to be recovered within 12 months	3,616	4,191
Deferred tax assets expected to be recovered after more than 12 months	12,738	13,058
	16,354	17,249
Movements		
Opening balance at 1 May	17,249	17,436
(Charged)/credited to income statement	(1,090)	28
Foreign exchange differences on translation	(125)	85
Credited/(charged) to other comprehensive income	320	(300)
Closing balance at 30 April	16,354	17,249

Notes to the financial statements continued

19 Payables

	2014 \$000's	2013 \$000's
Current		
Trade and other payables	80,740	84,740
Amounts owing to the Rice Marketing Board (RMB) for RMB Equity Certificates	2,784	2,340
Total external trade payables	83,524	87,080
Amounts payable to Australian rice growers	140,245	128,233
	223,769	215,313
Non-current		
Trade and other payables	1,510	1,355
Amounts owing to the Rice Marketing Board (RMB) for RMB Equity Certificates	5,733	8,540
Total external trade payables	7,243	9,895
Amounts payable to Australian rice growers	34,918	60,260
	42,161	70,155

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

(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

	2014 \$000's	2013 \$000's
Current		
<i>Secured</i>		
Net accrued interest and capitalised borrowing costs	(866)	55
Bank overdrafts	20,349	11,850
Bank loans	87,684	171,011
Lease liability (note 27)	705	551
	107,872	183,467
Non current		
<i>Secured</i>		
Bank loans	109,118	145,010
Lease liability (note 27)	717	136
	109,835	145,146

The Group manages its cash and borrowings on a net basis. At 30 April 2014, the Group had total borrowings of \$217,707,000 (2013: \$328,613,000) and the amounts owing to RMB for equity certificates of \$8,517,000 (2013: \$10,880,000). It also had \$84,810,000 (2013: \$146,263,000) in cash at bank and on deposit. This needs to be notionally off-set against borrowings. At 30 April 2014 Net Debt was \$141,414,000 (2013: \$193,230,000).

20 Borrowings (continued)

(a) Significant terms and conditions of bank facilities

During the 2014 financial year, Ricegrowers Limited renegotiated its seasonal syndicated banking facility. The seasonal debt facility of \$240m was increased to \$250m and the maturity date was extended to 31 March 2015. The core debt facility limit was increased to \$105m with \$58m maturing 2 December 2016 and \$47m maturing 2 December 2018. The total facility limit of \$355m is \$35m higher than the prior year.

Ricegrowers Limited also has a \$5m money market lending facility expiring 31 March 2015.

Riviana Foods Pty Ltd repaid its \$40m seasonal and \$18m core debt facilities.

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.

There were no covenants breached during the period

(b) Fair values

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

(c) Carrying amount of all assets pledged as security

There is a fixed and floating charge over all fixed assets 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.

The Group's bank loans are categorised as follows:

	2014 \$000's	2013 \$000's
Seasonal debt	87,000	170,000
Core debt	65,802	102,021
AGS debt	44,000	44,000
	196,802	316,021
Representing:		
Current bank loans	87,684	171,011
Non-current bank loans	109,118	145,010
	196,802	316,021

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 as part of the acquisition of the RMB storage assets. This facility of \$44m has a maturity date of 30 November 2016.

Notes to the financial statements continued

21 Provisions

	2014 \$000's	2013 \$000's
Current		
Employee benefits (note 28)	15,018	15,289
Employee allowances	177	153
Directors' retirement benefits	658	658
	15,853	16,100
Non current		
Employee benefits (note 28)	2,445	2,991
	2,445	2,991

(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.

(b) Fair values

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

22 Deferred tax liabilities

	2014 \$000's	2013 \$000's
The balance comprises temporary differences attributable to:		
Prepayments	82	97
Inventories	2,475	1,785
Depreciation	–	(482)
Foreign exchange	348	341
Other	192	278
	3,097	2,019
Foreign exchange contracts	787	710
Total deferred tax liabilities	3,884	2,729
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	(3,884)	(2,729)
Net deferred tax liabilities	–	–
Deferred tax liabilities expected to be settled within 12 months	3,884	3,211
Deferred tax liabilities expected to be settled after more than 12 months	–	–
	3,884	3,211
Movements		
Opening balance at 1 May	2,729	3,856
Charged/(credited) to income statement	837	(275)
Foreign exchange difference on translation	(187)	22
Charged/(credited) to other comprehensive income	505	(874)
Closing balance at 30 April	3,884	2,729

An assessable temporary difference exists for distributable earnings of a subsidiary business. However no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from this subsidiary and it is not expected to distribute these profits in the foreseeable future.

Notes to the financial statements continued

23 Contributed equity

	2014 \$000's	2013 \$000's
(a) Share capital		
Fully paid Ordinary B Class Shares	107,819	107,819

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

B Class shares

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

New shares issues have been halted whilst the Company reviews its capital structure. The number of B class shares on issue remains unchanged at 55,762,392 (2013: 55,762,392). No B class shares have been redeemed or issued in the past 2 years.

A Class shares

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

At 30 April 2014, 1,045 (2013: 864) A Class shares were on issue.

(c) Capital risk management

The Group's and Company'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 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 2014 and 30 April 2013 were as follows:

	Notes	2014 \$000's	2013 \$000's
Total borrowings	20	217,707	328,613
Add: amounts owing to the RMB for equity certificates	19	8,517	10,880
Less: cash and cash equivalents	9	(84,810)	(146,263)
Net debt		141,414	193,230
Total equity		324,020	314,297
Gearing ratio		44%	61%
Average gearing ratio		52%	43%

Average gearing in 2013/14 was adversely impacted by higher than usual inventory holdings. This level was impacted by the decision of the business to carryover crop and brokens into the 2014/15 financial year.

The year end gearing ratio was positively affected by rain delays impacting the timing of receipt of the C14 crop.

24 Reserves and retained profits

	2014 \$000's	2013 \$000's
Reserves		
General reserve	28,453	28,453
Asset revaluation reserve	4,917	4,917
Foreign currency translation reserve	(21,433)	(17,166)
Hedging reserve – cash flow hedges	846	811
	12,783	17,015
Retained profits	191,443	174,538

(a) Movements

Foreign currency translation reserve		
Balance 1 May	(17,166)	(16,825)
Net exchange difference on translation of overseas controlled entities	(6,068)	(125)
Non controlling interest in translation differences	1,801	(216)
Balance 30 April	(21,433)	(17,166)
Hedging reserve – cash flow hedges		
Balance 1 May	811	2,573
Revaluation and transfer to profit and loss or inventory – gross	(224)	(1,913)
Deferred tax	185	574
Non controlling interest	74	(423)
Balance 30 April	846	811
Retained profits		
Balance 1 May	174,538	152,310
Net profit for the year	29,730	32,265
Dividends provided for or paid	(12,825)	(10,037)
Balance 30 April	191,443	174,538

(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.

Notes to the financial statements continued

25 Franked dividends

	2014 \$000's	2013 \$000's
Dividend declared during the year ended 30 April 2014 of 23.0 cents (2013: 18.0 cents) per fully paid share	12,825	10,037

Date Declared	27 June 2013	18 June 2012
---------------	---------------------	--------------

The dividend of \$12,825,350 (2013: \$10,037,231) relates to a dividend declared and paid in respect of the 2013 (2013: 2012) financial year and was fully franked.

The franked portions of the final dividend recommended after 30 April 2014 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 2015:

	2014 \$000's	2013 \$000's
Franking credits available for subsequent financial years based on a tax rate of 30% (2013 – 30%)	54,772	56,611

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 \$5,497,000 (2013 – \$5,497,000).

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 are:

	2014 \$000's	2013 \$000's
Letters of credit	261	2,069
Guarantee of bank advances	2,690	1,650
	2,951	3,719

27 Commitments for expenditure

(a) Capital commitments (property, plant and equipment)

	2014 \$000's	2013 \$000's
Commitments for capital expenditure contracted for at reporting date but not recognised as liabilities payable	11,250	4,381

27 Commitments for expenditure (continued)

(b) Lease commitments

	2014 \$000's	2013 \$000's
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	6,431	8,068
Later than one year but not later than five years	17,948	17,152
Later than five years	5,536	6,795
	29,915	32,015
Representing:		
Cancellable operating leases	29,915	32,015
Commitments in relation to finance leases are payable as follows:		
Within one year	742	586
Later than one year but not later than five years	738	141
Minimum lease payments	1,480	727
less: future finance charges	(58)	(40)
Recognised as a liability	1,422	687
Representing lease liabilities:		
Current (note 20)	705	551
Non current (note 20)	717	136
	1,422	687

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

28 Employee benefits

(a) Employee benefits and related on cost liabilities

Provision for employee benefits (note 21)

	2014 \$000's	2013 \$000's
Current	15,018	15,289
Non-current	2,445	2,991
Aggregate employee entitlement benefits	17,463	18,280

Employee numbers

	Number	Number
Average number of employees during the year	2,156	2,119

(b) Superannuation plan/commitments

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

Notes to the financial statements continued

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	
			2014	2013
			%	%
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
Bligh Funds Management	Australia	Inactive	100	n/a

Non-controlling interests

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

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

Non-controlling interests hold 35,000 units in SunFoods LLC, being 35% of the operation.

Summarised financial information for each subsidiary that has non-controlling interests that are material to the Group is disclosed at note 35.

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.

30 Related party transactions (continued)

(c) Directors and other Key Management Personnel

(i) Directors and other Key Management Personnel compensation

	2014	2013
	\$	\$
Short term employee benefits	5,036,781	4,794,066
Post-employment benefits	251,142	235,043
Termination benefits	106,002	–
Other long-term benefits	453,000	603,015
	5,846,925	5,632,124

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

(ii) Share holdings

Director	Directors' and other KMP interests in A and B Class shares of Ricegrowers Limited			
	2014		2013	
	A Class	B Class	A Class	B Class
GF Lawson AM	1	330,139	1	330,139
NG Graham	1	100,897	1	100,897
GA Andreazza	1	80,279	1	80,279
LJ Arthur	1	233,818	1	233,818
GL Kirkup	1	67,424	1	67,424
GF Latta AM	–	29,838	–	29,838
DM Robertson	1	224,539	1	224,539
AD Walsh	3	500,350	3	500,350

R Gordon and PM Margin do not hold any shares.

	2014	2013
	B Class	B Class
Other Key Management Personnel		
M Bazley	19,491	19,491
D Keldie	14,784	14,784

Key management personnel not listed did not hold any shares. At 30 April 2013, B Hingle, a former member of the key management personnel held 11,000 B Class Shares.

No shares were issued to/(redeemed by) Directors of Ricegrowers Limited, their Director related entities and other Key Management Personnel during the year.

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	2014	2013
Ricegrowers Limited	1,601,568	1,601,568

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

Notes to the financial statements continued

30 Related party transactions (continued)

(c) Directors and other Key Management Personnel (continued)

(iii) Transactions with Directors and other Key Management Personnel

Transaction type and class of other party

	2014	2013
	\$000's	\$000's
Purchases of rice from Directors	4,442	5,726
Purchases of grain and other inputs from Directors	–	86
Sale of inputs to Directors	156	143
Sale of stockfeed to Directors	8	–

There were no transactions with other Key Management Personnel.

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

	2014	2013
	\$000's	\$000's
Profit for the year	33,520	35,793
Depreciation and amortisation	19,330	21,141
(Gain)/loss on sale/disposal of property, plant and equipment	(249)	500
Net exchange differences	(7,885)	518
Fair value revaluation of investment property	–	50
Impairment of non-current assets	–	3,837
Share of associate's net (profit)/loss	(293)	35

Changes in operating assets and liabilities

Decrease/(increase) in trade and other receivables	23,215	(26,694)
Decrease/(increase) in other operating assets	232	(2,077)
Decrease/(increase) in inventories	52,716	(77,727)
(Decrease)/increase in amounts payable to growers	(13,330)	55,475
(Decrease)/increase in trade and other creditors and employee entitlements	(6,418)	16,141
(Decrease)/increase in provision for income taxes payable	(8,226)	506
Decrease/(increase) in deferred tax balances	1,927	(303)
Net cash inflows from operating activities	94,539	27,195

32 Earnings per share

(a) Basic and diluted earnings per share

	2014	2013
	Cents	Cents
Basic and diluted earnings per share	53.3	57.9

(b) Reconciliation of earnings per share

	2014	2013
	\$000's	\$000's
Profit for the year	29,730	32,265

32 Earnings per share (continued)

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

	2014	2013
	000's	000's
Weighted average number of B Class shares	55,762	55,762

33 Subsequent events

On 26 June 2014 the Directors declared a fully franked final dividend of 23.0 cents per share. The financial impact of this dividend will be recognised in the 2015 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:

	2014	2013
	\$000's	\$000's
Balance sheet		
Current assets	538,633	662,666
Total assets	653,320	763,184
Current liabilities	310,904	389,395
Total liabilities	413,416	533,696
Shareholders equity		
Issued capital	107,819	107,819
Reserves		
General reserve	18,657	18,657
Hedging reserve – cash flow hedges	1,117	368
Retained earnings	112,311	102,644
	239,904	229,488
Profit for the year	22,492	16,807
Total comprehensive income	23,241	14,196

(b) Guarantees entered into by the parent entity

	2014	2013
	\$000's	\$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.

Notes to the financial statements continued

34 Parent entity information (continued)

(c) Contingent liabilities of the parent entity

	2014 \$000's	2013 \$000's
Letters of credit	261	2,069
Guarantee of bank advances	1,711	692
	1,972	2,761

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

As at 30 April 2014, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling \$9,929,000 (30 April 2013 – \$2,162,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

35 Subsidiaries with material non-controlling interests

Trukai Industries Limited Summary financial information

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

The individual financial statements for Trukai Industries Limited show the following aggregate amounts:

	2014 \$000's	2013 \$000's
Dividends paid to Non-controlling Interests	4,865	2,919
Balance sheet		
Total assets	93,715	93,920
Total liabilities	(51,999)	(50,187)
Net assets	41,716	43,733
Accumulated non-controlling interests	14,087	14,769
Statement of comprehensive income		
Revenue	293,707	277,112
Profit after tax for the period	18,098	21,106
Other comprehensive income	(5,709)	(1,331)
Total comprehensive income	12,389	19,775
Non-controlling interest share of profit after tax for the period	6,112	7,127
Non-controlling interest share of total comprehensive income	4,184	6,678
Cash flows		
Cash flows from operating activities	23,384	24,681
Cash flows from investing activities	(3,018)	(1,556)
Cash flows from financing activities	(9,993)	(13,478)
Net increase in cash and cash equivalents	10,373	9,647

36 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 – Paddy Pool)

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 economics of the business.

Rice Marketing Global (RM Global)

The marketing and distribution of rice from all other sources, except the USA, 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 receipt and storage of paddy rice and non-rice grain in Australia.

CopRice

The manufacture, distribution and sales of pet food and stock feed products through intermediaries to consumers and primary producers.

All other segments

Other includes operating segments not included above and beneath the disclosure threshold. This includes the SunFoods operating segment, rice flour, rice cakes, microwave rice, microwave meals, interest and asset finance charges.

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

Interest allocations to CopRice, RM Global, RM&M Au Rice and the 'all 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. This 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

In light of the continuing under-performance of the SunFoods operating segment the Corporate Management Team has determined that the economic characteristics differ sufficiently from other members of the RM Global segment to warrant disaggregation from the former RM&M Global segment. As the segment is below disclosure thresholds prescribed by AASB 8 it has been included in "All other segments" in both the current and prior year (the comparative has been restated).

Notes to the financial statements continued

36 Segment information (continued)

The following table sets forth the segment results for the year ended 30 April 2014.

	RM&M						
	Au Rice					All other	
	– Paddy					segments	
	Pool	RM Global	Riviana	AGS	CopRice		Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Total segment revenue	551,335	362,440	155,042	67,604	124,619	152,795	1,413,835
Inter-segment revenue	(194,574)	(13,025)	–	(67,604)	–	(368)	(275,571)
Revenue from external customers	356,761	349,415	155,042	–	124,619	152,427	1,138,264
Other revenue							12,699
Total revenue from continuing operations							1,150,963
Contributed EBIT	19,796	48,288	10,941	26,906	16,079	9,579	131,589
Finance expense (net)	(6,302)	(603)	(1,488)	(2,573)	(1,178)	1,623	(10,521)
Centralised corporate services	(26,351)	(18,827)	(7,589)	–	(5,988)	(3,856)	(62,611)
Capital restructuring costs	–	–	–	–	–	(2,840)	(2,840)
Other (expenses)/income	12,857	3,391	(1,047)	(20,572)	(231)	3,453	(2,149)
Contributed NPBT	–	32,249	817	3,761	8,682	7,959	53,468
Intersegment eliminations							571
Profit before income tax							54,039
Depreciation and amortisation	(4,781)	(2,088)	(1,489)	(6,692)	(954)	(3,326)	(19,330)
Acquisitions of property, plant and equipment	12,675	3,072	992	2,604	6,727	5,852	31,922
Segment assets	436,238	144,143	82,234	89,278	41,368	90,543	883,804
Intersegment eliminations							(140,677)
Cash							84,810
Deferred tax assets							12,470
Total assets							840,407
Segment liabilities	248,779	44,295	33,300	28,054	6,351	78,541	439,320
Intersegment eliminations							(152,701)
Current tax liability							12,061
Deferred tax liabilities							–
Borrowings							217,707
Total liabilities							516,387

No single external customer represents more than 10% of revenues.

The 'All other' segment includes the SunFoods operating segment which previously formed part of the RM&M Global segment. In 2014 this operating segment generated a Contributed NPBT loss of \$5,436,000 (2013: loss of \$10,367,000 which includes \$3,240,000 from impairment of Property, Plant & Equipment). This loss was attributable to difficult trading conditions in US tender markets.

36 Segment information (continued)

The following table sets forth the segment results for the year ended 30 April 2013.

	RM&M					All other	
	Au Rice –					segments	Total
	Paddy Pool	RM Global	Riviana	AGS	CopRice		
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Total segment revenue	531,255	325,986	147,875	63,550	109,875	147,807	1,326,348
Inter-segment revenue	(193,550)	(6,948)	–	(63,543)	–	(376)	(264,417)
Revenue from external customers	337,705	319,038	147,875	7	109,875	147,431	1,061,931
Other revenue							6,303
Total revenue from continuing operations							1,068,234
Contributed EBIT	22,203	47,203	18,011	13,955	14,309	9,959	125,640
Finance expense (net)	(7,351)	(1,683)	(1,556)	(1,984)	(1,270)	3,644	(10,200)
Centralised corporate services	(21,334)	(14,955)	(6,679)	–	(4,293)	(3,996)	(51,257)
Impairment of assets	(405)	–	–	–	–	(3,432)	(3,837)
Fair value adjustment	(50)	–	–	–	–	–	(50)
Capital restructuring costs	–	–	–	–	–	(1,199)	(1,199)
Other (expenses)/income	6,937	1,729	(27)	(8,471)	(44)	(536)	(412)
Contributed NPBT	–	32,294	9,749	3,500	8,702	4,440	58,685
Intersegment eliminations							(1,338)
Profit before income tax							57,347
Depreciation and amortisation	(5,331)	(2,280)	(1,848)	(6,919)	(1,221)	(3,542)	(21,141)
Acquisitions of property, plant and equipment	4,576	2,601	1,638	814	1,303	2,090	13,022
Segment assets	537,019	50,280	123,373	102,065	33,390	71,066	917,193
Intersegment eliminations							(110,997)
Cash							146,263
Deferred tax assets							14,520
Total assets							966,979
Segment liabilities	303,178	1,995	23,753	43,545	6,760	60,043	439,274
Intersegment eliminations							(133,391)
Current tax liability							18,186
Deferred tax liabilities							–
Borrowings							328,613
Total liabilities							652,682

Notes to the financial statements continued

36 Segment information (continued)

Other segment information – geographical areas

	Australia	PNG	Other	Total
2014	\$000's	\$000's	\$000's	\$000's
Revenues from external customers	359,393	292,136	486,735	1,138,264
2013				
Revenues from external customers	341,155	275,455	445,321	1,061,931

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 \$168,879,000 (2013: \$158,619,000) and the total of these non-current assets located in other countries is \$36,284,000 (2013: \$36,370,000). Segment assets are allocated to countries based on where the assets are located.

37 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:

	2014	2013
	\$	\$
(a) Assurance services		
Audit services		
Fees paid to PricewaterhouseCoopers Australian firm	320,600	271,500
Fees paid to related practices of PricewaterhouseCoopers Australian firm	123,070	122,194
Fees paid to non-PricewaterhouseCoopers audit firm	17,133	13,298
Total remuneration for audit services	460,803	406,992
(b) Accounting services		
Fees paid to PricewaterhouseCoopers Australian firm*	42,150	5,150
Fees paid to related practices of PricewaterhouseCoopers Australian firm	–	–
Total remuneration for accounting services	42,150	5,150
(c) Taxation services		
Fees paid to PricewaterhouseCoopers Australian firm*	1,061,369	397,350
Fees paid to related practices of PricewaterhouseCoopers Australian firm	29,871	42,807
Total remuneration for taxation services	1,091,240	440,157

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.

*2014 includes \$837,540 (2013: \$167,160) relating to tax and accounting advice associated with the capital structure review which is included in the capital restructuring costs of \$2,840,000 (2013: \$1,199,000) in note 7.



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 consolidated balance sheet as at 30 April 2014, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, 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 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. Those 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 consolidated 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.

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

Independence

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

Auditor's opinion

In our opinion:

PricewaterhouseCoopers, ABN 52 780 433 757

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- (a) the financial report of Ricegrowers Limited 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 2014 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*.
- (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 paragraph 17 of the directors' report for the year ended 30 April 2014. 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 for the year ended 30 April 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

S J Bourke
Partner

Sydney
26 June 2014

Corporate Directory

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