



2018

PURE ✦ PREMIUM ✦ SUSTAINABLE

//// //// ANNUAL REPORT //// ////


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SunRice's Annual Report covers Ricegrowers Limited ABN 55007481156 and controlled entities. The Report can be viewed or downloaded from SunRice's website, www.sunrice.com.au. In this Report, 'the year', 'this year', 'crop year 2017', 'C17' all refer to the Financial Year ended 30 April 2018 (FY18). The '2018 harvest', 'crop year 2018', 'C18' all refer to the rice crop grown in 2018 and processed and marketed in the Financial Year ending 30 April 2019 (FY19).

**OUR REFRESHED FIVE-YEAR STRATEGY
BUILDS ON OUR COMMERCIAL RESILIENCE
TO TAKE THE BUSINESS INTO THE FUTURE, BY
CAPITALISING ON GLOBAL FOOD TRENDS AND
OUR COMPETITIVE ADVANTAGES TO INCREASE
GROWER AND SHAREHOLDER RETURNS. OUR
PERFORMANCE THIS YEAR DEMONSTRATES THE
VALUE OF THIS STRATEGY.**



SunRice CEO Rob Gordon (left)
and Chairman Laurie Arthur

CHAIRMAN'S — MESSAGE —

OUR ASX PROPOSAL, TO BE VOTED ON AT THIS YEAR'S AGM, MARKS THE START OF A NEW ERA OF GROWTH AND OPPORTUNITY FOR SUNRICE, AS WE STRIVE TO BUILD AN ENDURING GLOBAL COMPANY TO BENEFIT GENERATIONS TO COME

As your Chairman and a fellow rice grower, it is always satisfying to be able to present an upbeat and positive report to you on SunRice's performance and we have certainly experienced "better times" over the past year.

With world markets at a 10-year low as we started the 2017 crop year, I shared your concerns around the anticipated standard rice price of between \$300 and \$320 per tonne. Your Board always ensures that we are completely upfront with our growers and shareholders and will "tell it how we see it", in both good and trying times. I was therefore delighted to be able to report throughout the season how SunRice's commercial resilience and marketing efforts were able to quickly take advantage of the global price recovery, delivering significant increases in the price range, which closed at a notable \$378.66 per tonne. This vindicates the benefits of our pool system and is one of the many reasons why I am an enthusiastic rice grower, excited about the future for my family and all growers, and a strong advocate for our industry.

SunRice management worked incredibly hard during the 2017 crop year, which was a particularly challenging year for our profit businesses, to ensure the Company had a solid platform so that growth and profitability could quickly return once there was an upswing in the rice commodity cycle. This hard work and vision is demonstrated in the financial statements presented in this Annual Report, and SunRice's improved profitability this year has allowed the Board to announce a dividend of 33 cents per share, which represents a strong dividend yield of 8.3% fully franked*.

Looking to the future, the Board is confident that our refreshed five-year strategy will position SunRice as the world's leading rice company, through focusing on how the business can match global consumer trends with our quality range of products, and by establishing secure global supply chains. These are activities that will have positive flow-on impacts for Australian rice growers through improving paddy prices, and for our shareholders by supporting capital

growth and strong dividends into the future. However, in order to ensure that SunRice is capable of pursuing this ambitious strategy, additional sources of funding will be required beyond that presently available.

As you are aware, the Board has announced that a capital restructure will be taken to a vote at the coming AGM in September. The proposal is to essentially move the existing dual share structure onto the ASX, which will provide SunRice with much needed access to capital to fund the five-year strategy. This will be one of the most important changes in the 70-year history of SunRice and the Australian rice industry. I am absolutely convinced we now have the right proposal that will propel the SunRice business to the next level globally for the benefit of our growers, shareholders and employees.

I urge you to study our proposal closely, ask questions of me and my fellow Directors, and if you share the Board's vision, vote in favour of the resolutions at the AGM.

In addition to the capital restructure, as we have announced, SunRice is proposing former CBH CEO Dr Andrew Crane as the additional external, non-grower Director to be appointed to the Board. Having a broad range of skills present at the Board table, especially

given SunRice's global expansion and need to attract external capital, is essential if we are to be successful and I look forward to the AGM in September when A Class shareholders will have the opportunity to vote on Andy's nomination. At this year's AGM, Grant Latta will be stepping down as a Director after almost 20 years on the Board. Luisa Catanzaro will be nominated as Grant's replacement on the Board. Luisa has extensive experience in senior finance executive roles across a range of industries, including FMCG and agriculture.

Finally, I would like to thank the tireless efforts of all our growers, employees, business partners, customers and our Board members throughout the year. I would like to especially thank Noel Graham, who resigned as a Director in December 2017, for over 15 years of service to SunRice and the Australian rice industry. I also thank Grant, whose commercial acumen and expertise has played a key role in guiding and shaping the growth of our company. Both he and Noel will be missed.



Laurie Arthur
Chairman



SunRice Directors, back row, left to right: Mark Robertson, Ian Glasson, John Bradford, Dr Leigh Vial and Glen Andreazza. Front row, left to right: Grant Latta AM, Ian Mason, Rob Gordon (CEO), Laurie Arthur (Chairman) and Gillian Kirkup.

*Based on the share price of \$3.99 as at 30 April 2018.

CEO'S — MESSAGE —

\$45M
NET PROFIT AFTER TAX

\$1.2BN
GROUP REVENUE

**OUR FIVE-YEAR STRATEGY
IS OUR ROADMAP FOR
FUTURE GROWTH,
FOCUSED ON INCREASING
PADDY PRICES FOR
OUR GROWERS AND
CAPITAL VALUE FOR OUR
SHAREHOLDERS**

Over the past year, SunRice has performed strongly through the commodity cycle and immediately returned to profit growth. Having demonstrated in FY17 that the business has the strength, resilience and flexibility to weather cyclical commodity downturns and periods of adverse business conditions, FY18 was characterised by rebounding profitability and reinvigorated growth across the Group.

An immediate and impressive recovery

There was a positive turnaround in plantings across the Riverina, resulting in the largest rice harvest in three years, driving a 57% increase in Rice Pool revenue. SunRice's international, dual-hemisphere sourcing capabilities continued to allow the business to meet expanding demand for our products. Importantly, having maintained access to key premium markets in FY17 in response to that year's smaller crop, this activity also enabled the swift return of Riverina rice into these markets. Our exports from Vietnam are now approaching 600,000 paddy tonnes equivalent a year, which represents almost 60% of that country's Japonica exports. The Rice Food business remains consistent in introducing new and innovative value-added snacking products into the Australian and international markets, including into Asia for the first time.

After the difficulties of the prior year, it was heartening to see this upward trend continue across our other profit businesses. CopRice enjoyed a substantial recovery, delivering close to normal profitability thanks to renewed stockfeed demand from a stabilising dairy industry and decreased pasture levels. Trukai rebounded, re-establishing profitability and market share through better alignment of price points and product quality. Riviana saw an uplift in net profit before tax due to cost control and selling more premium gourmet products, notwithstanding

market challenges. SunFoods pleasingly remained in profit despite supply to the Middle East limited by the larger Riverina crop.

Refreshed strategy will drive further growth

This year has shown how SunRice is uniquely positioned for growth, driven by our refreshed five-year strategy, which is underpinned by our twin objectives to improve prices for growers and increase shareholder returns. The strategy builds on our resilience and operational strength, focusing on how SunRice can take advantage of global consumer food trends and leverage our distinct competitive advantages.

The strategy identifies achievable growth opportunities and what's required to maximise their benefits, based on three overarching themes:

- The provenance of Australian rice is amongst the best in the world and we want to capitalise on this to grow our presence in international markets. SunRice is encouraging our Riverina growers to produce premium, high-value varieties. In particular, Low GI Doongara, Opus and Koshihikari are varieties with characteristics suited to meeting increasing demand for quality, 'clean and green' and healthy products.
- SunRice is able to match global food trends from our diversified product portfolio. This has several elements, including: expanding into new markets with high-quality and convenient packaged value-added rice products; expanding our Low GI range to help address obesity and diabetes; growing and selling more premium short grain to take advantage of global demand for sushi; continuing to invest in our innovative healthy snacking range; and growing our food ingredients business.
- We are increasingly utilising our various sustainable international supply chains to respond to growing demand for SunRice products. Our ability to flex our numerous supply

sources in response to global market dynamics allows our Australian crop to be supplied into premium branded rice markets, and for lower returning markets to be supplied with affordable, yet high-quality rice grown from beyond the Riverina. It also means in low Riverina crop years, we can readily draw on offshore supply to meet demand and protect our premium markets.

Put simply, to meet our objectives, paddy prices will improve as premium, quality Australian rice is sold into the highest returning markets. Profits will increase when we match evolving customer demands with our unique branded products from our diversified supply chain.

Strategic achievements

Over the past 12 months the refreshed strategy has already delivered positive results. Strategic partnerships with Japanese food wholesalers are opening up new value-added opportunities for our premium Australian short grain varieties in Japan's restaurant and sushi chain market. Our unique Low GI rice is being launched in countries aware of the health issues associated with diabetes and obesity.

We are a genuinely global player in the international rice market; noted by consumers for quality products that are relevant and responsive to their changing tastes, and by customers for our diversified and reliable vertically-integrated global supply chain, as evidenced by our growing presence in Vietnam. This is a truly exciting time for SunRice and the Australian rice industry, which is the cornerstone of our ongoing success.



Rob Gordon
Group CEO

OUR FIVE-YEAR STRATEGY

With roots in Australia's food bowl, we're proud to nourish discerning consumers around the world, who trust the traceability and provenance of our premium branded products

OUR STRATEGY

Increase

profits and reduce earnings volatility for growers and shareholders

Adapt

our product range to take advantage of changing food trends

Secure

a sustainable and reliable global supply chain

CHALLENGES

Ensuring strong returns for Riverina rice growers

Medium grain profitability affected by increased foreign competition

Alternative crops are competing for limited water and land



Volatility of Australian supply



Market diversification and access

WHAT SUCCESS

LOOKS LIKE



STRONG FINANCIALS

double our revenue by 2022 and maintain double digit returns on capital employed



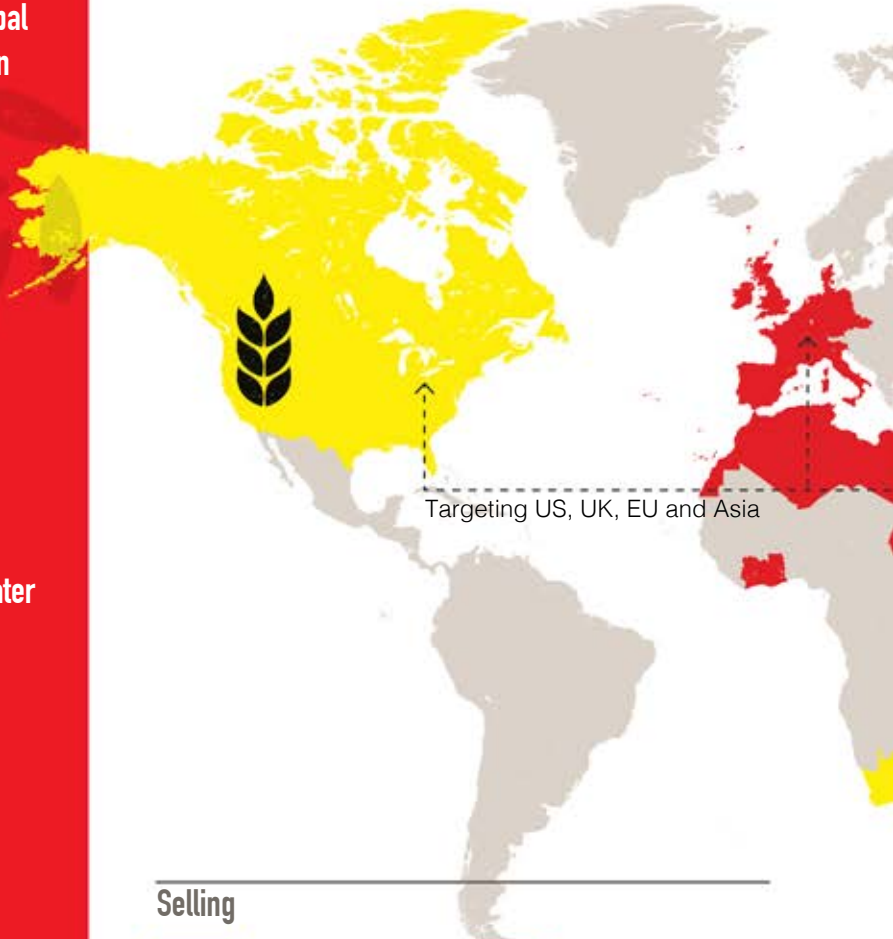
PREMIUM BRANDED PLAYER

leverage our reputation for quality and innovation in premium varieties, healthy eating and snacking

HOW WE'LL ACHIEVE THIS

1

Cement a global supply chain in response to increased demand in branded products, ensuring quality and sustainability



Selling



Existing markets



Target markets and/or new offerings in existing markets

4

Be recognised for our high performance, delivered by a positive, inclusive and accountable culture



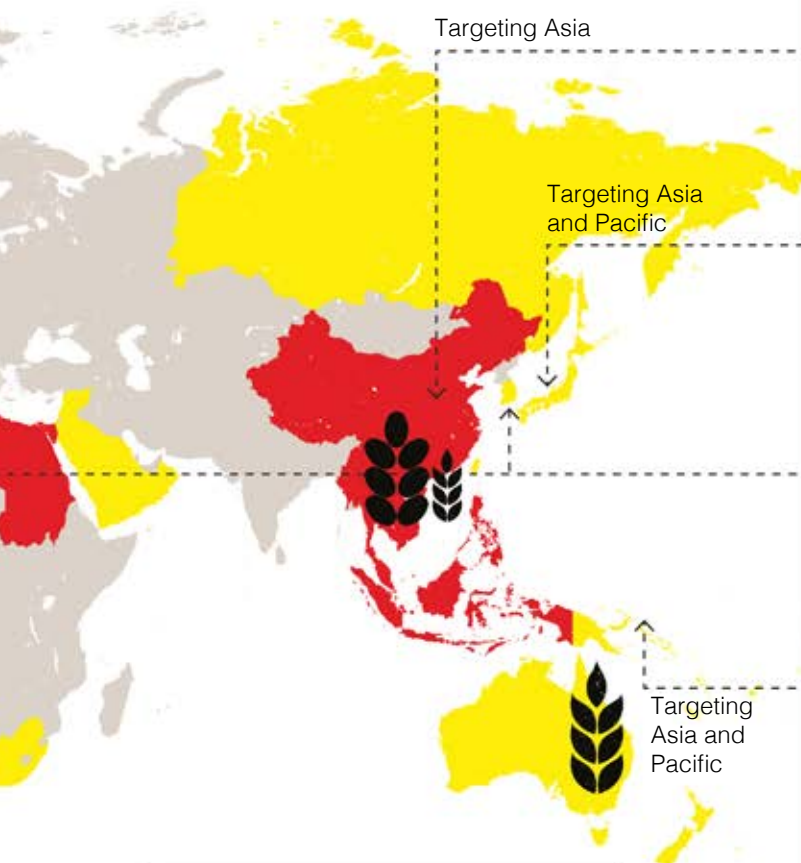
THE DUAL OBJECTIVES OF OUR STRATEGY ARE TO:

1. IMPROVE THE PRICES WE PAY OUR GROWERS
2. INCREASE RETURNS FOR OUR SHAREHOLDERS



2

Reposition Australia as the supply source of choice for premium branded rice markets



Growing



Affordable quality



Premium

3

Use our capabilities to exploit evolving global food trends, especially in healthy eating and snacking



DIVERSIFY INTO NEW MARKETS

to offer high-quality and convenient packaged rice of trusted provenance



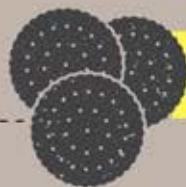
PLAY PIONEERING ROLE

in addressing the obesity and diabetes epidemics



UNIQUELY POSITIONED

to take advantage of the global fascination with sushi



RECOGNISED AS A LEADER IN HEALTHY SNACKING

through a range of innovative snacks



A STRONG FOOD INGREDIENTS BUSINESS

with diversified, high-value rice derivatives servicing global food companies



ASSURANCE OF QUALITY AND SUSTAINABILITY

with traceability, no matter where we grow our rice

5

Maintain a strong, cash-generative and diverse portfolio



ASIAN PRESENCE

expand sales pillar in high-growth Asian consumer markets



DIVERSIFIED FOOD INGREDIENTS PILLAR

build on our tailored food ingredients offering to service industrial customers



RESILIENT GLOBAL SUPPLY CHAIN

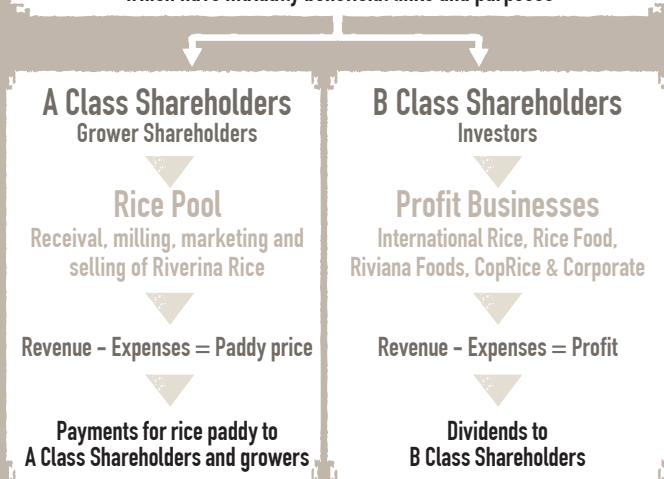
secure a multi-varietal and resilient global supply chain with Australian growers at its centre

— FIVE-YEAR — PERFORMANCE

THE SUNRICE GROUP INCLUDES THE RICE POOL BUSINESS, THE RETURNS OF WHICH ARE ALIGNED TO GROWERS AND A CLASS SHAREHOLDERS, AND THE PROFIT BUSINESSES, WHICH ARE ALIGNED TO B CLASS SHAREHOLDERS AND INVESTORS.

SunRice

Our objective is to optimise returns for both classes of shareholders through the complementary Rice Pool and Profit Businesses, which have mutually beneficial links and purposes



OUR BRANDS

RICE POOL BUSINESS

The milling, marketing and distribution of Riverina Rice through intermediaries to consumers and directly to foodservice and processing customers to almost 50 countries around the world. The supply of rice is a key driver of the economics of the business.

Revenue (A\$M)*

+4% +4% -18% -41% +57%

551 576 474 281 440



FY14 FY15 FY16 FY17 FY18

Paddy prices (AUD per tonne, Reiziq)

294 395 403 415 379



FY14 FY15 FY16 FY17 FY18

Net assets (A\$M)

187 199 198 166 163



FY14 FY15 FY16 FY17 FY18

PROFIT BUSINESSES

International Rice

The marketing and distribution of rice from the Rice Pool business and SunRice's global supply chain activities through intermediaries to consumers, foodservice and processing customers in markets around the world, where there is growing demand for SunRice branded products.

Revenue (A\$M)

+9% +13% +8% -2% -10%

420 476 514 506 457



FY14 FY15 FY16 FY17 FY18

NPBT (A\$M)

27 38 36 28 24



FY14 FY15 FY16 FY17 FY18

Net assets (A\$M)

73 124 69 58 54



FY14 FY15 FY16 FY17 FY18



*Revenue for the Rice Pool business is presented before inter segment elimination.





Rice Food

The marketing and distribution domestically and around the world of SunRice's value-added rice-based products, including Rice Cakes, Rice Chips, Rice Flour, Microwave Rice and Ready-to-go-Meals.

Riviana Foods

Specialty gourmet food distributor of both imported and manufactured goods to consumer and foodservice customers in Australia and select export markets.

CopRice

The manufacture, distribution and sales of stockfeed and pet food products, drawing on nutritional expertise, through intermediaries to consumers and primary producers across Australia and select export markets.

Corporate

Includes charges for funding, access and use of manufacturing, storage and brands, primarily by the Rice Pool Business.

SunRice Group

Consolidated financial performance for the SunRice Group.

+3% +12% +18% +8% -5%



FY14 FY15 FY16 FY17 FY18

+5% -4% -7% -9% -5%



FY14 FY15 FY16 FY17 FY18

+13% +5% 0% -24% +12%



FY14 FY15 FY16 FY17 FY18

+8% +8% +2% -12% +6%



FY14 FY15 FY16 FY17 FY18

4 3 1 8 2



FY14 FY15 FY16 FY17 FY18

1 7 13 9 9



FY14 FY15 FY16 FY17 FY18

9 7 5 -2 5



FY14 FY15 FY16 FY17 FY18

13 19 14 26 28



FY14 FY15 FY16 FY17 FY18

54 71 73 40 63



FY14 FY15 FY16 FY17 FY18

35 43 38 34 36



FY14 FY15 FY16 FY17 FY18

49 38 35 38 31



FY14 FY15 FY16 FY17 FY18

35 42 49 36 42



FY14 FY15 FY16 FY17 FY18

65 62 96 111 77



FY14 FY15 FY16 FY17 FY18

324 364 390 405 434



FY14 FY15 FY16 FY17 FY18



Assured Grain Storage

— OUR — GROWERS

THE BENEFITS OF GROWING RICE SHONE THROUGH THIS YEAR, RESULTING IN A BUMPER CROP THAT REINVIGORATED THE INDUSTRY AND THE LOCAL REGIONAL COMMUNITIES IT SUPPORTS ACROSS THE RIVERINA.

STRATEGIC PRIORITIES



Push to premium varieties



RS OF RICE

Development of the 5Rs of Rice strategy to enhance grower engagement.

The 5Rs are:

- Returns
- Risk Management
- Reputation
- Relationships
- Research

Good water availability for the 2017 growing season drove a positive turnaround in plantings across the Riverina, resulting in the largest rice harvest in three years. A rice crop of 801,714 tonnes was delivered by growers, almost 230% up on the previous year's 244,184 tonne crop (which had been impacted by low water allocations). It was pleasing to see 772 growers, more than double the number in 2016, choose rice as their summer crop of choice across the Riverina.

Despite a late start to planting due to a spring deluge, rice's adaptability and the skill of our growers demonstrated the industry's resilience and delivered a positive result for SunRice and our customers who highly value Australian rice. The larger 2017 crop enabled a reconfiguration of our Riverina milling and packaging operations in Deniliquin and Leeton, resulting in increased shift frequency and additional workforce resources. Due to the cooler summer and later start, the average yield for C17 of 9.9 tonnes per hectare was slightly down on the five-year average of 10.3 tonnes per hectare.

Research delivering results

After two years of commercial trials, the new short season medium grain rice variety YRM70 was officially launched in 2018. Renamed Viand, it offers growers

a late planting, double cropping option, providing flexibility and delivering significant water-use efficiency gains on existing varieties. Viand was bred by SunRice's research and development subsidiary Rice Research Australia Pty Ltd (RRAPL) in partnership with the NSW Department of Primary Industries and AgriFutures Australia.

RRAPL also continues to progress a federally funded \$4 million tropical rice research project supporting SunRice's ongoing development of a sustainable rice industry in North Queensland.

Developing an Australian sustainable rice standard

During the year, SunRice commenced a pilot program with Riverina growers aimed at establishing an Australian sustainable rice growing standard as part of the international Sustainable Rice Platform (SRP) initiative, which is a partnership between the International Rice Research Institute (IRRI) and the United Nations Environment Programme (UNEP). From chemical use and water use, to pest and disease management, the standard will assure customers that the Australian rice supply chain is true to its clean, green reputation. This work is expected to strengthen relationships with the increasing number of customers looking to

only work with sustainability accredited suppliers. An example is Kellogg's, which predominantly uses Australian grown medium grain rice to make Rice Bubbles, as well as a number of other breakfast cereals and snack bars.

Premiumisation drives C18 Rice Pool

Excellent ground preparation, application of the most efficient farming techniques and technologies and favourable growing conditions combined to produce strong yields that resulted in a larger than expected 2018 Riverina rice crop of approximately 625,000 tonnes, around 4% up on the original crop forecast. While down on 2017 due to reduced water allocations, this is an outstanding outcome and a testament to the skills of our growers. In response to our refreshed strategy to specialise in premium rice to improve and optimise paddy prices, of the 627 growers who chose to grow rice, SunRice was pleased to see an increase in plantings of premium varieties such as Doongara (Low GI) and Opus and Koshihikari (sushi).



772
GROWERS PLANTED
RICE



801,714
PADDY TONNES
HARVESTED



9.9
TONNES PER HECTARE
(AV YIELD)

C17 RICE POOL



RIVERINA GROWERS PLANT
2017 CROP
(OCTOBER 2016)



802K TONNE CROP
HARVESTED
(MARCH – MAY 2017)



RIVERINA CROP MARKETED
AND SOLD
(MAY 2017 – APRIL 2018)



PAYMENTS MADE
TO GROWERS
(HARVEST 2017 – JULY 2018)

RICE POOL BUSINESS

SUNRICE'S STRATEGY OF SELLING PREMIUM RIVERINA RICE INTO HIGH RETURNING MARKETS AND SOURCING RICE OFFSHORE TO SATISFY DEMAND IN LOWER RETURNING MARKETS, ASSISTS IN INSULATING AUSTRALIAN GROWERS FROM CYCLICAL PRICE TRENDS.

New five-year strategic focus: Australian provenance, purity and innovation to drive profitability

With Australia's pristine environment growing some of the best quality Japonica (medium or short grain) rice in the world, SunRice's refreshed five-year strategy encourages Riverina growers to expand their premium varietal mix to match global food trends. This will support SunRice in positioning its Low GI range, which uses Australian grown Doongara rice, in a number of international and domestic markets to help address the growing obesity and diabetes epidemic across the globe. Opus and Koshihikari are two key short grains critical in assisting SunRice to leverage the increasing international popularity of Japanese cuisine.

This strategy is already paying dividends in Japan where SunRice won a record amount of sales volume through the Simultaneous Buy and Sell tender market during the year. In addition, a two-year supply contract with one of Japan's leading trading houses was secured, which will see Australian short grain rice marketed to Japanese restaurant chains, retail sushi outlets and other wholesalers. This contract could only come about due to the Australian rice industry's commitment to quality; from RRAPL's Pure Seed and R&D programs, to the agronomic capabilities of our Grower Services team and the investment of generations of growers.

In Singapore, where a Government priority is the targeting of diabetes and obesity, sales of our Kangaroo Low GI

rice brand, which uses Australian grown Doongara, have almost tripled since being launched in 2015 as a premium functional offering to "everyday" rice products.

To support our growers in delivering on this strategy, SunRice will continue to offer fixed priced contract options and pool varietal premiums for speciality varieties, which receive strong interest, while encouraging the uptake of our GrowRice crop input funding facility and MapRice GIS crop tool.

Business performance

The larger 2017 crop drove a 57% increase in Rice Pool revenue to \$440 million in FY18*. The Rice Pool business' ability to recover following the small 2016 crop and once again place Riverina rice into key premium markets highlights the importance of SunRice's global sourcing strategy of meeting demand and keeping markets open. The complementary nature of the Rice Pool and International Rice businesses continued to strengthen SunRice's ability to weather cyclical market downturns. Manufacturing efficiency improvements alongside favourable milling yield also contributed to the turnaround. Australia/ New Zealand and the Middle East markets experienced positive growth.

The strength and benefits of the Rice Pool saw a \$79 per tonne increase in the base C17 paddy price range during FY18, from \$300 per tonne when the Pool opened to \$378.66 per tonne at the close, rewarding those growers who supported the Pool in C17.

STRATEGIC PRIORITIES



Accelerate expansion of supplying Australian-grown rice, especially speciality varieties, into premium branded markets, while supplying lower returning markets from other global sources



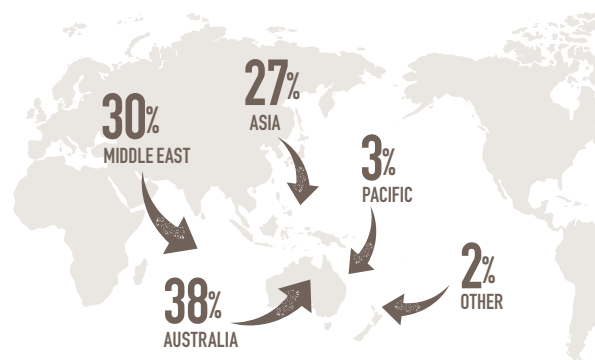
Reward Riverina growers who choose to grow premium speciality varieties through higher returns



Continue to provide Riverina growers with the best agronomic support to increase the proportion of premium speciality varieties in the Australian crop



Build research and development and agronomic capabilities for new and existing premium rice varieties



WHERE FY18 RICE POOL REVENUE WAS GENERATED



TAKING AUSTRALIAN SHORT GRAIN RICE TO THE WORLD

SunRice is producing a series of videos that bring the 'paddy to plate' process of growing Australian short grain rice to life for our Japanese and Korean wholesale customers. The series follows the progress of Finley grower John Hawkins' Koshihikari crop, with beautiful footage and expert insights illustrating what sets the Riverina apart as a premium short grain rice producer for global markets. John is pictured with SunRice Grower Services Field Officer Anna Jewell. As John says: "I love knowing that a grain we're growing here in Australia will be enjoyed in sushi and other rice dishes around the world." Watch the videos via the QR code.



*Revenue for the Rice Pool business is presented before inter segment elimination.

— PROFIT — BUSINESSES

THE VALUE OF A
DIVERSIFIED, INTERNATIONAL
GROUP, LEVERAGING
SUNRICE'S DISTINCT
COMPETITIVE ADVANTAGES.

STRATEGIC PRIORITIES

Through cementing a global supply chain and capitalising on evolving food trends with the roll-out of its branded value-added rice products in new markets around the world, SunRice's profit businesses are ideally positioned for further growth

Made with whole grain brown rice. No preservatives, artificial flavours, colour. Wheat or gluten free. Crunchy and delicious.

With gourmet flavours to match, they're the brown rice chip sensation you'll love!

SunRice

CRUNCHY, WHOLESOME AND INCREDIBLY DELICIOUS

Try SunRice's ultimate crispy bite!

33c
DIVIDEND PER B CLASS SHARE PAID

8.3%*
B CLASS DIVIDEND YIELD

SUNRICE • AUSTRALIAN OWNED SINCE 1950

*Based on the share price of \$3.99 as at 30 April 2018.

INTERNATIONAL — RICE —

**A MORE GLOBALLY
FOCUSED SUNRICE GROUP
IS DRIVING BENEFITS FOR
RIVERINA GROWERS AND
SHAREHOLDERS.**

New five-year strategic focus: a sustainable global supply chain

The International Rice business is focused on advancing the global sourcing success achieved in FY17, which ensured SunRice supplied enough branded products globally to satisfy demand despite the small 2016 Riverina crop.

A core driver for the next five years will be the enhancement of our global supply chain to support increasing demand for SunRice products, which continues to grow strongly year-on-year and is anticipated to be around 1.4 million paddy tonnes equivalent in FY19.

The key objective of this strategy is to maintain Riverina rice as the supply source of choice for our premium markets, which will underpin strong returns for growers, while supplying our traditional high volume, low value markets from lower cost supply chains, such as Vietnam.

To support this focus, during the year, SunRice cemented its regional presence in Asia with the establishment of a Singapore-based team responsible for the critical task of securing a reliable Asian rice supply as part of our international sourcing program. Ideally located to service the burgeoning markets of South East Asia and China, the team is also building another sales pillar for SunRice's branded value-added rice products that have traditionally sold strongly in Australia and New Zealand.

A unique differentiator for SunRice is that we have a tiered offering based

on quality and different price points for Japonica, but with security of supply from our dual-hemisphere operations, which maintain Australian food safety standard capabilities.

Dual-hemisphere, multi-origination sourcing

An example of the refreshed strategy at work is a unique dual-hemisphere, multi-origination collaboration between SunRice, our US subsidiary SunFoods and leading Asian food wholesalers.

Japanese cuisine continues to grow in popularity and requires excellent quality Japonica rice. Collaborating with large Asian food distributors, which are expanding their global footprint as the 'sushi revolution' takes hold in more and more markets, allows the matching of Japonica rice grown for SunRice across the world to different destinations, according to consumer sensory or customer requirement, freight advantage, cost, and variety.

SunRice has dramatically grown volumes with key distributors over the last three years by leveraging existing relationships in one market, for example the US, and introducing dual supply from both California (via SunFoods) and Australia.

Over this period, speciality Californian rinse-free 'Musenmai' rice milled by SunFoods has been supplied into Australia's Asian foodservice channels and premium Australian grown Koshihikari has been introduced to North American and Asian markets. In the coming years distribution will be expanded and new markets entered.

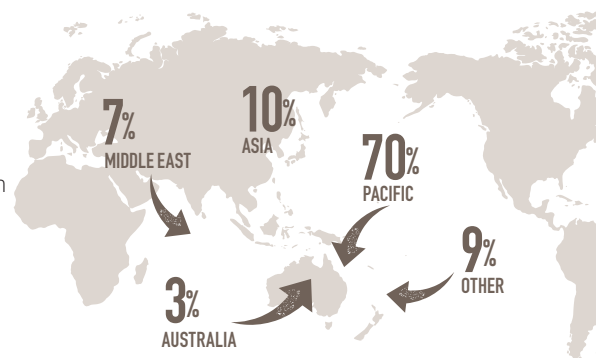
STRATEGIC PRIORITIES



Cement a global supply chain in response to increased demand for branded products



Maintain Australian standards and technology at our overseas operations to ensure higher yields, sustainable farm practices and food safety



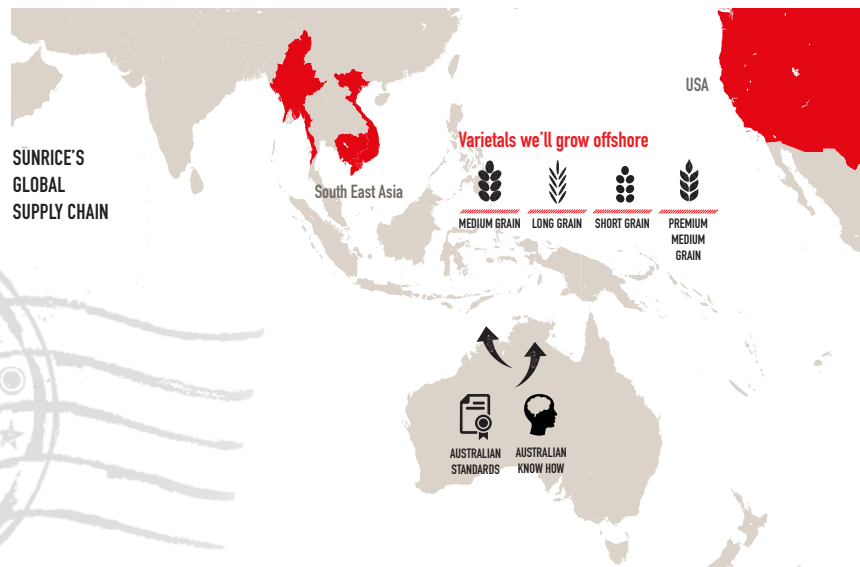
WHERE FY18 INTERNATIONAL RICE REVENUE WAS GENERATED



KOSHIHIKARI IS A PREMIUM SHORT GRAIN VARIETY OF JAPANESE ORIGIN THAT IS GROWN IN AUSTRALIA FOR THE SUSHI RESTAURANT MARKET AROUND THE WORLD.

DUAL-HEMISPHERE, MULTI-ORINATION SOURCING

SUPPORTING SUSTAINABLE LOCAL COMMUNITIES



This strategy has the advantage of supporting the global expansion plans of SunRice, SunFoods and our customers by linking our rice growing and milling capability with the distribution channels and Japanese cuisine expertise of specialty Asian wholesalers.

Advancing global sourcing

SunRice opened an office in Can Tho City in Vietnam to progress the supply chain established to support rice production in the Mekong Delta last year, which is achieving numerous benefits for local farmers and their communities. With guidance from agronomists and quality control experts employed by SunRice to work with Vietnamese growers, our exports are approaching 600,000 paddy tonnes equivalent a year from Vietnam - we are now one of the country's largest exporters, representing over 5% of total rice exports and almost 60% of Japonica exports. Through lifting rice growing and milling practices to Australian standards, SunRice is helping to improve the reputation of Vietnamese rice in world markets, while simultaneously improving farm-gate returns for our Vietnamese growers by an average of 30% above long grain prices.

Given the increasing significance of Vietnamese rice to our business, SunRice is moving to vertically integrate this supply chain with the acquisition of milling facilities in the Mekong Delta to support local production and is currently evaluating different assets. SunRice is also investing in rice variety breeding programs in Vietnam to develop quality rice varieties that can be grown under the tropical conditions of the Mekong Delta to suit our various markets around the world.

Supporting local communities

Trukai Industries is working hard to establish a domestic rice industry to support local Papua New Guinean (PNG) farmers, their communities and provide a much-needed stable source of food for the country. Over the next five years, Trukai aims to grow 2,400 hectares of rice, or the equivalent of 12,800 tonnes of paddy grain.

Trukai is committed to establishing a domestic paddy to plate value chain in PNG, and provides agronomic support, has opened PNG's first hulling mill during the year and provides financial literacy training to help farmers manage their crop payments. We also ensure food security in PNG by supplying the country with quality rice at an affordable price point agreeable to our valued and loyal customers.

Overall business performance

With international trading reduced by the larger 2017 Riverina crop being placed back into key export markets, International Rice revenue declined by 10% to \$457 million and net profit before tax (NPBT) decreased by 14% to \$24 million in FY18.

Trukai regained momentum impacted by the previous year's challenging macroeconomic conditions. Through

repositioning price points and product quality, the business re-established profitability and recovered significant market share.

Through brands such as Trukai, Solrais and Island Sun, in FY18 SunRice was ranked as the top rice brand across the Pacific, commanding 64% market share based on sales volume.

Highlighting the benefits of SunRice's international, dual-hemisphere sourcing strategy has been the ability of SunFoods over recent years to flex supply depending on the size of the Riverina crop. In response to the low 2016 crop, the Californian-based miller enabled SunRice to continue supplying the important Middle East market. When the Riverina returned to normal production in C17 there was a reduced requirement for SunFoods to supply rice into our international markets, and as a result SunFoods' volumes have returned to more normal levels. While SunFoods' performance was also impacted by the increasing cost of rice paddy in the California market, participation in market tender processes bolstered revenues for the business during the second half of FY18.

The segment was enhanced by a one-off \$4.0 million foreign currency hedging gain.

FARMERS FROM THE CHINGWAM COOPERATIVE ALONG THE MARKHAM VALLEY IN PNG'S MOROBE PROVINCE WITH THEIR CERTIFICATES FROM TRUKAI'S FINANCIAL LITERACY TRAINING PROGRAM.



RICE FOOD

THE RICE FOOD BUSINESS IS ADVANCING NEW DOMESTIC AND INTERNATIONAL MARKETS TO BENEFIT BOTH GROWERS AND SHAREHOLDERS.

STRATEGIC PRIORITIES



Match global food trends from our diversified product portfolio, especially in healthy eating and snacking

New five-year strategic focus: expanding the SunRice brand footprint

With global consumer preferences ever changing, the Rice Food business is poised to capitalise on increasing demand for healthy eating and snacking options, with a particular focus on:

- expanding into new markets with high-quality and convenient packaged value-added rice products;
- continuing to invest in the business' innovative healthy snacking range; and
- growing SunRice's food ingredients business.

The Rice Food business delivered on the refreshed strategy in FY18, with the introduction of new, innovative value-added snacking products in Australia and internationally, including into Asia for the first time. The Singapore-based team launched our popular Brown Rice Chips in select Asian markets. With snacking an integral part of Asian culture, distribution exceeded targets. In the Middle East, building on the popularity of the last year's Sunwhite Brown Rice Chips launch, a single serve 40g pack was released, driving expanded distribution and visibility. Strong sales are anticipated across Jordan, the United Arab Emirates (UAE) and Saudi Arabia. Opening a new market for Riverina-grown brown rice was the Australian launch of adult sized Rice Cake Bites.

To support the development of our healthy eating strategy, which will enable us to capture the growing opportunities in this space, the SunRice Board

approved an \$11 million capital proposal to build a new food ingredients plant in Leeton, in the heart of the NSW Riverina rice growing region.

Business performance

Sales volumes and revenues for the Rice Food business remained relatively flat compared to last year, with revenue declining 5% to \$107 million and NPBT decreasing to \$2 million.

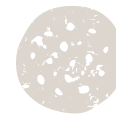
A key contributor to this segment was the rice flour category, which continued to experience growth notwithstanding competition from Vietnamese imports during the first half of the year.

Despite private label competition in Quick Cups, SunRice was the number one ranked brand by sales value in the microwave rice category in Australia, with market share growing to 50%. The microwave rice category now generates almost half of this segment's sales revenue. To maintain consumer loyalty, SunRice launched the 'Lunch in 5' marketing campaign targeting young professionals who are seeking convenient lunch options, which resulted in a 23% uplift of in-store sales of SunRice Microwave Rice Quick Cups.

HOW FY18 RICE FOOD REVENUE WAS GENERATED



43%
MICROWAVE RICE



8%
READY-TO-GO MEALS

29%
SNACKING (RICE CAKES AND RICE CHIPS)

20%
RICE FLOUR



VALUE-ADDING RIVERINA-GROWN RICE ONE BITE AT A TIME

SunRice's new healthy, on-the-go, gluten-free, guilt-free snack, the adult Rice Cake Bites, is a wonderful example of our innovation and value-add manufacturing at its best.

With consumer insights showing Australians are moving towards quick, easy, healthy savoury snacks, SunRice invested in converting its existing large rice cake processing equipment to have the capacity to also produce this new bite sized alternative.

Made from 100% Riverina-grown wholegrain brown rice and processed in SunRice's Leeton manufacturing facility, Rice Cake Bites demonstrate how our fully-integrated supply chain is able to identify and respond to food trends and expand sales.

RIVIANA FOODS

RIVIANA AND ITS ESTABLISHED CONSUMER AND FOODSERVICE BRANDS PROVIDE IMPORTANT DIVERSIFIED EARNINGS FOR SUNRICE, WHILE LEVERAGING THE GROUP'S POSITION AND PROCESSES.

STRATEGIC PRIORITIES



Build greater 'platter' share through growth of core products and brand diversification in the retail channel



Leverage our 'pantry' offer with convenient, 'chef' quality meal preparation solutions for the foodservice sector

New five-year strategic focus: growth through diversification and product development

Riviana Foods (Riviana) is focused on supporting SunRice's strategic priorities through: building greater 'platter' share via the retail channel for those consumers who enjoy in-home entertaining; and growing our convenient, high quality meal solutions in the foodservice sector. Specialising in providing consumers with authentic, gourmet products of high provenance, Riviana will also seek to gain access to new supply chains and categories, for example chilled foods, through strategic acquisitions. Following the first full year of ownership of Fehlbergs Fine Foods, during the year the specialty gourmet food section of the business identified opportunities that would enhance its position and performance.

Business performance

Despite challenging foodservice sector trading conditions, restructure costs and exposure to foreign currency risks around its imported products, Riviana achieved a 6% NPBT increase to \$9 million. This is mainly the result of the benefits of the Fehlbergs' acquisition, and a continued focus on controlling costs and driving the sales volumes of higher quality product.

A number of initiatives are also paving the way for Riviana to be well placed to drive growth, including: establishing stronger positions for the Always Fresh brand in Woolworths and Coles; continued Fehlbergs momentum with the introduction of several new products into Woolworths; increased customer base in foodservice; and an improved product mix and strong balance sheet.

HOW FY18 RIVIANA FOODS REVENUE WAS GENERATED



— COPRICE —

**NUTRITION-BASED INNOVATION
WILL BE A KEY GROWTH
DRIVER FOR COPRICE'S
FUTURE.**

STRATEGIC PRIORITIES



Maximise grower returns by optimising the utilisation of rice by-products



Leverage and promote CopRice's nutritional expertise in the stockfeed sector

New five-year strategic focus: the stockfeed and pet food nutrition experts

A partial recovery in the dairy industry, coupled with reduced pasture levels compared to FY17 due to drier seasonal conditions, have seen farmers increase demand for supplementary stockfeed, driving a return to profitability for CopRice. Management initiatives have also aided the turnaround, with the business focused on the basics and taking advantage of the opportunities that being part of the diversified SunRice Group offers. During the year, CopRice's sales and nutrition teams were restructured to drive the direct-to-farm dairy business, which is core to future growth plans. A significant range reduction and rebranding of CopRice's speciality packaged product range was also undertaken, accompanied by a pricing review across the portfolio. This has allowed CopRice to focus on the most profitable products in key packaged categories – dog, dairy and equine – driving efficiency with retail customers and across the supply chain. CopRice continues to produce 'Nutrition that Stacks Up' content across all products, with nutrition-led innovation being a key growth driver for the future.

Leverage by-products

CopRice has focused on fully leveraging the by-product supply base obtained from SunRice to extract full value from rice bran, hulls and broken. A great example of this is the repositioning of the equine range to promote CopRice's point-of-difference that its horse feeds are made with 100% Australian rice bran.

Nutrition stacks up for CopRice

To set the business apart as a stockfeed nutrition specialist, CopRice's entire packaged range will now showcase 'Nutrition that Stacks Up' information and benefits on the front of all packaging.

Business performance

In FY18, CopRice's 'back to basics' focus enabled the business to benefit from: a recovery in the dairy industry; and increased demand for its direct-to-farm sheep products, while successfully reinvigorating engagement with key agricultural retail partners.

This strategy has delivered net sales value (NSV) growth of 13%. CopRice NPBT experienced a positive turnaround of \$7 million, with revenue increasing 12% to \$111 million. Positive pricing mix and margin growth in speciality and grocery segments drove the business' improved performance, along with improved volumes in our direct-to-farm business.

HOW FY18 COPRICE REVENUE WAS GENERATED

86%
LIVESTOCK
PRODUCTS
(STOCKFEED)



14%
PETCARE
(PET FOOD)



INNOVATION THAT DELIVERS

Demonstrating its nutritional expertise, CopRice has developed and launched a range of sheep concentrate pellets, which are designed to not only drive superior feed conversion ratios, but also deliver better animal health outcomes.

Called VitaMinBuf, which stands for Vitamins, Minerals and Buffers, this innovative product range was developed by CopRice's own nutritionist to be the new benchmark for nutritional quality in sheep concentrates.

An on-farm trial shows VitaMinBuf outperforms a key competitor and initial sales results are promising.

— CORPORATE —

SUNRICE'S MAINTENANCE OF CORE BRANDS AND ASSETS ENABLES THE GROUP – AND THE RIVERINA RICE INDUSTRY – TO SUCCESSFULLY NAVIGATE PERIODS OF DROUGHT AND LOW PRODUCTION.



AGS MANAGER MATT BAILEY INSPECTING FRESHLY HARVESTED C18 PADDY AT THE DENILIQUN DEPOT.

About Corporate

The Corporate segment captures the income from, and cost of, holding and financing the assets utilised by the Rice Pool business. It also captures royalty income from brands owned by the parent entity and other income and costs not allocated to other business segments, such as legal and capital restructure costs.

As the cost of holding and financing is a mixture of bank debt (excluding seasonal debt) and shareholder capital, a weighted average cost of capital is the basis of the charge to the Rice Pool business for the use of these assets.

Corporate and brand charges

The Rice Pool business has access to assets, including AGS storage sheds, rice mills, trademarks and corporate costs and capability, which are shared with the Profit Businesses. These items are funded by the SunRice Group and, as a result, the Rice Pool is charged for these and other expenses, which are captured in this segment.

These fees for service are recorded as NPBT in the Corporate segment and the value to the business is reflected through internal finance and brand charges to the Rice Pool business (through the Paddy Pool).

The AGS storage assets are dedicated to serving the Rice Pool business. SunRice has a continual maintenance policy to ensure these assets remain in good condition. As the Rice Pool absorbs any cost associated with operating the AGS sheds, any returns made from third party grain storage are returned to the Rice Pool.

Business performance

With the return of Australian rice to service international markets following the larger 2017 crop, the increase in sales resulted in an increased internal charge and Corporate's performance recovered positively in FY18.

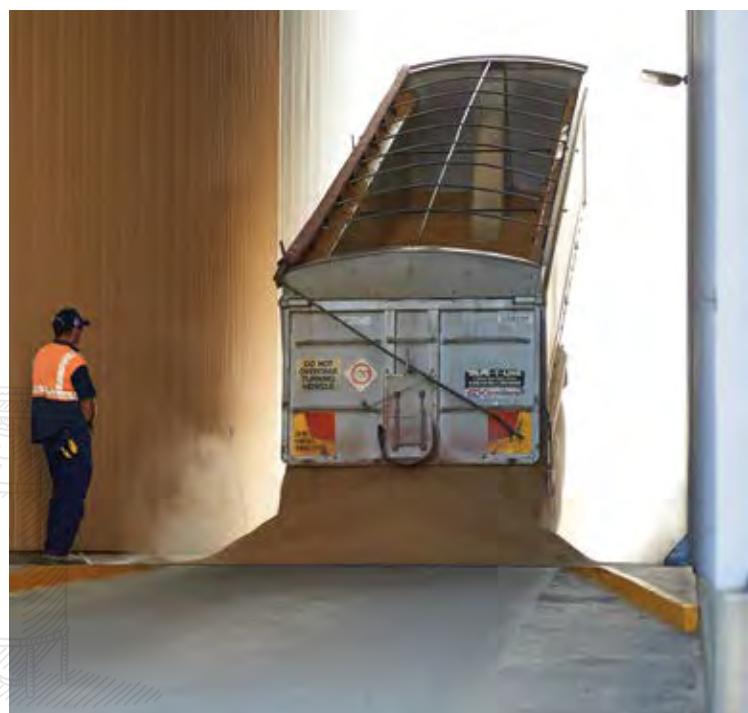
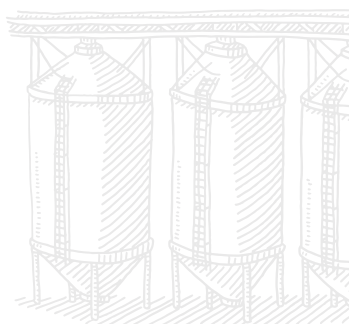
17

AGS DEPOTS ACROSS THE RIVERINA

73

STORAGE SHEDS

OVER ONE MILLION TONNE CAPACITY



CORPORATE MANAGEMENT — TEAM —

Rob Gordon

BSc (Hons) CEng MAICD
Chief Executive Officer

Rob joined SunRice in February 2012 as CEO and Managing Director. Rob's career spans more than 35 years of experience in the FMCG and agribusiness sectors, including over 20 years in CEO and Managing Director roles for companies including Viterra Inc, Dairy Farmers Ltd and Goodman Fielder (Meadow Lea and Consumer Goods divisions). He also held various senior executive roles with Unilever in Europe and Australia. For Directorships, please refer to page 31.

Dimitri Courtelis

BCompt (UNISA), CA (ICAA), CFE (ACFE)
Chief Financial Officer

Dimitri was appointed Group CFO of SunRice in March 2018, following an extensive global career across the finance function in both advisory and corporate roles. Most recently he was Group CFO at Air Berlin PLC, after leading the successful turnaround of Air Serbia as Group CFO. Previous experience includes Etihad Airways, Deloitte and EY. Dimitri is a qualified chartered accountant (ICAA) and certified fraud examiner (ACFE).

Simone Anderson

DipFoodSc&Tech
General Manager, Integrated Supply Chain

Simone has more than 30 years' experience working within the FMCG sector, and specifically within the food sector. She has worked across all aspects of Integrated Supply Chain, and also in commercial and strategy roles in the UK and across Europe and is now based in Australia. She joined SunRice in December 2014 as the General Manager for Integrated Supply Chain and is responsible for driving best practice in manufacturing, logistics and customer services, research and development, sales and operations planning, safety, engineering and quality across the Group. Simone's previous experience includes senior appointments in Mondelez, Cadbury UK&I, Kraft Foods, Arla Food Group and Unigate in Australia, New Zealand, Europe and the UK.

Mandy Del Gigante

BComm, CPA, AGIA, ACIS, GAICD
Company Secretary

Mandy 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.

Stephen Forde

Chief Executive Officer, Riviana Foods Pty Ltd

Stephen joined Riviana Foods in October 2013 as CEO, bringing more than 24 years of strategic sales, marketing and general management experience in the FMCG industry. During his 20-year career with Reckitt Benckiser, he was Global Customer Director, UK and General Manager, New Zealand, and more recently, General Manager, New Zealand for Campbell Arnott's.

Tom Howard

BAg Ec, MBA
General Manager AGS, Grower Services and Agronomic Development

Tom joined SunRice in November 2015 and is responsible for the AGS network, Grower Services and Agronomic Development across the Riverina, North Queensland and Asia. Tom is a highly-experienced agribusiness manager with over 25 years' experience in international business and the domestic and international grains industry, having previously held senior positions with Emerald Grain (Sumitomo Corporation), the top 50 Irish company, UniPhar, and a leading Australian grains cooperative.

David Keldie

BA
General Manager, Global Consumer Markets

David joined SunRice in 2001 and is responsible for the Middle East, Asia, the Pacific, Solomon Islands, Australia, New Zealand and North Asia Tender Markets, as well as new product development and Jordan's Aqaba processing facility. With 25 years' experience in the FMCG sector, David is a Director of SunRice Singapore; Aqaba Processing Company Ltd; Trukai Industries Ltd (PNG); and Sunshine Rice Pty Ltd, and provides business development support for SunFoods (USA) and Trukai (PNG).

Allison Salmon

BA-Psych
General Manager, People and Culture

Allison joined SunRice in December 2015 and is responsible for driving the company's people and culture agenda. Having worked in human resources for 20 years, including leadership positions with IBM and Kimberly-Clark across Australia, the UK, Europe and Asia Pacific, Allison brings extensive experience in people management, talent development, transformational leadership and organisation culture.

Peter McKinney

BComm (Marketing), GAICD
General Manager, CopRice

Peter joined SunRice in January 2017, bringing extensive senior marketing and general management experience from roles with blue-chip consumer companies YUM Brands and George Weston Foods, in both the Quick Serve Restaurant and FMCG industries. Peter also previously held a senior management position at ASX-listed company Pacific Smiles Group.

Matt Alonso

BSc (AgEngr), MBA
Chief Executive Officer, SunFoods LLC

Matt joined SunFoods LLC in 2010 and is responsible for all aspects of the US business, from raw material procurement and plant operations, to domestic sales and marketing. With over 20 years' experience in the US agriculture and rice industries, Matt has previously worked for Pacific International Rice Mills and is a Board member of the California Rice Commission and the USA Rice Federation.

Greg Worthington-Eyre

MBA
Chief Executive Officer, Trukai Industries Limited

Greg joined Trukai in 2013 as CEO. Prior to this, he was the Managing Director at Pink Hygiene Solutions and Ambius Australia, after time in Singapore as Senior Vice-President for Initial Asia Pacific. Greg started his career at Unilever and over the course of 30 years has held numerous positions across Australia and Asia.



OUR SUSTAINABILITY COMMITMENT

At SunRice we believe that managing sustainability is good for our business and supports and builds on the positive influence we already have and will continue to have on our employees, the communities in which we operate and society at large.

SUSTAINABILITY APPROACH

One of the three key pillars of our five-year strategy is to secure a sustainable and reliable global supply chain.

In 2017, we released SunRice's Sustainability Charter, which defines what sustainable rice supply and sustainability more broadly mean for our business. The charter sets out our commitments to ensuring every link of our global supply chain, including the societies and communities in which we belong and the environments in which we work, is operated responsibly and sustainably.



Societies and Communities

Our key priority is respecting fundamental human rights throughout the value chain. We are also committed to increasing supply chain traceability, strengthening the communities within which we operate and maintaining a diverse and safe workplace for our most valuable asset – our people.



Environment

We are committed to looking forward and delivering efficient resource use, waste reduction and enhancing biodiversity. Initiatives underway are outlined on page 20 of this report.



Governance

SunRice strives to exceed the requirements of the laws and regulations that govern our operations. We have a 'zero tolerance' approach to bribery and corruption and will communicate transparently on our sustainability performance.

We're committed to doing the right thing

Our sustainability commitments and how we implement them will help to: reduce our risks; realise our opportunities; maintain our social licence to operate; and build on our reputation.

As a signatory to the United Nations Global Compact (UNGC), we are committed to upholding the Compact's 10 principles in relation to human rights, labour practices, the environment and anti-corruption. It also means we support the United Nations Sustainable Development Goals (SDGs) and will report against them in our first sustainability report to be released later this year.

This first report will be informed by the Global Reporting Initiative Standards and deliver on our commitment to publicly and transparently communicate and account for our sustainability performance against our key actions.

HOW WE'LL ACHIEVE THIS

What matters to us?

To identify, prioritise and understand our business' core sustainability topics, we undertook a consultative process with a range of stakeholders, from our customers to our suppliers, considered our peers and the international context of our five-year strategy. As a result, we identified 12 material sustainability topics to be addressed in detail in our 2018 sustainability report. As outlined here, we already proactively manage many of these topics. Others are emerging because of our strategy for global growth.



Workplace health and safety: We are committed to providing a safe work environment for our employees, contractors and suppliers.



Product safety and quality: Ensuring high standards of product safety and quality is critical to maintaining consumer trust and managing reputational risks.



Employee engagement: We will maintain a supportive, inclusive, innovative and collaborative culture to attract and retain passionate, high-performing employees.



Labour practices: We must provide fair labour standards, good working conditions and manage the potential risk of exploitative labour practices occurring in our supply chain.

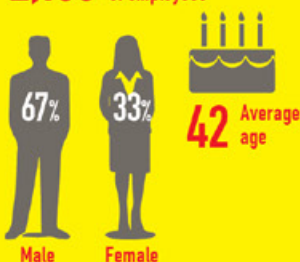


Role in local economies: Continue to play a significant role in supporting the communities in which we operate, through providing employment and procurement opportunities and investment in community-focused activities.

THE IMPORTANCE OF OUR PEOPLE

At SunRice we believe that our people really do "make a difference". Our vision is for a positive, inclusive and accountable culture. We strive to provide an enjoyable, flexible and innovative workplace in which everyone is comfortable to express fresh ideas and creativity. We do this while providing a safe work environment that ensures the health and safety of our people, contractors and supplier partners is at the forefront of everything we do.

Employee breakdown



*This data refers to the SunRice Group. All other data refers to Australia only.



37.3% Women in senior management roles in Australia, up from 35.2% in 2017



Health and safety



Reduction in Total Recordable Injury Frequency Rate (TRIFR) across the SunRice Group



PROGRESS SO FAR

R&D and agronomics: It is vital to our business that we maintain investment in research to increase the efficiency of rice production while minimising environmental impacts.

Climate change, natural disasters and extreme weather events: We will report on our responses to climate change related risks and opportunities for global rice production.

Energy efficiency and emissions reduction: SunRice is implementing ways to reduce our energy consumption and emissions across our operations and supply chain.

Water management: As the world leader in rice water use efficiency, our water management approach is vital to our social licence to operate. We need to continue minimising water consumption while maintaining secure access to high quality water.

Financial challenges in the supply chain: Rising input costs can be seen as a risk to rice production by contributing to rice growers' decision making processes.

Rice supply: Reliable, quality rice supply is critical to SunRice's core business. The continued involvement of Riverina rice growers in the industry, as well as expansion of rice supply areas across Australia and around the world, are key factors to securing rice supply.

Anti-bribery and corruption: SunRice needs to continue managing the risk of bribery and corruption occurring within our operations and supply chain, both in Australia and globally.

Our material sustainability topics

Over the past 12 months, we have been focused on building the governance and management approach to deliver a sustainable and responsible supply chain into the future. Key initiatives have included:

Updating our group procurement policy and supplier assurance management procedure. We asked our suppliers for their feedback, including conducting supplier impact assessments in Vietnam, which provided deep insights into our relationships with suppliers there.

To support the establishment of the internationally-driven Sustainable Rice Platform across our global supply chain, we initiated a pilot program with our Riverina growers in FY18, which we plan to roll out in PNG and Vietnam.

Our Board endorsed and is now regularly monitoring implementation progress of the SunRice Sustainability Program, reflecting the importance of sustainability from a governance perspective for our business.

We have begun a gap analysis to determine the strength of responses to our material topics with a view to maturing our approach to managing sustainability.

SunRice Sustainability Report

We will release our first standalone sustainability report this year. This report will drive change within our organisation and hold us to account for our sustainability performance. It will openly and honestly articulate the work we are doing within our business and our broader supply chain to support us in achieving global sustainability success.



16%

Reduction in Lost Time Injury Frequency Rate (LTIFR) across the SunRice Group

25%+

Reduction in TRIFR at AGS and CopRice

ZERO

TRIFR at Riviana and SolRice

ZERO

LTIFR at Trukai, SolRice, Riviana, RRAPL, APC, AGS



During the year, SunRice introduced a new safety and quality system called Protecht across Australia. With improved accessibility the system is helping us drive best practice risk management across the business. Protecht will be rolled out internationally in the coming year to ensure all areas of the business are consistent and supported in our drive to Zero Harm.

Training and professional development



122

Training courses (including mandatory safety compliance)

11,306

The number of times these training courses were completed by employees



281

Employees undertook leadership development courses

People engagement



73%

Of our people believe safety and quality are top business priorities



77%

Of our people say the products and services SunRice provides are as good as, or better than, our main competitors



68%

Of our people are happy with learning and development opportunities



24%

Eligible employees who elected to purchase B Class Shares in the Employee Share Scheme launched this year

69%

Employee engagement score, up from 62% in FY17

— OUR ENVIRONMENT — AND COMMUNITIES —

SunRice is committed to environmental sustainability across all our operations, through the efficient use of natural resources, waste reduction and enhancing biodiversity protection.

As part of our refreshed five-year strategy, we will continue to collaborate with growers, industry, government, suppliers and customers, both in Australia and overseas, to innovate and contribute to continuous improvement initiatives. Building on our heritage as a grower-led cooperative in Australia, our business approach and our community initiatives and programs strive to strengthen the communities of which we are a part.

USING FEWER RESOURCES AND MANAGING WASTE



Energy management planning

With rising energy prices, SunRice has initiated a new energy management program with the assistance of the NSW Office of Environment and Heritage (OEH). The program will build on previous activities and develop and prioritise a list of projects covering all aspects of energy consumption and process efficiency and will be implemented over the next three years.



Effluent management improvements underway

Leeton's Speciality Rice Food Group and the Deniliquin Mill are both implementing capital plans to improve trade waste management on their sites.

Lighting the way

Following a trial of LED lights, SunRice has developed a standard for addressing safety, quality, engineering and environmental requirements. CopRice Cobden has already replaced its lights with 30% more energy efficient alternatives, funded by the Victorian VEET Lighting Replacement Scheme, and two other sites are scoping upgrades using SunRice's new lighting standard.



By-products add value

In SunRice's ongoing effort to value-add its rice by-products, the sales of hulls have more than doubled, from 44,000 tonnes last year to 90,000 tonnes this year. SunRice has developed plans to sustainably manage the ongoing need for hulls to be spread on hull farms when demand fluctuates, as it did during the year.

Soil remediation completed at Griffith

A seven-year project between SunRice and the Griffith Shire Council to remediate the soils on the old Griffith mill site was completed in March 2018.

IMPLEMENTING SMARTER PROCESSES

Environmental risk management



The focus of SunRice's environmental management programs this year has been to identify and consolidate risks across its Australian and overseas operations under the new Protecht Integrated Management system, while preparing for improvement opportunities in future crop years. Protecht will provide transparency of obligations for each site at Group level.

Sustainability Advantage at work

SunRice continues to support the NSW OEH Sustainability Advantage program, utilising its framework and assistance to develop the business' Energy Management Program.



North Queensland tropical rice research progresses

The first results of the federally funded tropical rice research project, being run by SunRice, RRAPL and collaboration partners, will be available following the harvest of trial crops in May 2018. The \$4 million project is investigating the most suitable rice varieties and farming systems for North Queensland's unique tropical environment.



R&D trials drive water savings for rice growing

Agronomic trials run by the Australian Rice Partnership, which links SunRice, the NSW Department of Primary Industries and AgriFutures Australia, show how direct drilling and delayed permanent water can deliver savings of up to 4.5 megalitres per hectare compared to aerial sowing and traditional irrigation. According to NSW DPI, these trials have the potential to increase gross margins by up to 59%.



INCREASE IN EMPTY SUNRICE BRANDED RICE PACKETS (6.1 TONNES) RETURNED VIA THE REDCYCLE PROGRAM. SUNRICE IS A FOUNDING PARTNER IN THIS RED GROUP INITIATIVE WHICH HAS ALSO BEEN IMPLEMENTED IN SUPERMARKETS ACROSS NEW ZEALAND.



WILL SEE MORE REDCYCLE COLLECTION BINS INSTALLED ACROSS REGIONAL AUSTRALIA, INCLUDING THE RIVERINA.



TONNES OF WASTE DIVERTED FROM LANDFILL.



TONNES PACKAGING MATERIALS (BULKERS, CARDBOARD AND PLASTIC) RECYCLED AT LEETON MILL AND SRFG, COPRICE LEETON AND DENILQUIN SITES.

ENGAGING THE COMMUNITY



Outstanding Women in PNG

2018 marked the 10th year Trukai has sponsored the Westpac Outstanding Woman awards, an important initiative supporting the empowerment of women as equal partners in development issues in PNG. This year's winner, Ruth Julie Kissam, who works for the Papua New Guinea Tribal Foundation, also won the Trukai Community Award category for her role in the community as an active anti-violence campaigner and women's advocate.

Pictured: Ruth Julie Kissam (centre) receiving her awards from Adrian Hughes, Westpac, and Ancilla Wrakuale, Trukai.

CopRice feeds horse riding success

CopRice sponsored rider Vicki Wilson and her coveted colt 'Kentucky' wowed crowds at the US 2017 'Road to the Horse', which saw her crowned World Champion. Vicki and sister Amanda also placed in the top five in the NZ 2017 Horse of the Year. CopRice congratulates the 'Wilson Sisters'!



Locally grown is our seal of quality: Deni Mill

As the largest non-government employer in town, the Deniliquin Mill is very proud of its strong links with the local community. Our vision and philosophy were recognised when named 'Employer of Choice' at both the Deniliquin and Murray-Riverina Business Chamber Awards, and a State finalist for the NSW Business Chamber Awards.



25th Biennial Leeton SunRice Festival celebrates community

The 2018 Leeton SunRice Festival attracted thousands of people to recognise the Riverina rice industry's contribution to the local community. In the highly-contested Ambassador Quest, SunRice supported employee April Mickan was named the 2018 Fundraising Ambassador for her efforts in raising \$19,801. Half of these funds will go to April's chosen charity, the Kurrajong Foundation, which supports people with disability, with the remainder to be distributed among local charities by the festival committee.



Berrigan local Annabel Arnold wins 2018 Jan Cathcart Scholarship for women in the rice industry

Annabel (pictured above) is the sixth recipient of the Jan Cathcart Scholarship, which is offered by SunRice to invest in the future of the rice industry. It will financially support Annabel's Bachelor of Agriculture degree at the University of Melbourne and provide hands-on industry experience to assist her in achieving her career goals.

Earthquake victims receive food relief from Trukai



Trukai further supported the PNG community with urgent food supplies as part of disaster relief efforts in the Hela and Southern Highlands Provinces that were devastated by the February 2018 earthquake. A generous donation of 20 tonnes of rice was transported and distributed to those affected.



Foodbank dishes up one million meals of Riverina rice to Australians in need

For the fifth consecutive year, SunRice's Dennis Bagnara and Jim Alateras (pictured with Foodbank's Emily Dawson) have proudly organised a substantial Riverina rice donation for hunger relief charity Foodbank. Combined with SunRice's support of Woolworths' Shop and Share campaign for Foodbank, the 125-tonne donation will provide over one million meals to Australians experiencing food insecurity.

CORPORATE GOVERNANCE STATEMENT

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 Recommendations).

This Corporate Governance Statement summarises the main corporate governance policies of the company and outlines the extent to which the company's corporate governance policies and practices are consistent with the ASX Recommendations.

The Board does not consider that all of the ASX Recommendations are appropriate for the company given the related provisions in its constitution regarding the composition of the Board and shareholding requirements. However, where the company has not followed an ASX Recommendation, this has been identified together with the reasons why it has not been followed.

Copies of all the company's key policies and practices and the charters for the Board and its current Board Committees referred to in this statement are available in the corporate governance section of the company's website at www.sunrice.com.au.

Principle 1 – Lay solid foundations for management and oversight

Role of the Board (ASX Recommendations 1.1, 1.2, 1.3 and 1.4)

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.

The roles and responsibilities of the Board and Committees are defined in the Board Charter and the written charters of the Finance and Audit Committee, the Nomination Committee, the Remuneration Committee, the Grower Services Committee and the Safety, Health and Environment Committee.

Prior to the election of any Director, candidate information, with all material information to support an informed decision, is provided to shareholders. The company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a Director.

SunRice Group has written agreements with all Directors (as well as senior executives) setting out the key terms of their appointment.

The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Diversity Policy (ASX Recommendation 1.5)

At SunRice, we are committed to creating an inclusive and diverse workplace where all employees are given equal opportunity to succeed.

Our Inclusion and Diversity Strategy provides a framework for SunRice to achieve, amongst other things, a workforce with diverse skills and experience, a workplace culture characterised by inclusive practices and behaviours, and improved employment and career development opportunities

for women and men.

SunRice's revised inclusion and diversity priorities include:

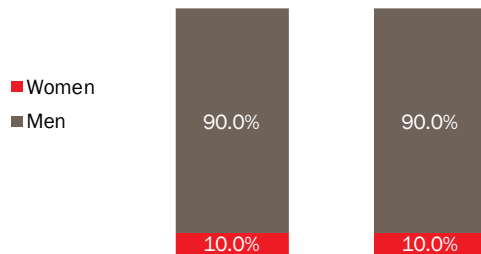
- Diversity in leadership;
- Creating flexible, adaptable work practices; and
- Respectful workplaces.

Across the Group, the respective proportions of male and female employees on the Board, in senior executive positions and across the business are illustrated in the tables on page 23. Key points of note include:

1. The number of women on the SunRice Board and the proportion of female senior executives remained unchanged.
2. The proportion of women in senior management positions in Australia increased by 2.1% to 37.3% (April 2018) from 35.2% (April 2017). This increase did not allow us to meet our target of 40% but continues to reflect the increase of appointments of females into business-critical roles.
3. SunRice's enhanced recruitment practices (we insist on at least one female candidate on all recruitment shortlists) have contributed to the Group female employee representation increasing by 1.3% from 23.2% (April 2017) to 24.5% (April 2018). Female representation across Australia remained consistent at 33%.

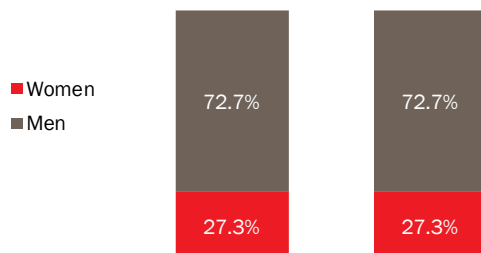
Compared to our peer group 'Food Product Manufacturing' (118 organisations), the representation of women in senior leadership at SunRice well surpasses our peers by 13.5%.

Proportion of women on the Board



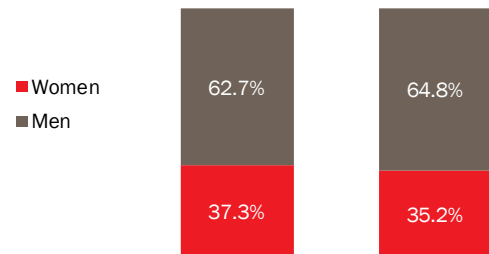
	FY18	FY17
Women	10.0%	10.0%
Men	90.0%	90.0%
Number of Women	1	1
Number of Men	9	9

Proportion of women in senior executive positions in the Group¹



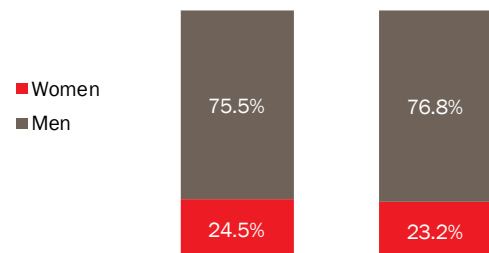
	FY18	FY17
Women	27.3%	27.3%
Men	72.7%	72.7%
Number of Women	3	3
Number of Men	8	8

Proportion of women in senior management positions in Australia as reported in the Workplace Gender Equality Agency Report²



	FY18	FY17
Women	37.3%	35.2%
Men	62.7%	64.8%
Number of Women	19	19
Number of Men	32	35

Proportion of women employees across the Group



	FY18	FY17
Women	24.5%	23.2%
Men	75.5%	76.8%
Number of Women	535	510
Number of Men	1645	1691

¹ Senior Executive includes the Group CEO and other members of the Corporate Management Team and Subsidiary Company Heads.

² Senior Management includes Senior executives (as defined above) and their direct reports. The number of senior managers represents Australian based senior managers only.

CORPORATE GOVERNANCE STATEMENT CONTINUED

The following assessment of achievements to date against the measurable objectives in FY18 demonstrates our ongoing commitment to inclusion and diversity.

FY18 Objective	Initiatives and Outcome
Continue to focus on increasing the representation of women in senior management positions to 40% for FY18	Increased Gender Balance <ul style="list-style-type: none"> During FY18, the proportion of women in senior management positions across Australia increased from 35.2% to 37.3%, falling short of our target of 40%. However, we continue to exceed our peer group benchmark by 9.8%. The SunRice Group continues to report a much higher proportion of males to females i.e. 24.5% female to 75.5% male.
Cascade cultural intelligence workshops to educate our leaders on the benefits of diversity and working effectively together	Increased Focus on Asia <ul style="list-style-type: none"> Piloted cross-cultural business protocols program for our people doing business in Asia. This included meeting protocols, visible signs of emotion and what they mean, the use of English language, how to act in formal and informal occasions and establishing contacts and networks through official channels. Our Board and CMT also participated in education sessions conducted by KPMG and King Wood Mallesons on doing business in Asia. Cultural intelligence briefings conducted for all expatriates travelling to Singapore, Vietnam and PNG.
Deliver on our action plans arising from our 'Say it as you see it!' engagement survey and cultural intelligence survey in Trukai so we can increase our inclusion engagement score by 10% (to 67%) and our flexibility score by 10% (to 65%) because we know that flexibility is a key enabler of inclusion and diversity	'Say it as you see it!' Engagement Survey <ul style="list-style-type: none"> Achieved a participation rate of 74% and an engagement score of 69%, representing a 17% and 11% increase respectively. Exceeded our target of 67% to reach a favourable response of 71% stating '<i>SunRice is committed to creating an inclusive culture and I am given an equal opportunity to succeed</i>'. Only 8% indicated an unfavourable response. Sentiment was split evenly between men and women. Exceeded our target of 65% to reach a favourable response of 72% stating '<i>We are genuinely supported if we choose to make use of flexible working arrangements</i>'. Only 6% indicated an unfavourable response. Sentiment was split evenly between men and women.
Other Notable Achievements	Performance Review and Pay Gap Analysis <ul style="list-style-type: none"> Each year we take action to analyse performance review outcomes to ensure equity while calibrating. We also undertake equal pay analysis across all roles, and adjust pay when appropriate. National Association of Women in Operations (NAWO) <ul style="list-style-type: none"> Active member of NAWO's Regional Committee with a focus on growing female talent regionally. Profiled SunRice female employees in regional job advertisements as a way of demonstrating to potential applicants that women are welcome in our operations/maintenance/engineering business. AgriFutures Rural Women's Award <ul style="list-style-type: none"> Ongoing sponsorship of awards dinner enabling 12 women across the business to be inspired by rural women in our communities. Jan Cathcart Memorial Scholarship Program <ul style="list-style-type: none"> Launched the 2018 Jan Cathcart Memorial Scholarship Award, designed to support talented women who demonstrate a passion and commitment to the rice industry and who can contribute and play a critical part in shaping a positive future. Provided work experience opportunities for scholarship recipients in Finance Operations and Riviana Marketing. Scholars also attended the SunRice Leaders Forum in Sydney where 90 leaders came together to learn about our strategy and empowering leadership at every level.

Western Riverina ‘Grow Our Own’

Joined as partners of Grow Our Own to transform the Western Riverina by:

- Developing, mentoring and retaining local skills;
- Helping young people undertake tertiary studies while staying and working in the region; and
- Providing education and training that leads to sustainable jobs.

Other initiatives focusing on development and education include:

- Ongoing partnership with FemiliPNG to support employees who have been victims of sexual or domestic violence.
- Increased participation among leaders in the Courage: Inclusive Leadership in Action course.
- Participated in the National Aborigines and Islanders Day Observance Committee (NAIDOC) week celebrations.
- Adopted a disability and employment initiative at our Deniliquin Mill and Melbourne offices.

Building on our desire to create an inclusive work environment for all our people, we are aware that the benchmark keeps rising and we must not stand still if we are to continue to attract and retain the best talent. We have set ourselves the following measurable objectives for FY19.

FY19 Measurable Objectives

Our FY19 Measurable Objectives will be:

1. Continue to focus on increasing the representation of women in all leadership roles at 40% for FY19.
2. Continue to demonstrate a Group-wide approach that is based on flexibility of where we work, when we work and what we work on at any given time. Flexibility focuses on outcomes rather than face time and is both formal and informal in nature. We will check in with our engagement survey results via a ‘Pulse’ check to increase ‘*SunRice motivates me to go beyond what I would in a similar role elsewhere*’ from 58% favourable to 62% favourable.
3. Continue to create positive change by refreshing our Diversity and Inclusion Strategy to ensure it is aligned with our five-year strategy. This will include understanding our ‘right to play/right to win’ in all of the countries in which we operate and define how we will measure ourselves to ensure success, drive progress and hold ourselves accountable.

Board Performance Evaluation (ASX Recommendation 1.6)

SunRice has an established practice of annual performance review, covering the Board as a whole, Committees and individual director contributions. In 2016/17, this review was conducted by an independent third party.

An action plan was developed which set priorities for the 2017/18 year and progress against the agreed areas has been reviewed by the Chairman.

With the exception of Ian Mason, who joined the Board in February 2018, Directors have completed the Company Directors Course run by the Australian Institute of Company Directors and, where relevant, have either undertaken, or committed to undertake, the Company Directors Course Update. Programs are in place to ensure Directors are provided with updates on

corporate governance, Directors’ duties, workplace health and safety and other relevant regulatory requirements.

The review of the 2016/17 action plans formed part of a self-evaluation conducted by the Board in 2017/18.

Directors are satisfied with the role and performance of the Board, and with the program of ongoing development.

Management Performance Evaluation (ASX Recommendation 1.7)

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.

Principle 2 – Structure the Board to add value

Nomination Committee (ASX Recommendation 2.1)

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 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 three non-independent Directors. The Chairman of the Board is the Chairman of the Committee.

The composition of the Nomination Committee does not comply with Recommendation 2.1 of the ASX Principles to the extent that it recommends that a nomination committee consists of a majority of independent Directors and is chaired by an Independent Director. 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 Committee charter is available on the company's website at www.sunrice.com.au.

The names, qualifications and experience 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.

Details of Directors (ASX Recommendation 2.2)

The Board's composition is determined by the company's constitution and has been established to comprise of up to four Directors who are A Class Shareholders, up to 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. The table below sets out the collective key skills and experience of the non-executive Directors across the Board and Committees.

As part of the Board's performance reviews, work was performed on assessing the skills of the Board. Consistent with the Group strategy to build a commercially resilient and

diversified business, the Board has communicated its proposal that an additional External Director will be appointed to the Board, as well as to continue to develop the skills of the current Board.

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.

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 set out in the Nomination Committee Charter.

Skills and Experience of non-executive Directors

Rice Industry and Production

Ability to provide leadership in developing the longer-term strategies for Riverina and global rice production.

Financial Management

Senior leadership experience in financial accounting, corporate finance and treasury, tax, and internal controls.

Risk Management

Experience anticipating and identifying key risks and monitoring the effectiveness of risk management frameworks.

Fast Moving Consumer Goods and Food Processing

Experience in "FMCG" and food processing industries that includes sales, marketing and technological innovation.

Strategy

Experience in developing and implementing strategy that creates long term value for growers and shareholders.

Mergers and Acquisitions

Experience in mergers and acquisitions, business integration and organisational change.

Chief Executive Officer/non-executive Director and Governance

Experience as a senior executive or non-executive Director with strong corporate governance acumen.

Research and Development

Experience related to international research and development.

International Supply Chain and Logistics

Experience in international supply chain and logistics management.

Independence of Directors (ASX Recommendations 2.3, 2.4 and 2.5)

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.

The company's independent Directors are Grant F Latta AM and Ian D Glasson.

The Board considers a Director to be independent only where they are free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence in a material respect, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the company and its shareholders generally.

In accordance with the commentary to the ASX Principles, a Director who is employed in an executive capacity by the company or any of its subsidiaries will not be an independent Director. In other respects, 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 2.4 and 2.5 of the ASX Principles, the Board does not have a majority of independent Directors nor an independent Chairman. However, the company complies with ASX Recommendation 2.5 to the extent that it requires the Chairman of the Board not to be the same person as the CEO.

Induction for new Directors (ASX Recommendation 2.6)

The company has a program in place for inducting new Directors and providing appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

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 Chairman of the Finance and Audit Committee.

Principle 3 – Act ethically and responsibly

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 (ASX Recommendation 3.1)

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

The company has established a Group Code of Conduct which applies to all Board members, officers, employees

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

Share Trading Policy

The Share Trading Policy applies to all Directors, executives, employees, consultants and professional advisers of the company. The policy specifies the periods during which the Directors and executives of the company may purchase and sell the company's securities, and sets out a notification procedure concerning trading by Directors.

Copies of the Directors' Code of Conduct, Group Code of Conduct and Share Trading Policy are available on the company's website at www.sunrice.com.au.

Principle 4 – Safeguard integrity in corporate reporting

Finance and Audit Committee (ASX Recommendation 4.1)

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 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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

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.

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 4.1 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, qualifications and experience 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.

In accordance with the Corporations Act 2001, the lead partner and the review partner of the external auditor will be rotated at least every five years.

The Committee charter is available on the company's website at www.sunrice.com.au.

Financial records (ASX Recommendation 4.2)

Before approving the company's financial statements for a financial period, the Board receives a declaration from the Chief Executive Officer and the Chief Financial Officer that in their opinion, the financial records of the entity have been properly maintained, and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External auditor's attendance at the Annual General Meeting (ASX Recommendation 4.3)

The external auditor attends the company's Annual General Meeting to be available to answer questions from shareholders relevant to the audit.

Principle 5 – Make timely and balanced disclosure

Continuous disclosure (ASX Recommendation 5.1)

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.

The Continuous Disclosure and Communications Policy is available on the company's website at www.sunrice.com.au.

Principle 6 – Respect the rights of security holders

The Continuous Disclosure and Communications Policy (ASX Recommendations 6.1, 6.2, 6.3 and 6.4)

The company's communication policy promotes 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 and shareholder briefings, media announcements, and the company website at 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 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 Remuneration Report.

Shareholders of the company have the option to receive communications from, and send communications to, the company and its security registry electronically.

The Continuous Disclosure and Communications Policy is available on the company's website at www.sunrice.com.au.

Principle 7 – Recognise and manage risk

Risk management oversight (ASX Recommendations 7.1 and 7.2)

The Board oversees the establishment, implementation and review of the company's risk management framework,

which has been established to identify, 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. While the Chairman of the Finance and Audit Committee is an independent Director, the membership of the Committee does not comprise of a majority of independent Directors and, accordingly, does not comply with Recommendation 7.1 of the ASX Principles. However, the Board believes that the composition of the Finance and Audit Committee is appropriate in the context of the current make-up and size of the Board and brings the expertise required in order to oversee the company's risk management framework.

The Finance and Audit Committee has conducted a review of the company's risk management framework during the reporting period to satisfy itself that the risk management framework continues to be sound.

The Board's risk strategy is to minimise risk so as to ensure that it does not inhibit the company from operating its business and 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 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.

Internal audit function (ASX Recommendation 7.3)

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.

Economic, environmental and social sustainability risks (ASX Recommendation 7.4)

The Board and management have identified that the company has material exposure to the following economic sustainability risks, which are now managed in the following segments. The company has not identified any material exposure to environmental or social sustainability risks.

It is intended that the company will issue its first sustainability report in the 2018/19 year. The report will also be made available on the company's website at www.sunrice.com.au.

Work Health and Safety Risk

The company operates a number of manufacturing sites and is exposed to the risk of injury to its employees or contractors. If a workplace injury occurs and the company is found to have breached its obligations under work health and safety laws, it may be subject to prosecution and incur significant financial penalties. It may also be required to pay compensation and may suffer reputational damage and loss of production. The company has work, health and safety policies and programs in place to address this risk.

Workplace health and safety is a key priority for the company, with substantial investment across many years in safety systems, training and equipment, as well as ongoing work underpinning the maintenance of relevant Occupational Health and Safety Management System Certification at all sites.

Foreign Currency Risk

The Group is exposed to foreign exchange risk. Foreign exchange risk arises from future commercial

transactions and recognised assets and liabilities that are denominated in a currency, that is not the entity's functional currency.

The Group's risk management policy is to hedge, where possible, its foreign currency exposure. The carrying value of the Group's assets and liabilities denominated in foreign currency and the translation of overseas businesses' results for the reporting period, would be impacted by any movement in exchange rates.

Sovereign Risk

The company conducts business with and in a number of foreign countries. Any political, legal, economic or social change in these countries has the potential to impact its operational returns and the value of its investment in these countries. Whilst some of the countries the company operates in are regarded as having high sovereign risk, the company closely monitors changes in those countries and takes pro-active steps to mitigate its exposure.

Supply of Rice

The company is exposed to fluctuations in the volume and quality of rice supplied by its growers. Fluctuations in supply may, when in surplus, result in greater volumes being sold on the world market at prevailing commodity prices, or, when in short supply, endanger market relationships and/or result in under-recovery of overheads. The company closely monitors the anticipated level of production by Australian rice growers and the extent to which rice needs to be sourced from overseas suppliers.

When necessary, the company will source rice from overseas locations to satisfy its market requirements. The success of this strategy is dependent upon acquiring regular supplies of high quality rice at a competitive price. The company closely monitors the level of production of rice overseas.

Regulatory Risk

The Rice Marketing Act 1983 (NSW) (the Act) sets out the regime under which the company operates as an Authorised Buyer appointed by the Rice Marketing Board for the State of NSW (RMB) to provide a single export desk for NSW grown rice. A proclamation vesting all NSW grown rice in RMB has effect until

June 2022. RMB can appoint additional Authorised Buyers which has the potential to affect the company's market share of domestic rice sales. RMB has appointed the company as the exclusive exporter of NSW grown rice under the Sole and Exclusive Export Agreement. This agreement can be terminated by RMB giving at least five years' notice. This appointment also falls away if vesting proclamation is not renewed in 2022.

The company continues to assess and record the economic benefits of vesting and, when required, provides evidence of this to the NSW Government to support the continuation of vesting and the single export desk enjoyed by it.

Safety, Health and Environment Committee

The Safety, Health and Environment Committee has been established to support the provision of robust systems to ensure that the company 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. A non-executive Director 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.

The Committee charter is available on the company's website at www.sunrice.com.au.

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.

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.

The Committee charter is available on the company's website at www.sunrice.com.au.

Principle 8 – Remunerate fairly and responsibly

Remuneration Committee (ASX Recommendation 8.1, 8.2 and 8.3)

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.

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

The composition of the Remuneration Committee does not comply with Recommendation 8.1 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 Committee charter is available on the company's website at www.sunrice.com.au.

The names, qualifications and experience 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.

The company's Share Trading Policy prohibits directors and executives from trading in financial products issued or created over the company's securities by third parties, or trading in associated products. The Policy also prohibits directors and executives from entering into any transaction that operates to limit the economic risk of their security holding in the company. A copy of the company's Share Trading Policy is available on its website at www.sunrice.com.au.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as SunRice or the Group) consisting of Ricegrowers Limited and the entities it controlled at the end of, or during the financial year ended, 30 April 2018.

1. Directors and their qualifications

The following persons were Directors of Ricegrowers Limited during the financial period and up to the date of this report, unless otherwise stated:

Laurie Arthur

BAGSc GAICD
Chairman
Non-executive Director
Grower

Moulamein Grower. Director since 2007. Chairman since 2014. Directors' Committees: Chairman, Nomination. Member, Remuneration. Director, Aqaba Processing Company Ltd (Jordan). Representative, Rice Industry Co-ordination Committee. Former President of the Ricegrowers' Association of Australia Inc and a Commissioner of the National Water Commission.

Rob Gordon

BSc (Hons) CEng MAICD
Executive Director
Chief Executive Officer

Director since 2012. Director, Riviana Foods Pty Ltd; Aqaba Processing Company Ltd (Jordan); Trukai Industries Ltd (PNG); Solomon Rice Company Ltd (Solomon Islands); SunFoods LLC (USA); Ricegrowers Singapore PTE Limited; Australian Grain Storage Pty Ltd; Rice Research Australia Pty Ltd. Member, Agribusiness Advisory Board, Rabobank; Representative, Rice Industry Co-ordination Committee. Former: Director, Bread Research Institute of Australia Ltd; Advisory Board Member, Gresham Private Equity. For executive experience please refer to the Corporate Management Team profiles on page 17.

Glen Andreazza

AdvDipAgr FAICD
Non-executive Director
Grower

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

John Bradford

MAICD
Non-executive Director
Grower (Elected RMB Director)

Mayrunga Grower. Director since 2015. Directors' Committees: Chairman, Grower Services and Rice Research Australia Pty Ltd. Director, Trukai Industries Ltd (PNG). Member, Rice Marketing Board for the State of NSW. Delegate, NSW Irrigators Council, Deniliquin Branch Alternate Delegate Ricegrowers Association of Australia Inc.; Former: Chairman Southern Riverina Irrigators.

Ian Glasson

BEng (Hons) GAICD
Non-executive Independent Director

Director since 2016. Directors' Committees: Chairman, Remuneration. Member, Finance and Audit and Nomination. Director, Clover Corporation. CEO of PGG Wrightson. Former: CEO of Gold Coin Group/Zuellig Agriculture; CEO, Sucrogen; Managing Director of Gresham Rabo Food & Agribusiness PE Fund; Managing Director, Goodman Fielder's international ingredients division; various management and engineering positions in Esso Australia and its parent Exxon.

Gillian Kirkup

MAICD
Non-executive Director
Grower (Elected RMB Member)

Yanco Grower. Director since 2005. Directors' Committees: Member, Finance and Audit, Remuneration and Nomination. Member, Rice Marketing Board for the State of NSW. Representative, Irrigation Research Extension Committee. Former Member, NSW Agricultural Consultative Committee to the Bureau of Meteorology; Named as one of the Top 100 Women in Australian Agribusiness (2014). Former: Chairman, Murrumbidgee Irrigation Limited. Member, Reference panel for the Prime Minister's Working Group on Soil, Water and Food; Basin Community Association. Delegate, National Irrigators Council; NSW Irrigators Council.

DIRECTORS' REPORT CONTINUED

Grant Latta AM

MBA BBus FAICD FAIM FAMI CPA
Non-executive Independent Director

Director since 1999. Directors' Committees: Chairman, Finance and Audit. Member, Remuneration and Nomination. Executive Chairman, GCM Corp Pty Ltd. Director, Coleambally Irrigation Co-operative Limited; Sealy Australia. Member, Australian Competition Tribunal (Federal Court). Former: Chairman, Vision Systems Ltd; TP Health Limited; Bennelong Funds Management; Europcar Asia Pacific; Optiscan Imaging Limited; Kailis and France Foods; Grains Research and Development Corporation (GRDC). Deputy Chairman, Food Science Australia; Export Finance and Insurance Corporation (EFIC). Director, Austrade, Chief Executive Officer, Camerlin Group. Managing Director, Pacific Brands Food Group; Pacific Dunlop's Industrial Group.

Ian Mason

Non-executive Director
Grower (Elected RMB Member) - Appointed on 13 February 2018

Finley rice grower. Director since 2018. Directors' Committees: Member, Finance and Audit, Grower Services and Safety Health and Environment. Member, Rice Marketing Board for the State of NSW. Former Chairman of AgriFutures Australia Rice Research and Development Committee.

Mark Robertson

MAICD
Non-executive Director
Grower

Berriquin Grower. Director since 1996. Directors' Committees: Member, Remuneration, Nomination and Safety Health and Environment. Chairman, Trukai Industries Limited (PNG) and Rice Industries Ltd. Representative, Rice Industry Co-ordination Committee.

Dr Leigh Vial

B.Agr.Sci., M.Ec., PhD In Agronomy, GAICD
Non-executive Director
Grower

Moulamein Grower. Director since 2015. Directors' Committees: Member, Finance and Audit, Grower Services, Safety Health and Environment and Rice Research Australia Pty Ltd. Director, Agripak Pty Ltd. Member, AgriFutures Australia. Adjunct Fellow, University of Queensland. Former: Head of International Rice Research Institute's Experiment Station (Philippines).

Noel Graham

MBA FAICD
Non-executive Director
Grower (Elected RMB Member) – Retired December 2017

Caldwell Grower. Director since 2001. Directors' Committees: Chairman, Grower Services; Rice Research Australia Pty Ltd. Deputy Chairman, Rice Marketing Board for the State of NSW. Rice Marketing Board representative to Ricegrowers' Association of Australia Inc. Former: Deputy Chairman, SunRice. Chairman, SolRice (Solomon Islands); Rice Marketing Board for the State of NSW; Murray Irrigation Ltd. Director, Trukai Industries Ltd (PNG).

2. Company Secretary and qualifications

Mandy Del Gigante

BComm, CPA, AGIA, ACIS, GAICD
Company Secretary

Mandy 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 NSW, 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.

3. Principal activities

The principal activities of Ricegrowers Limited and its controlled entities consist of the 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 \$42,695,000 (2017: \$34,201,000).

5. Review of operations

A comprehensive review of operations is set out in the Chairman and Chief Executive Officer messages, as well as in the Rice Pool Business and Profit Businesses sections of this Annual Report.

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 Financial Report.

7. Events occurring after the end of the reporting period

On 29 June 2018, the Directors recommended a fully franked final dividend of 33 cents per ordinary B Class share. The aggregated amount of the proposed dividend not recognised as a liability at the end of the reporting period is \$18,733,780.

On 28 May 2018, SunRice announced plans to move the listing of its B Class shares from the National Stock Exchange (NSX) to the Australian Securities Exchange (ASX) to improve access to external capital and support the Company's growth strategy. If approved by shareholders, the ASX listing will remove current B Class share ownership restrictions and the 5% shareholding cap and allow anyone to invest in SunRice B Class shares, up to a new maximum 10% shareholding cap. This will allow the Company to take advantage of investor appetite for Australian branded Fast Moving Consumer Goods and agri-stocks, while retaining its dual class structure and A Class grower shareholder control. The ASX Proposal will be taken to a shareholder vote at the time of the SunRice AGM on 20 September 2018.

The Directors are not aware of any other matter or circumstance, since the end of the financial year, not otherwise dealt with in this financial 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.

There continues to be uncertainty about future market access in PNG and the related implications this could have on Trukai's business. The Group continues to actively monitor developments on this matter.

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 as the Directors believe it is likely to result in unreasonable prejudice to the Group.

9. Environmental regulation

The Group is subject to significant environmental regulation in respect of its land development, construction and manufacturing activities, including:

- Land development planning approvals under the NSW Environmental Planning and Assessment Act 1979 and Victorian Environmental Protection Act 1970; and
- Compliance with Protection of the NSW Environment Operations Act 1997, the NSW Environmentally Hazardous Chemicals Act 1985 and the Waste Avoidance and NSW Resource Recovery Act 2001, and QLD Environmental Protection Act 1994.

SunRice has 18 registered EPA licenses in NSW, one in California and one Development Approval in Queensland. All sites completed and submitted their annual returns during the year.

Any complaints received in relation to environmental issues are investigated and action plans implemented to reduce the impact of Ricegrowers Limited's activities.

One pollution reduction program was completed for licensed facilities at the Leeton CopRice Mill.

One notice to provide information and/or records was also received by Leeton CopRice Mill.

Greenhouse gas and energy data reporting requirements

The Group is subject to the reporting requirements of the National Greenhouse and Energy Reporting (NGER) Act 2007.

SunRice assessed its Australian energy usage and submitted its National Greenhouse and Energy Report to the Clean Energy Regulator during the year, reporting of scope 1 and 2 emissions within Australian Operations.

The consumption of 422,923 gigajoules of energy and calculated emissions of 71,152 tonnes of CO₂ were reported for the reporting period against 424,349 gigajoules and 68,461 tonnes of CO₂ reported in the previous reporting period.

10. Top Ten Shareholders

The following table represents the top ten shareholders as at 30 April 2018.

Rank	Shareholder	No. of B Class Shares
1	Menegazzo Enterprises Pty Ltd	2,813,248
2	Australian Food & Agriculture Company Limited	2,365,086
3	Germanico Super Pty Ltd	810,625
4	Dellapool Nominees Pty Ltd	807,809
5	Indara Holdings Pty Ltd	622,526
6	Mr Alan David Walsh	492,285
7	Industry Designs Pty Ltd	467,290
8	Ambo Farms Pty Ltd	404,279
9	Taurian Pty Ltd	402,529
10	NG & KJ Lamond	361,542

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

11. Overview of share schemes

With the support of its shareholders, SunRice reinstated its Dividend Reinvestment Plan (DRP) in July 2017 and launched a Grower Share Purchase Plan (GSPP) in September 2017.

The issue price of B Class shares under the DRP and GSPP was determined as follows:

- DRP: \$4.03, calculated based on the Volume Weighted Average Price (VWAP) of B Class shares traded on the NSX over the last five days on which B Class shares were traded prior to the dividend Record Date, inclusive of a 2% discount;
- GSPP: \$3.92, calculated based on the VWAP of B Class shares traded on the NSX over the last five days on which B Class shares were traded prior to the issue date of the Prospectus, inclusive of a 2% discount.

In September 2017, following Board approval, SunRice also reinstated its Employee Share Plan (ESP). With the launch of the refreshed five-year growth strategy, and the need to ensure SunRice remains market competitive in attracting and retaining talent, it was important to relaunch this initiative to address an important gap in the Group's remuneration strategy.

Under the ESP rules, an Employee Share Scheme (ESS), which allows employees and non-executive Independent Directors to purchase shares in the company, and an equity-based Long Term Incentive (LTI) Plan, were established.

Offers under the ESS were made to employees and non-executive Independent Directors in March and May 2018, respectively. These offers followed the provision of relief from the Australian Securities and Investments Commission (ASIC) from the requirement to prepare a prospectus, a tax ruling and additional professional remuneration advice (for non-executive Independent Directors).

Shares were offered under the ESS at a price of \$4.05, calculated based on the VWAP of B Class shares traded on the NSX over the last five days on which B Class shares were traded prior to 27 February 2018 (being the last practicable date prior to communicating the launch of the plan). No discount was applied as the offer included a company matching arrangement.

With respect to the LTI (including the Chief Executive Officer LTI), the number of share rights granted was determined based on an incentive opportunity (as a percentage of the participants' fixed remuneration) divided by the price applicable to the GSPP (\$3.92). This price was used as the initial intent was to align the grower and employee offers, however awaiting the ASIC relief and tax ruling delayed the launch of the LTI.

B Class shares required to satisfy the requirements of all of the above plans have been (or are planned to be) issued as new ordinary B Class shares and have not been (or are not planned to be) purchased from the existing pool of B Class shares on the market.

12. Directors' interests in shares

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

	2018		2017	
	A Class Shares	B Class Shares	A Class Shares	B Class Shares
LJ Arthur	1	235,818	1	233,818
I Mason	1	141,710	1	140,114
GA Andreaazza	1	81,783	2	80,279
GL Kirkup	1	69,444	1	67,424
GF Latta AM	-	29,838	-	29,838
DM Robertson	1	227,725	1	224,539
LK Vial	2	111,000	2	104,570
J Bradford	1	31,421	2	30,663
R Gordon	-	1,726	-	-
Former Directors				
NG Graham	1	100,897	1	100,897

At 30 April 2018, I Glasson did not hold any shares. Under the ESS offer established in September 2017 (following Board approval), I Glasson and GF Latta AM each accepted the invitation to purchase 20,000 B Class shares on 11 May 2018 and 12 May 2018 respectively (refer to 4.12 of the remuneration report on page 46). The B Class shares purchased are held in the Ricegrowers Employee Share Trust, are subject to a three-year disposal restriction period and will be reported in FY19.

13. Directors' meetings

	Board		Finance & Audit Committee		Grower Services Committee		Remuneration Committee		Nomination Committee		Safety, Health & Environment Committee	
	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible
LJ Arthur	17	17	5	5	4	4	4	4	4	4	-	-
I Mason	4	4	2	2	1	1	-	-	-	-	1	1
G Andreaazza	17	17	4	4	4	4	-	-	-	-	4	4
R Gordon	17	17	5	5	4	4	4	4	4	4	4	4
GL Kirkup	17	17	5	5	-	-	1	1	1	1	3	3
GF Latta AM	17	17	5	5	-	-	4	4	4	4	3	3
DM Robertson	17	17	1	1	-	-	4	4	4	4	-	-
LK Vial	17	17	5	5	1	1	-	-	-	-	4	4
J Bradford	17	17	1	1	3	4	-	-	-	-	-	-
I Glasson	15	17	5	5	2	2	4	4	4	4	-	-
Former Directors												
NG Graham	12	13	-	-	3	3	-	-	-	-	-	-

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

14. 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 2001.

In accordance with the Corporations Act 2001 further details have not been disclosed due to confidentiality provisions in the insurance contract.

15. 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 in the Remuneration Report.

Several Directors sit on local Boards which serve the rice industry. The Group has dealings with these Boards and Committees whose purpose is to deal with issues that relate to the rice industry.

16. Non-audit services

Refer to the note 38 to the financial statements.

17. Remuneration report (audited)

Executive Summary

At SunRice, our remuneration strategy is designed to create value for our shareholders by aligning the total rewards strategy to the achievement of business goals.

Rewards Philosophy

At SunRice,

- We attract, motivate, engage and retain talented employees who deliver on our strategic goals and that of our shareholders, rice growers, and the communities in which we operate.
- We meaningfully differentiate reward based on individual performance and behaviours, team contribution, cross-functional contribution, network collaboration, business and grower mindset, company affordability and market positioning.
- We offer competitive Total Packages, aligned with a globally consistent framework, yet adapted to changing business conditions.
- Our value proposition across our diverse workforce is unique with opportunities aligned with being an Australian owned, global organisation.
- Our strategy is underpinned by fairness and consistency in our approach and we aim to be at the forefront of our competitors.
- We care for our employees and provide opportunities to strengthen their health and well-being.
- We retain and develop key talent who deliver on SunRice's long-term strategy and who demonstrate career potential in areas critical to our long-term strategy.
- We recognise employees who Make a Difference.

To be the best, we employ the best, and retain the best to support our positive, inclusive and accountable culture.

A year in review

Having demonstrated in FY17 that the business has the strength, resilience and flexibility to weather cyclical commodity downturns and periods of adverse business conditions, FY18 was characterised by rebounding profitability and reinvigorated growth across the Group.

Our performance this year demonstrates the value of our refreshed five-year strategy, which was implemented during FY18 and is already delivering positive results.

Consolidated revenue of \$1.2 billion was up 6% year-on-year, net profit before tax was \$62.9 million, up 56% year-on-year and net profit after tax was \$45.1 million, up 32% year-on-year.

The Board is pleased with these achievements and the results reflect a significant contribution from all employees.

As the Group progresses with the implementation of the five-year strategy to achieve global growth, SunRice is uniquely positioned to build an enduring company that benefits growers, shareholders and employees for generations to come.

During the reporting period, under the Employee Share Plan (ESP) rules approved by the shareholders in 2008, SunRice launched a Long-Term Incentive (LTI) Plan and a revised Employee Share Scheme (ESS).

The LTI Plan is an equity-based plan for Executives and a select group of key talent critical to the business' long-term success. The plan focuses on rewarding participants for the delivery of financial and non-financial measures required to achieve the Group's critical business objectives. The plan is designed to incentivise employees, retain and enable them to share in and benefit from the long-term success of SunRice. Details are outlined in section 4.6.

The revised ESS was introduced for all employees and non-executive Independent Directors who are Australian Tax Residents. The ESS provides the opportunity to participants to become shareholders in SunRice by purchasing B Class shares up to prescribed limits. The uptake of the ESS was positive and it lays a foundation for ensuring alignment between our employees and the long-term success of SunRice. Details are outlined in 4.12.

During FY18 the Group welcomed a new Chief Financial Officer as a KMP and member of the Executive Team. Changes are outlined in this Remuneration Report.

This Remuneration Report has been audited and prepared in accordance with the requirements of the Corporations Act 2001.

DIRECTORS' REPORT CONTINUED

Outline of this Remuneration Report

The Remuneration Report has the following sections:

1. Overview
2. Key Management Personnel
3. Remuneration Governance at SunRice
4. Executive Remuneration Policy and Framework
5. Remuneration Tables
6. Remuneration of non-executive Directors
7. Voting and comments made at Ricegrowers Limited's Annual General Meeting

	2018	2017	2016	2015	2014
Group NPBT \$000s (1)	62,862	40,289	73,172	70,650	54,039
Medium Grain Paddy Price (\$/t)	378.66	415.00	403.60	394.62	294.00
Earnings per Share (cents)	75.9	61.3	88.0	77.9	53.3
Return on Capital employed (%) (3)	15.1%	10.3%	15.1%	15.8%	14.1%
Dividend (cents per B Class Share)	33.0	33.0	33.0	31.0	23.0
Average STI payment as a % of Maximum STI opportunity for Key Management Personnel (2)	135.3%	26.7%	83.7%	73.8%	91.4%

1. The NPBT used to evaluate performance may include key adjustments.
2. SunRice Chief Executive Officer is excluded and participates under a separate STI plan.
3. ROCE is defined as the ratio of Profit Before Income Tax and Interest to Net Assets excluding Cash and Borrowings.

1. Overview

The Directors are pleased to provide shareholders with this Remuneration Report for the year ended 30 April 2018, which outlines the Board's approach to remuneration for Non-executive Directors, the Executive Director and other Key Management Personnel (KMP).

The information in this report has been audited as required by section 308(3C) of the Corporations Act 2001.

2. Key Management Personnel

In determining the Key Management Personnel (KMP), the Directors have applied the definition in the Corporations Act 2001, 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 KMP of the Group for the 2018 financial year as defined under Australian Accounting Standards.

The KMP of the Group for the year ended 30 April 2018 were:

Name	Position
A. Current Directors (including the Executive Director)	
LJ Arthur	Non-executive Director and Chairman
GA Andreazza	Non-executive Director
NG Graham (retired December 2017)	Non-executive Director
RF Gordon	Executive Director and Chief Executive Officer
GL Kirkup (see note on the next page)	Non-executive Director
GF Latta AM	Non-executive Director (Independent)
IR Mason (appointed February 2018. See note on the next page)	Non-executive Director
DM Robertson	Non-executive Director
LK Vial	Non-executive Director
JMJ Bradford (see note on the next page)	Non-executive Director
ID Glasson	Non-executive Director (Independent)

DIRECTORS' REPORT CONTINUED

Note: In accordance with the Constitution of Ricegrowers Limited, NG Graham, GL Kirkup and JMJ Bradford were appointed as Directors of the Company based on their status as elected members of the Rice Marketing Board (RMB). Their term of office as RMB members and Directors of Ricegrowers Limited ended on 13 December 2017 and, in anticipation of this, an RMB election was held in November 2017. NG Graham did not seek re-election to RMB and, accordingly, he ceased to hold office as a Director of Ricegrowers Limited on 14 December 2017. GL Kirkup, JMJ Bradford and IR Mason were the successful candidates in the RMB election. However, as their formal appointment to RMB needed to be completed by the NSW Governor, they were not eligible to be Directors of Ricegrowers Limited until 14 February 2018. Once they were formally appointed as RMB members by the Governor, GL Kirkup and JMJ Bradford were reappointed, and IR Mason was appointed, as Directors of Ricegrowers Limited.

Name	Position
B. Current Executives	
DC Courtelis (commenced as KMP in March 2018)	Chief Financial Officer
D Keldie	General Manager, Global Consumer Markets
JH Brennan (ceased as KMP in October 2017)	Chief Financial Officer

3. Remuneration Governance at SunRice

The Remuneration Committee conducts an annual review of the Company's remuneration policy and structure to ensure it remains aligned to business needs and meets our remuneration principles.

From time to time the Committee engages external remuneration consultants to assist with this review as outlined in 3.1. The Committee is responsible for making recommendations to the Board in respect of Directors' and Executives' remuneration, however makes no formal decisions on behalf of the Board.

Committee members are outlined in the Directors' Report and the Remuneration Committee Charter is available on the Group's website.

3.1 Remuneration Consultants

During the reporting period, the Group continued to engage Deloitte Australia, together with Inveniam to assist with the development of an LTI Plan for Executives and select key talent (together with Performance Hurdles) as well as an Employee Share Scheme proposal for both employees and the Non-executive Independent Directors.

This project was implemented in early 2018 following Board approval in December 2017.

The consultants did not provide remuneration recommendations for the purposes of the Corporations Act.

Guerdon Associates was also engaged in 2018 for advice on the Chief Executive Officer's LTI Plan that commenced 1 May 2018.

In addition, Mercer Australia and Aon Hewitt Australia were approved by the Remuneration Committee to provide market benchmarking for the Chief Executive Officer and Non-executive Directors for the upcoming reporting period.

3.2 Corporate Governance

Further information on the Committee's responsibilities and the Group's governance practices can be found in our Corporate Governance Statement and Share Trading Policy available on the Corporate Governance section of our website www.sunrice.com.au/corporate/corporate-governance.

4. Executive Remuneration Policy and Framework

The Remuneration Strategy, as approved by the Board for the implementation of the FY18 reporting period, provided guidance and parameters for governing Executive remuneration.

The Board recognises that to deliver the Company's strategy for growth, the Group needs to attract, motivate and retain high-quality employees and Executives.

The Remuneration Framework outlined below is designed to fit the objectives of the SunRice Group, having regard to the size and complexity of the Group's operations.

SunRice Business Strategic Goals – SunRice's Five-Year Strategy

Capitalise on global food trends and SunRice's distinct competitive advantages to grow the business and improve paddy prices for growers and increase returns for shareholders. SunRice aims to achieve this through:

- The premiumisation of the Riverina rice crop and expansion of Low GI and sushi varieties to meet demand in high value, high paying markets, such as Asia.
- Matching global food trends from our diversified product portfolio, especially in healthy eating and snacking.
- Cementing a sustainable and reliable global supply chain backed by SunRice's quality assurance standards.

Remuneration Framework for the FY18 reporting period

Total Fixed Remuneration (TFR)		Variable 'at risk' remuneration
Total Fixed Remuneration	Short Term Incentive (STI)	Long Term Incentive (LTI)
<p>Set at a competitive level to attract retain and maintain engagement at all levels, with superior offerings for our key talent and employees considered critical to the long-term growth of the company.</p> <p>Remuneration takes into consideration:</p> <ul style="list-style-type: none"> ▪ Size and complexity of the role ▪ Skills and competencies needed to generate results ▪ Internal and external alignment ▪ Performance of the Company, and individual ▪ Succession planning and retention. <p>In some circumstances, the local economic and market conditions may require further refined positioning compared to the market.</p>	<p>Aligned to the achievement of SunRice's business objectives measured over the short term.</p> <p>Financial and non-financial KPIs based on performance goals consisting of:</p> <ul style="list-style-type: none"> ▪ Maximising net profit before tax across the Group and within each Business Unit or Subsidiary ▪ Measuring Net Working Capital across the Group ▪ The achievement of Safety, Health and Environment targets ▪ Individual performance aligned with the performance management philosophy of measuring both the 'what' and 'how'. 	<p>The Chief Executive Officer is eligible to participate in a LTI plan that is focused on the achievement of targets set by the Board over a three-year period.</p> <p>It is reflective of building long-term value for the organisation and shareholders.</p> <p>A new equity-based LTI program introduced for Executives and key individuals with skills critical to the delivery of SunRice's strategy, focuses on the delivery of both financial and non-financial strategic objectives for the upcoming three-year period.</p>

Reward Strategy

The Reward Strategy supports the Business and People and Culture strategy to:

- Deliver on our Rewards Philosophy and Total Rewards Strategy whilst supporting the Group with achieving our SunRice strategic goals
- Build great foundations for leaders to have the knowledge, processes and tools to make informed rewards decisions
- Flex our strategic offer as required to the ever-changing workforce
- Consider opportunities for thought leadership whilst aligning the financial interests of executives and shareholders
- Ensure our strategy balances risk and reward to deliver ongoing company sustainability and growth
- At all times, embed our values, in "what" we do and "how" we do it.

The strategy is delivered across all aspects of our SunRice Total Rewards Offer including:

- Remuneration,
- Incentives,
- Benefits,
- Health and Well-being,
- Recognition, and
- Career Paths

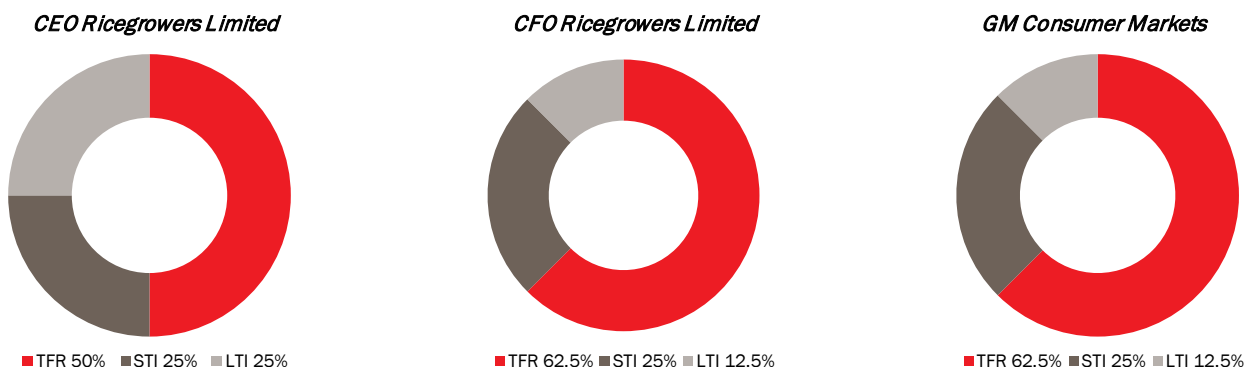
The Total Rewards offer aims to provide a competitive offer across all aspects of Total Rewards, inclusive of all life stages and accommodating of a diverse workforce.



4.1 Remuneration mix

The Board believes it is appropriate to have a Remuneration Framework that comprises a fixed salary component as well as an at-risk component comprising short and long-term incentives.

The Group's mix of fixed and "at risk" components for the KMP as at the end of the FY18 reporting period, expressed as a percentage of total target reward, are as follows:



Due to the commencement of the Chief Financial Officer in March 2018, the Chief Financial Officer did not meet the eligibility criteria for the FY18 STI or LTI plans. As a result, no STI is payable to the Chief Financial Officer for FY18, and participation in the LTI plan will commence from FY19 onwards.

4.2 Total Fixed Remuneration

Total Fixed Remuneration (TFR) includes base salary, superannuation plus other short-term benefits.

Executives may elect to take a range of benefits as part of their remuneration package, including novated vehicle, additional superannuation or remote housing subsidy (where applicable).

The Group's remuneration policy is to offer competitive Total Fixed Remuneration and utilise 'at risk' variable pay to reward outstanding performance and contribution.

The remuneration offer for employees targeted as our "talent group" will be at a more attractive position as part of the Total Rewards Philosophy, including long-term incentives (LTI) and career development opportunities where appropriate nationally and/or internationally.

4.3 Short-Term Incentive (STI) plan

The STI component of remuneration is a cash plan focused on rewarding participants for the delivery of financial and non-financial measures required to achieve the Group's critical business objectives.

The Directors rigorously test the annual STI performance measures to ensure the performance required to achieve "on target" results is appropriately stretching. To provide even greater alignment with our Pay for Performance Strategy, during this financial year the Directors approved a change in the design of the STI Plan. The revised plan introduced a multiplier to differentiate reward based on individual performance, measured as achievement against Key Performance Indicators. Similarly, the Directors recognise that participants should have the opportunity for above-target outcomes where outstanding performance has been demonstrated.

The overall structure of the FY18 STI plan is illustrated below:



The Chief Executive Officer participates in a separate STI plan. Details of this plan are outlined separately at section 4.4.

Executive STI Plan

Objectives	<ol style="list-style-type: none"> To support SunRice strategic goals by rewarding Executives for the achievement of objectives directly linked to the business strategy. Drive Company performance with acceptable risk and appropriate governance. Be market competitive, ensuring SunRice is able to compete to attract and retain high quality talent to continue to improve the Group's performance. 																														
Eligibility	KMP (excluding the Chief Executive Officer), Executives and Leaders																														
Instrument	Cash																														
Opportunity	<p>Target: 40% of TFR for Chief Financial Officer, and 40% of TFR for General Manager Global Consumer Markets, with a stretch component for outperformance applicable</p> <p>Target opportunity for other eligible employees varies based on job level.</p>																														
Performance period	1 May 2017 to 30 April 2018																														
Assessment of performance	<p>Each period, KPIs are selected for both Group and business unit measures and sub-measures of performance.</p> <p>The weighting of KPIs reflects the individual Executive roles and responsibilities.</p> <p>KPIs are focused on the improvement in profit, maximisation of return to growers and strategic and operational goals.</p> <p>Executives KPIs for 2017/18 were:</p> <table> <tr> <th></th><th>Weighting</th><th>Link to strategy</th><th>Detail</th></tr> <tr> <td>Group Net Profit Before Tax</td><td>40%–80%</td><td>Strong financial growth will lead to sustainable returns to shareholders.</td><td>Awarded on a straight-line performance approach between 95% of target (at which point 50% is awarded) and 120% of target (at which point 125% is awarded).</td></tr> <tr> <td>Business unit Net Profit Before Tax</td><td>0%–40%</td><td>Strong financial performance in each business unit leads to strong overall results and greater returns for shareholders.</td><td>Each Executive is set a Net Profit Before Tax target for their respective Business Unit.</td></tr> <tr> <td>Group Net Working Capital</td><td>10%</td><td>Strong financial position to enable long term growth and sustainability.</td><td>A Group-wide Net Working Capital target is set (at which point 95% of target results in a 50% award) up to Stretch Target (at which point 125% is awarded)</td></tr> <tr> <td>Business unit – Safety, Health & Environment (SHE)</td><td>10%</td><td>SunRice is committed to achieving Zero Harm. Achieving this goal is important in ensuring the sustainable success of our business.</td><td>SHE targets for each business unit, measured by the Lost Time Injury Severity Rate as the single lag indicator as well as continuing to move towards the rewarding of Positive Performance Indicators. Where business unit results decline, a maximum 50% achievement applies.</td></tr> <tr> <td>Total</td><td>100%</td><td></td><td></td></tr> <tr> <td>Individual Performance (as a Multiplier)</td><td>0%–150%</td><td>The continuous development of our leadership team is imperative to ensuring the Group continues to adapt to strategic challenges.</td><td>Each Executive is set with individual performance measures relating to their role as an individual contributor.</td></tr> </table>				Weighting	Link to strategy	Detail	Group Net Profit Before Tax	40%–80%	Strong financial growth will lead to sustainable returns to shareholders.	Awarded on a straight-line performance approach between 95% of target (at which point 50% is awarded) and 120% of target (at which point 125% is awarded).	Business unit Net Profit Before Tax	0%–40%	Strong financial performance in each business unit leads to strong overall results and greater returns for shareholders.	Each Executive is set a Net Profit Before Tax target for their respective Business Unit.	Group Net Working Capital	10%	Strong financial position to enable long term growth and sustainability.	A Group-wide Net Working Capital target is set (at which point 95% of target results in a 50% award) up to Stretch Target (at which point 125% is awarded)	Business unit – Safety, Health & Environment (SHE)	10%	SunRice is committed to achieving Zero Harm. Achieving this goal is important in ensuring the sustainable success of our business.	SHE targets for each business unit, measured by the Lost Time Injury Severity Rate as the single lag indicator as well as continuing to move towards the rewarding of Positive Performance Indicators. Where business unit results decline, a maximum 50% achievement applies.	Total	100%			Individual Performance (as a Multiplier)	0%–150%	The continuous development of our leadership team is imperative to ensuring the Group continues to adapt to strategic challenges.	Each Executive is set with individual performance measures relating to their role as an individual contributor.
	Weighting	Link to strategy	Detail																												
Group Net Profit Before Tax	40%–80%	Strong financial growth will lead to sustainable returns to shareholders.	Awarded on a straight-line performance approach between 95% of target (at which point 50% is awarded) and 120% of target (at which point 125% is awarded).																												
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Total	100%																														
Individual Performance (as a Multiplier)	0%–150%	The continuous development of our leadership team is imperative to ensuring the Group continues to adapt to strategic challenges.	Each Executive is set with individual performance measures relating to their role as an individual contributor.																												
Assessment	The Remuneration Committee reviews and approves the performance assessment and STI payments for the Executives.																														

DIRECTORS' REPORT CONTINUED

4.4 FY18 Chief Executive Officer STI Plan

The Chief Executive Officer participates in a cash settled STI plan.

The Chief Executive Officer's target STI opportunity is 50% of TFR and may increase to 150% of TFR where stretch performance outcomes for the year have been achieved.

The Remuneration Committee reviews and approves the Chief Executive Officer's annual performance assessment and STI payments at the end of the performance period.

Details of the Chief Executive Officer's KPIs, relative weighting and key achievements for FY18 are outlined below:

Objective	Rationale link to strategy	STI measurement	Target Value	Total Value Percentage	FY18 Achievement Value	FY18 Achievement Percentage
#1 Maximise Grower Returns	Achieve the budgeted paddy price per tonne for shareholders	Fixed paddy price per tonne	163,177	25%	326,354	200%
#2 Maximise Group Net Profit After Tax (NPAT)	Strong financial growth will lead to sustainable returns to shareholders	Group NPAT	163,177	25%	326,354	200%
#3 Ensure the Welfare and Safety of our People	Creating a safe workplace is essential to ensure sustainable business performance	Reduction in SunRice Group's Total Recordable Injury Frequency Rate (TRIFR) and Lead indicators	65,271	10%	0	0%
#4 Grower Services, Agronomy and Sourcing Capability	An enhanced agronomic and supply capability will enable the Group to achieve quality, cost-effective international rice sources	Various KPIs determined by the Board	97,906	15%	97,906	100%
#5 Continuous Business Improvement Priorities	Achieving strategic priorities will ensure a long term sustainable organisation	Various KPIs determined by the Board	163,177	25%	163,177	100%
			652,708	100%	913,791	140%

4.5 FY18 STI Outcomes

KMP	Target STI opportunity	As a % of TFR	STI Outcome	% Achieved	% Forfeited
Chief Executive Officer	\$652,708	50%	\$913,791	140%	-
Chief Financial Officer	-	-	-	-	-
General Manager - Global Consumer Markets	\$191,484	40%	\$228,536	119%	-

Due to the commencement of the Chief Financial Officer in March 2018, the Chief Financial Officer did not meet the eligibility criteria for the FY18 STI, and therefore no award is applicable.

4.6 Long-Term Incentive (LTI) plan

The LTI plan is an equity-based plan, whereby eligible participants are invited to accept share rights that will vest over a three-year term, subject to the achievement of performance hurdles and service criteria.

4.7 FY18-FY20 Executive (and other eligible employees) LTI

Executive LTI Component

Eligibility	Executives and other employees invited to participate
Instrument	Equity
Quantum	<p>Quantum is determined based on a maximum incentive opportunity (as a percentage of the participants' fixed remuneration) divided by the price applicable to the Grower Share Purchase Plan (\$3.92). This price was used as the initial intent was to align the grower and employee offers, however awaiting the ASIC relief and tax ruling delayed the launch of the LTI.</p> <p>Total plan participants (including KMP): 155,350 B Class share rights granted.</p> <p>General Manager Global Consumer Markets (KMP): 24,400 B Class share rights granted.</p> <p>Based on commencement date with the Group, the Chief Financial Officer was not eligible to participate in the FY18-FY20 plan however will be eligible to participate in future plan offers.</p>
Grant date	16 March 2018
Performance period	Three-year performance period from 1 May 2017 to 30 April 2020 with retesting opportunity available at the end of the performance period as determined by the Board.
Performance hurdles	<p>The Board has selected the following performance measures to align with increased shareholder value and growers' interests.</p> <ul style="list-style-type: none"> 50% Financial measures, KPIs determined in line with the Group's financial ambitions for Net Profit Before Tax (NBPT) and Return on Capital Employed (ROCE) 50% Strategic measures, KPIs determined in line with the Group's strategic initiatives and long-term objectives. <p>Rights will lapse if performance conditions are not met.</p>
Fair Value of rights granted	The fair value of the rights at grant date was estimated by taking the market price of the company's shares on that date (\$4.00) less the present value of expected dividends that will not be received by the participants on their rights during the three year vesting period, resulting in the fair value (for accounting purposes) for the FY18-FY20 plan of \$3.15.
Vesting schedule	Performance is assessed over the three-year period from 1 May 2017 to 30 April 2020 and vests immediately following release of the financial results for the FY20 financial year.
Termination	<p>The Board retains discretion to cancel any unpaid, unvested or deferred LTI in part or in full in the event of financial misstatements.</p> <p>Rights will be forfeited on cessation of employment unless the Board determines otherwise.</p>

Based on the current status of the performance hurdles, it is anticipated that the LTI share rights will vest at 100%. No current forfeiture is anticipated at present.

LTI plans of a similar nature and with similar characteristics are expected to be granted annually from FY19 onwards.

4.8 FY16-FY18 Chief Executive Officer LTI Plan

With the introduction of an equity-based LTI Plan for Executives and a select group of key talent, the Board took the opportunity to align the Chief Executive Officer's LTI Plan to an, in part, equity-based scheme.

In accordance with the Chief Executive Officer's employment contract (issued in 2016), the Board invited the Chief Executive Officer to take part of his LTI plan as B Class share rights in lieu of the cash equivalent. The Chief Executive Officer accepted this offer for a portion of the FY18 performance year component of his LTI plan.

The offer equates to 100,000 B Class share rights, representing a portion of the incentive opportunity of the FY18 performance year component of the plan divided by the price applicable to the Executives LTI plan (\$3.92).

The remainder of the LTI achieved is to be payable in cash. Details are outlined in 4.9.

Chief Executive Officer LTI Component

Eligibility	Group Chief Executive Officer only
Instrument	Cash and equity (B Class share rights). It was agreed by the Board to award the equivalent of 100,000 B Class share rights representing a portion of the incentive opportunity of the FY18 performance year component of the plan divided by the price applicable to the Executives LTI plan (\$3.92). The remaining value of the LTI achieved will be paid in cash.
Fair Value of rights granted	The fair value of the rights at grant date was estimated by taking the market price of the company's shares on that date, which was \$4.00.
Quantum	50% of TFR, capped at a maximum payment of \$1,800,000, indexed for salary increases over the three years
Grant date	1 May 2015 (22 March 2018 for the equity component of the plan)
Frequency	Granted every three years
Performance period	1 May 2015 – 30 April 2018
Performance hurdles	<p>The Board has selected the following performance measures to ensure that the Chief Executive Officer's remuneration is aligned with increased shareholder value and growers' interests:</p> <ul style="list-style-type: none"> ▪ 25% Maximise long-term grower return - Measured based on the achievement of budgeted price per tonne each year over the performance period. ▪ 25% Net Profit After Tax (NPAT) and Return on Capital Employed (ROCE) – Achieve compound annual NPAT growth and maintain ROCE. ▪ 40% Strategic - KPIs determined in line with the Group's strategic initiatives and long-term objectives. ▪ 10% People and Culture - KPIs include safety targets, implementation of talent development strategy and diversity and inclusion targets. <p>Rights will lapse if performance conditions are not met.</p>
Vesting schedule	Performance is assessed over the three-year period from 1 May 2015 to 30 April 2018 and vests with the release of the financial results for the FY18 financial year.
Termination	The Board retains discretion to cancel any unpaid, unvested or deferred LTI in part or in full in the event of financial misstatements. Rights will be forfeited on cessation of employment unless the Board determines otherwise.

4.9 Performance Outcomes for FY16-FY18 Chief Executive Officer LTI Plan

Objective	Rationale link to strategy	LTI measurement	Initial Target Value at the beginning of the 3 year LTI*	Total Value Percentage	FY18 Achievement Value	FY18 Achievement Percentage
#1 Maximise Grower Returns	Achieve the budgeted paddy price per tonne for shareholders	Budget price per tonne over 3 years	450,000	25%	469,927	100%
#2 Maximise Group Net Profit After Tax (NPAT) and Return on Capital Employed (ROCE)	Strong financial growth will lead to sustainable returns to shareholders	Financial measures set by the Board	450,000	25%	469,927	100%
#3 Strategic Direction	Setting the strategic initiatives for long term growth	Long term strategic plan agreed by the Board	270,000	15%	281,956	100%
#4 Develop our People and Culture	Safety and engagement is foremost in what we do, together with talent development and diversity and inclusion	Various KPIs determined by the Board	180,000	10%	187,970	100%
#5 Sustainable Global Rice Supply	Optimising our Rice to service our markets	Various KPIs determined by the Board	450,000	25%	469,926	100%
			1,800,000	100%	1,879,706	100%

* Target LTI for the 3 year period is indexed based on salary increases. Total LTI target at the end of the period is \$1,879,706.

4.10 FY16-FY18 Chief Executive Officer LTI Outcome

KMP	Target LTI opportunity	As an annual % of TFR (indexed for increases)	LTI Outcome (Cash and Shares)	% Achieved	% Forfeited
Chief Executive Officer	\$1,879,706	50%	\$1,879,706	100%	0%

A total LTI outcome of \$1,879,706 was achieved for the FY16-FY18 performance period. This amount will be settled in cash for \$1,487,706 and in the form of 100,000 vested B Class shares to be issued to the Chief Executive Officer in early FY19 in lieu of a cash amount of \$392,000.

4.11 FY19-FY21 Chief Executive Officer LTI Plan

In accordance with the Chief Executive Officer's employment contract, the Board will invite the Chief Executive Officer to take his entire FY19-FY21 LTI in the form of B Class share rights in lieu of the cash equivalent.

The number of B Class share rights to be offered will be equivalent to the target value of the LTI over the full performance period, subject to the achievement of set performance hurdles.

Details of the plan are still being finalised and the quantum of B Class share rights granted under the plan will be disclosed when available.

4.12 Employee Share Scheme (ESS) (myShare Plan)

In September 2017, the Board was pleased to approve a revised Employee Share Scheme (ESS). Employees who are Australian Tax Residents are eligible and may elect to participate in the scheme. The plan operates by way of either an after-tax employee payroll contribution with a company matching arrangement for either \$500 or \$1,000, and /or employees having the option to salary sacrifice between \$1,000 and \$5,000 (in increments of \$500), to purchase B Class shares from their pre-tax salary or short term incentive. A maximum of \$7,000 limit per employee was applied including the company matching portion.

The issue price of shares offered under the ESS was set at \$4.05, based on the Volume Weighted Average Price of B Class shares traded on the NSX over the last five days on which B Class shares were traded prior to 27 February 2018 (being the last practicable date prior to communicating the launch of the plan to employees). Due to the matching offer in the plan, no discount was applied.

DIRECTORS' REPORT CONTINUED

A total number of 255,604 shares were issued under the plan, including the following shares for KMP who elected to participate in the ESS: 1,726 shares issued to the Chief Executive Officer, 1,726 shares issued to the Chief Financial Officer and 1,726 shares issued to the GM Global Consumer Markets.

This included 48,954 shares issued under the matching arrangement of the plan, of which 246 were issued to the Chief Executive Officer, 246 were issued to the Chief Financial Officer and 246 were issued to the GM Global Consumer Markets.

5. Remuneration tables

Name	Short term benefits		Non-Monetary Benefits (1)	Post-employment benefits	Termination Benefits	Long term benefits		Total Paid and Payable
	Cash Salary and Fees	Cash Bonus				Share-based Payments	Other Long-term Benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
R Gordon (2)								
2018	1,280,164	913,791	8,987	25,246	-	400,996	561,289	3,190,473
2017	1,219,000	501,600	9,272	35,000	-	-	296,417	2,061,289
D Courtelis								
2018	154,386	-	665	3,342	-	996	-	159,389
2017	-	-	-	-	-	-	-	-
D Keldie (3)								
2018	478,834	228,536	8,987	25,360	-	26,612	-	768,329
2017	441,366	85,583	9,272	25,000	-	-	-	561,221
Former Executives								
J Brennan (4)								
2018	285,805	-	5,294	18,033	303,400	-	-	612,532
2017	556,239	48,546	9,272	35,781	-	-	-	649,838
M Bazley								
2018	-	-	-	-	-	-	-	-
2017	264,197	-	-	13,026	-	-	-	277,223

1. Non-monetary benefits include benefits such as car parking and fringe benefits tax. In some cases, these are at the election of the Executives (salary sacrifice).
2. In FY17, R Gordon's total remuneration was impacted by a change in the estimated achievement of the FY16-FY18 LTI performance targets from 100% in FY16 to 70% in FY17, which impacted the cumulative amount recognised at 30 April 2017 under the plan and reduced the amount recognised as expense in the FY17 financial statements by \$326,720. In FY18, the performance targets were confirmed as being 100% achieved, which triggered a true up of the cumulative amount recognised at 30 April 2018 under the plan and increased the amount recognised as expense in the FY18 financial statements by \$326,720. Had estimated achievement of the LTI performance targets been kept at 100% throughout the performance period, R Gordon's total remuneration for FY17 would have been \$2,388,009 and total remuneration for FY18 would have been \$2,863,753.
3. D Keldie remuneration includes an allowance for additional duties effective from 1 March 2017 for a period of six months.
4. J Brennan ceased as KMP on 31 October 2017.

6. Remuneration of non-executive Directors

The Board sets Non-executive Director remuneration at a level that enables the attraction and retention of Directors of the highest calibre, while incurring a cost that is acceptable to shareholders.

The remuneration of the Non-executive Directors is determined by the Board on recommendation from the Remuneration and Nomination Committee within a maximum fee pool.

Non-executive Directors receive a base fee and statutory superannuation contributions. Non-executive Directors do not receive any performance based pay.

6.1 Non-executive Director (NEDs) Remuneration Fees

In setting remuneration, the Remuneration Committee undertakes an annual process to ensure:

- Remuneration is reflective of the market and historically has taken into consideration comparator companies and peers within the agribusiness and rural sector;
- Financial interests of non-executive Directors and shareholders are aligned.

6.2 Fee pool

The maximum amount of fees that can be paid to Non-executive Directors is capped by a pool approved by shareholders.

At the 2013 Annual General Meeting, shareholders approved the current fee pool of \$1,100,000 per annum. It is intended that the fee pool will be reviewed again in time for a proposal to be put to A Class shareholders at the 2018 AGM.

The total fees paid in the reporting period (including superannuation contributions in respect of Directors' remuneration and excluding payments made by Trukai Industries Limited which are excluded from the pool) was \$941,820 (utilising 85.62% of the total fee pool).

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

6.3 Directors FY18 fee structure

The Directors' fees (excluding superannuation) for FY18 are set out in the table below.

	Chair fee \$	Member fee \$
Board	171,847	73,640
Finance and Audit Committee	15,387	7,694
Remuneration Committee	7,694	3,847
Grower Services Committee	7,694	3,847
Safety Health and Environment Committee	7,694	3,847
Nomination Committee	Nil	Nil

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. DM Robertson received \$7,318 (Kina 25,000), and JM Bradford received \$5,961 (Kina 20,000).

DIRECTORS' REPORT CONTINUED

6.4 Non-executive Director Statutory Remuneration

The table below outlines the aggregate of all Directors' fees received by a Director in respect of Ricegrowers Limited and any of its Subsidiaries.

	Short term benefits		Post-employment benefits	Total
	Cash Salary and Fees	Cash Salary and Fees Other Controlled Entities	Superannuation	
Current Directors	\$	\$	\$	\$
U Arthur				
2018	171,847	-	16,325	188,172
2017	166,842	-	15,850	182,692
I Mason				
2018	32,306	-	3,069	35,375
2017	-	-	-	-
GA Andreazza				
2018	87,745	-	8,336	96,081
2017	81,455	-	7,738	89,193
GL Kirkup				
2018	87,745	-	8,336	96,081
2017	86,434	-	8,211	94,645
GF Latta AM				
2018	95,439	-	9,067	104,506
2017	96,395	-	9,157	105,552
DM Robertson				
2018	78,769	7,318	7,483	93,570
2017	75,230	10,025	7,146	92,401
JM Bradford				
2018	78,769	5,961	7,483	92,213
2017	75,230	8,020	7,147	90,397
LK Vial				
2018	86,463	-	8,214	94,677
2017	80,209	-	7,620	87,829
I Glasson (1)				
2018	90,310	-	8,579	98,889
2017	82,748	-	7,861	90,609

1. I Glasson 2017 fees include a back pay of \$1,417 related to committee fees from 25 February 2016 to 30 April 2017. I Glasson joined the Finance and Audit Committee effective 25 February 2017.

	Short term benefits		Post-employment benefits	Total
	Cash Salary and Fees	Cash Salary and Fees Other Controlled Entities	Superannuation	
Former Directors	\$	\$	\$	\$
NG Graham				
2018	50,716	-	4,818	55,534
2017	86,434	-	8,211	94,645

DIRECTORS' REPORT CONTINUED

Service Agreements

The remuneration arrangements for the SunRice Chief Executive Officer and the Executives are formalised in Service Agreements, as set out below:

Name and Role	Term of Agreement	Notice Periods
R Gordon, SunRice Chief Executive Officer ¹	Rolling contract with no fixed end date	6 months
D Courtelis, Chief Financial Officer	Rolling contract with no fixed end date	6 months
D Keldie, General Manager – Global Consumer Markets	Rolling contract with no fixed end date	3 months

1. R Gordon was issued a rolling contract dated 8 September 2016.

The Chief Executive Officer's ongoing contract was issued dated 8 September 2016 with a termination period of six months if initiated by the Chief Executive Officer. The employment contract is capable of termination by the Company on twelve months' written notice.

Share holdings

During the reporting period, the Board approved for non-executive Independent Directors to participate in share ownership under the ESS offer.

Each non-executive Independent Director is encouraged to have control over B Class shares in the Company that are worth at least the equivalent of one year's fixed remuneration. This guideline is expected to be met over a reasonable period (approximately five years).

The invitation allows non-executive Independent Directors to apply after-tax funds to the acquisition of the Company's B Class shares with a three-year disposal restriction period at the prevailing share price of \$4.05 aligned to the ESS offer.

The maximum of 20,000 shares is applicable per annum for non-executive Independent Directors.

Directors' and other KMP Interests in A and B Class shares of Ricegrowers Limited

Director	Held at 30 April 2018		Net change in period	Held at 1 May 2017	
	A Class Shares	B Class Shares		A Class Shares	B Class Shares
LJ Arthur	1	235,818	2,000	1	233,818
I Mason	1	141,710	1,596	1	140,114
GA Andreazza	1	81,783	1,503	2	80,279
GL Kirkup	1	69,444	2,020	1	67,424
GF Latta AM	-	29,838	-	-	29,838
DM Robertson	1	227,725	3,186	1	224,539
LK Vial	2	111,000	6,430	2	104,570
JM Bradford	1	31,421	757	2	30,663
R Gordon	-	1,726	1,726	-	-

At 30 April 2018, I Glasson did not hold any shares. Under the ESS offer established in September 2017 (following Board approval), I Glasson and GF Latta AM each accepted the invitation to purchase 20,000 B Class shares on 11 May 2018 and 12 May 2018 respectively (refer to 4.12 of the remuneration report on page 46). The B Class shares purchased are held in the Ricegrowers Employee Share Trust, are subject to a three-year disposal restriction period and will be reported in FY19.

Former Director	Held at 30 April 2018		Net change in period	Held at 1 May 2017	
	A Class Shares	B Class Shares		A Class Shares	B Class Shares
NG Graham	1	100,897	-	1	100,897

Other Key Management Personnel	2018 B Class Shares	2017 B Class Shares
D Keldie	17,720	14,784
D Courtelis	1,726	-

DIRECTORS' REPORT CONTINUED

The aggregate number of shares held by current Directors of Ricegrowers Limited, their related entities and other Key Management Personnel at balance date were:

Issuing entity	2018	2017
Ricegrowers Limited	949,911	886,822

Transactions with Directors and other Key Management Personnel

Transaction type and class of other party	2018 \$000's	2017 \$000's
Purchase of rice from Directors	8,665	4,477
Sale of inputs to Directors	148	165
Sale of stockfeed to Directors	43	-

There were no transactions with other Key Management Personnel.

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

It is noted that at the 2017 AGM held on 25 August 2017, of the votes cast, the Company received 100% 'for' vote on the Remuneration Report. Consequently, no additional disclosures have been triggered.

18. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 53.

19. Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report.


Amounts in the Directors' report have been rounded off in accordance with the instrument 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.



L Arthur
Chairman



R Gordon
Director

29 June 2018

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Ricegrowers Limited for the year ended 30 April 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'P.J. Carney'.

Paddy Carney
Partner
PricewaterhouseCoopers

Sydney
29 June 2018

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FINANCIAL REPORT

The following financial statements are consolidated financial statements for the Group consisting of Ricegrowers Limited and its subsidiaries. A list of subsidiaries is included in note 29.

The financial statements are presented in the 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 Group's operations and its principal activities is included within the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue by the directors on 29 June 2018.

The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at our Investors' Centre on our website:
www.sunrice.com.au/corporate/investors

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2018

	Note	2018 \$000's	2017 \$000's
Sales revenue	6	1,173,986	1,109,266
Other revenue	6	3,300	3,549
Revenue from continuing operations		1,177,286	1,112,815
Other income	7	6,613	38
Impairment of assets		(954)	(3,223)
Changes in inventories of finished goods		11,069	(30,016)
Raw materials and consumables used		(710,691)	(676,613)
Freight and distribution expenses		(117,143)	(97,307)
Employee benefits expenses		(140,263)	(122,015)
Depreciation and amortisation expenses	8	(20,922)	(21,451)
Finance costs		(9,684)	(10,921)
Other expenses	8	(132,249)	(111,057)
Share of net (loss) / profit of associate accounted for using the equity method	14	(200)	39
Profit before income tax		62,862	40,289
Income tax expense	9	(17,741)	(6,053)
Profit for the year		45,121	34,236
Profit for the year is attributable to:			
Ricegrowers Limited shareholders	25	42,695	34,201
Non-controlling interests		2,426	35
		45,121	34,236
Earnings per share for profit attributable to B Class Shareholders			
Basic and diluted earnings (cents per share)	32	75.9	61.3

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 2018

	Note	2018 \$000's	2017 \$000's
Profit for the year		45,121	34,236
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges	25	(663)	3,532
Exchange differences on translation of foreign operations	25	(1,252)	986
Income tax relating to items of other comprehensive income	25	199	(1,060)
Other comprehensive income for the year, net of tax		(1,716)	3,458
Total comprehensive income for the year		43,405	37,694
Total comprehensive income for the year is attributable to:			
Ricegrowers Limited shareholders		41,582	37,373
Non-controlling interests		1,823	321
		43,405	37,694

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 30 APRIL 2018

	Note	2018 \$000's	2017 \$000's
Current assets			
Cash and cash equivalents	10	122,902	59,978
Receivables	11	151,157	123,076
Inventories	12	506,793	371,572
Current tax receivable		3,239	8,175
Derivative financial instruments	13	761	466
Total current assets		784,852	563,267
Non-current assets			
Other financial assets		43	43
Property, plant and equipment	15	217,712	217,977
Investment properties	17	1,150	1,150
Intangibles	16	9,024	9,064
Deferred tax assets	18	19,882	17,251
Investments accounted for using the equity method	14	1,497	1,750
Total non-current assets		249,308	247,235
Total assets		1,034,160	810,502
Current liabilities			
Payables	19	129,091	101,498
Amounts payable to Riverina Rice Growers	19	248,315	114,361
Borrowings	20	86,192	65,817
Current tax liabilities		1,122	830
Provisions	21	22,747	16,823
Derivative financial instruments	13	1,887	1,306
Total current liabilities		489,354	300,635
Non current liabilities			
Payables	19	1,588	1,871
Amounts payable to Riverina Rice Growers	19	25,874	20,387
Borrowings	20	79,204	79,061
Provisions	21	4,007	3,673
Total non-current liabilities		110,673	104,992
Total liabilities		600,027	405,627
Net assets		434,133	404,875
Equity			
Contributed equity	24	111,855	107,819
Reserves	25	3,978	4,641
Retained profits	25	293,925	269,632
Capital & resources attributable to Ricegrowers Limited shareholders		409,758	382,092
Non-controlling interests		24,375	22,783
Total equity		434,133	404,875

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 2018

	Note	Attributable to Ricegrowers Limited shareholders				Non-controlling interests	Total Equity
		Contributed equity	Reserves	Retained Profits	Total		
		\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Balance as at 1 May 2016		107,819	9,425	253,833	371,077	19,151	390,228
Profit for the year		-	-	34,201	34,201	35	34,236
Other comprehensive income		-	3,172	-	3,172	286	3,458
Total comprehensive income for the year		-	3,172	34,201	37,373	321	37,694
Transactions with owners in their capacity as owners:							
Transaction with non-controlling interests	25	-	(7,956)	-	(7,956)	3,311	(4,645)
Dividends distributed	26	-	-	(18,402)	(18,402)	-	(18,402)
		-	(7,956)	(18,402)	(26,358)	3,311	(23,047)
Balance as at 30 April 2017		107,819	4,641	269,632	382,092	22,783	404,875
Balance as at 1 May 2017		107,819	4,641	269,632	382,092	22,783	404,875
Profit for the year		-	-	42,695	42,695	2,426	45,121
Other comprehensive income		-	(1,113)	-	(1,113)	(603)	(1,716)
Total comprehensive income for the year		-	(1,113)	42,695	41,582	1,823	43,405
Transactions with owners in their capacity as owners:							
Contribution of equity, net of transaction costs	24	3,725	-	-	3,725	-	3,725
Share-based payments - issue of shares to employees	24	198	(198)	-	-	-	-
Share-based payments - value of employee services	25	-	761	-	761	-	761
Issue of treasury shares	24	113	(113)	-	-	-	-
Dividends distributed	26	-	-	(18,402)	(18,402)	(231)	(18,633)
		4,036	450	(18,402)	(13,916)	(231)	(14,147)
Balance as at 30 April 2018		111,855	3,978	293,925	409,758	24,375	434,133

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 2018

	Note	2018 \$000's	2017 \$000's
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,194,488	1,131,466
Payments to suppliers (inclusive of goods and services tax)		(721,832)	(606,982)
Payments to Riverina Rice Growers		(236,427)	(219,134)
Payments of wages, salaries and on-costs		(133,674)	(122,541)
Interest received		359	581
Interest paid		(9,292)	(11,029)
Income taxes paid		(13,167)	(30,583)
Net cash inflow from operating activities	31	80,455	141,778
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(21,725)	(21,919)
Proceeds from sale of property, plant and equipment		252	243
Payment for acquisition of business	36	-	(2,600)
Net cash outflow from investing activities		(21,473)	(24,276)
Cash flows from financing activities			
Proceeds from borrowings		276,793	177,781
Repayment of borrowings		(246,627)	(335,000)
Repayment of finance leases		(701)	(624)
RMB equity redemptions		-	(4,425)
Proceeds from issue of shares		939	-
Transaction with Non-Controlling Interests		-	(4,645)
Dividends paid to Non Controlling Interests		(231)	-
Dividends paid to company's shareholders		(16,340)	(18,402)
Net cash inflow / (outflow) from financing activities		13,833	(185,315)
Net increase / (decrease) in cash and cash equivalents		72,815	(67,813)
Cash and cash equivalents at the beginning of the financial year		49,880	115,067
Effect of exchange rate changes on cash and cash equivalents		207	2,626
Cash and cash equivalents at end of year	10	122,902	49,880

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

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 controlled entities.

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

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, investment property and derivative financial instruments that are measured at fair value.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 May 2017:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107, and
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

The amendments to AASB 107 however require disclosure of changes in liabilities arising from financing activities, see note 31(b).

New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 April 2018 reporting period and have not been early adopted by the Group.

The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments (effective from 1 May 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and, based on their nature, does not expect the new guidance to materially affect their classification and measurement.

The new standard will also not impact the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses, as is the case under AASB 139. It applies to financial assets classified at amortised cost, such as trade receivables. Based on the assessments undertaken to date, the Group does not expect a material increase in the impairment allowance recognised against trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments, particularly in the year of the adoption of the new standard.

The Group will apply the new rules from 1 May 2018. Comparatives for 30 April 2018 will not be restated.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AASB 15 Revenue from contracts with customers (effective from 1 May 2018)

AASB 15 will replace AASB 118, which covers revenue arising from the sale of goods and the rendering of services and AASB 111, which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has commenced its assessment of the effects of applying the new standard on the Group's financial statements. While the broad revenue recognition principles currently applied are expected to largely remain the same under the new rules, the Group is currently reviewing its various selling arrangements to assess whether, in some cases, the application of the new standard may result in the identification of separate performance obligations, which could affect the timing of the recognition of revenue.

For example, in numerous cases, the Group is responsible for delivering the goods after the date at which control of the goods passes to the customer at the loading port. If the shipment was considered a separate performance obligation, the portion of revenue related to the freight would therefore need to be recognised overtime.

Other areas of focus for the Group in the analysis include a review of the nature of customer incentive arrangements across the Group, the potential impact of penalty clauses in certain contractual arrangements, the consideration of products manufactured specifically for particular customers, the assessment of customer relationships when customers are part of a buying Group, or the treatment of a limited number of consignment arrangements with some customers.

AASB 15 also requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 May 2018 in relation to contract liabilities in relation to trade discounts and rebates, which are currently included in other balance sheet line items.

The Group intends to adopt the standard using the modified retrospective approach, which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 May 2018 and that comparatives will not be restated.

AASB 16 Leases (effective from 1 May 2019)

AASB 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases. At 30 April 2018, the Group has non-cancellable operating lease commitments of \$14,881,000, see note 28(b).

The Group estimates that a portion of these commitments relate to payments for short-term and low value leases, which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

b. Principles of consolidation and equity accounting

Subsidiaries

Ricegrowers Limited ("company" or "parent entity") and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, 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 other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Change in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss or gain of control as transactions with equity owners of Ricegrowers Limited.

A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary.

Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

c. Foreign currency translation

Functional and presentation currency

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 dollar (\$), which is Ricegrowers Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other income or other expenses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income and presented in a foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

d. 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.

e. Business Combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interest issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs in business combinations are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

f. Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories:

- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired and the Group determines the classification of its investments at initial recognition.

Reclassification

The Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the available-for-sale category if the Group has the intention and ability to hold these financial assets for the foreseeable future at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Standard purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

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. Loans and receivables are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

Available-for-sale financial assets are subsequently carried at fair value except when the fair value cannot be measured reliably. They are then carried at amortised cost less impairment.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Income recognition

Interest income is recognised using the effective interest method.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Interest income on impaired loans is recognised using the original effective interest rate.

Dividends are recognised as revenue when the right to receive payment is established.

g. Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

h. Trade receivables and payables

Trade receivables

Trade receivables are generally due for settlement within 30 to 60 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 consolidated 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 consolidated income statement.

Trade payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 to 90 days of recognition.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

i. Grower payables

Grower payables comprise the balance of pool payments owed to growers.

Grower payables also comprise the next financial year's pool payments where paddy rice for next year's pool is received before the end of the financial year.

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.

Grower payables 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.

j. Inventory

Raw materials, finished goods and packaging materials have been valued on the basis of the lower of cost or net realisable value.

Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventory but excludes borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Raw materials, finished goods, consumable stores and packaging materials inventory are determined from a combination of weighted average purchase price and standard costs and after deducting rebates and discounts.

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.

k. 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 other expense.

l. Property, plant and equipment and leasehold improvements

Freehold land is held at cost and not depreciated.

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.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The expected useful lives are as follows:

Buildings	25 to 50 years
Leasehold improvements	Shorter of 7 to 15 years or lease term
Plant and equipment	3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other income or other expense within the consolidated income statement.

m. Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

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 consolidated 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 if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

n. Intangible assets

Goodwill

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 identifiable net 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.

Acquired patents and brands

Separately acquired patents and brands are shown at historical cost.

Patents and brands acquired in a business combination are recognised at fair value at the acquisition date.

They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Capitalised software

Costs associated with maintaining software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Amortisation methods and periods

Intangible assets are amortised on a straight line basis over the periods of their expected benefit:

Acquired patents and brands	5 to 20 years
Capitalised software	3 years

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

o. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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 of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

p. 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 consolidated 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 to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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.

q. Employee benefits

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

Long term obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service.

They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Incentive plans

The Group recognises a liability and an expense for short and long term cash incentives based on a formula that takes into consideration financial performance metrics for the Group as well as the eligible employees' personal performance indicators.

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

Employee Long Term Incentive Plan (including the Chief Executive Officer Long Term Incentive Plan)

The fair value of share rights granted under the Ricegrowers Limited Employee Long Term Incentive Plan is recognised as an employee benefits expense with a corresponding increase in equity.

The total amount expensed is determined by reference to the fair value of the share rights granted excluding the impact of any service and non-market performance vesting conditions (e.g. Group financial and personal targets and remaining an employee of the Group over a specified time period). The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of share rights that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The Employee Long Term Incentive Plan is administered by the Ricegrowers Limited Employee Share Trust, which is consolidated in accordance with the principles in note 1(b).

Employee Share Scheme

Under the matching arrangement of the Ricegrowers Limited Employee Share Scheme, shares are issued by the Ricegrowers Employee Share Trust to employees for no consideration and these shares vest immediately on grant date. On this date, the fair value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

The Employee Share Scheme is administered by the Ricegrowers Limited Employee Share Trust, which is consolidated in accordance with the principles in note 1(b).

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates:

- when the Group can no longer withdraw the offer of those benefits; and
- when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

r. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can reliably be estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the Group's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense and any change in the underlying provision amount is recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

s. Income tax

The income tax expense 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 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 and its subsidiaries operate and generate taxable income.

The Group 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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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.

Investment allowances and similar incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg the Research and Development Tax Incentive regime in Australia or other investment allowances).

The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

t. Derivatives and hedging activities

Derivatives, principally interest rate swap contracts and forward foreign exchange contracts, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities (fair value hedges), or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The Group documents at the inception of the hedging 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 full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Trading derivatives are classified as a current asset or liability.

Cash flow hedge

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 accumulated in reserves in equity.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs.

The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within sales revenue.

However, 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 amounts are ultimately recognised in profit or loss as raw materials and consumable used in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

u. Contributed equity

Ordinary B Class shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as a result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Ricegrowers Limited as treasury shares until the shares are cancelled or reissued.

Where such B class shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Ricegrowers Limited.

Shares held as unallocated shares by the Ricegrowers Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

v. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the year but not distributed at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

w. Earnings per share

Basic earnings per share

Basic 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 B class shares
- by the weighted average number of B class shares outstanding during the financial year, adjusted for bonus elements in B class shares issued during the year and excluding treasury shares

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential B class shares, and
- the weighted average number of additional B class shares that would have been outstanding assuming the conversion of all dilutive potential B class shares

x. 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, rebates and amounts collected on behalf of third parties.

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.

y. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis.

The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

z. Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements.

Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

aa. 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:

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Ricegrowers Limited.

Tax consolidation legislation

Ricegrowers Limited and its wholly-owned Australian subsidiaries have implemented the tax consolidation legislation as at 1 May 2004.

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Share-based payments

The grant by the company of rights over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking.

The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2. Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates which, by definition, will seldom equal the actual results.

It also requires management to make assumptions concerning the future and to exercise its judgement in the process of applying the Group's accounting policies.

Estimates and judgements are continuously 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 areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the financial statements, are discussed below.

Impairment of assets

The Group tests for impairment of goodwill and other non-current assets in accordance with note 1(o).

The recoverable amounts of cash generating units have been determined based on value-in-use calculations, with the exception of land, building and plant and equipment assets in SunFoods and Brandon mill, which have been valued using a fair value less cost of disposal model.

These calculations required the use of assumptions. Refer to note 16(b) for details about the assumptions used for goodwill impairment testing.

The recoverability of assets (including goodwill) of some cash generating units is dependent on the Group's ability to improve manufacturing efficiency, increase the volume of throughput and improve product mix in the short term. It also depends on the successful achievement of stretched growth targets, which, if not achieved in the near future, would likely result in an impairment of the assets of those cash generating units.

The Group will continue to closely monitor the performance of the cash generating units.

Raw material inventory and amounts payable to Riverina rice growers

Raw materials inventory and amounts payable to Riverina rice growers are valued in accordance with the accounting policies in note 1(j) and 1(i) respectively.

These values require an assumption of the paddy price for the relevant pool. This assumption is based on the Directors' most recent estimate of the performance of the paddy pool.

Deferred tax assets not recognised for capital losses and USA ordinary 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 ordinary tax losses in the USA, as the Group considers there remains uncertainty in the ability of the local entity to generate enough future taxable profits against which these losses can be utilised.

Refer to note 9(d) for further details on unrecognised deferred tax assets.

Provisions and contingent liabilities

The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities.

Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement.

Due to the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provisions.

3. Financial risk management

The Group's activities expose it to a variety of financial risks, including market risks (such as foreign exchange risk and interest rate risk), credit risk and liquidity 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 forward foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are used solely for hedging purposes, i.e. not as trading or other speculative instruments.

The Group uses different methods to measure the different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rates and foreign exchange risks 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, the use of derivative financial instruments and investing excess liquidity.

a. Market risk

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 from future commercial transactions and recognised assets and liabilities that 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 foreign currency contracts are used to manage foreign exchange risk.

The Group's risk management policy is to hedge its US dollar denominated exposure arising from forecasted sales and purchases.

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

	2018	2017
	USD \$000's	USD \$000's
Cash	7,484	2,628
Trade receivables	129,219	94,320
Trade payables	(99,056)	(51,149)
Forward exchange contracts:		
- selling foreign currency	(168,250)	(168,900)
- buying foreign currency	42,342	44,475
Net exposure - (selling currency) / buying currency	(88,261)	(78,626)

Sensitivity analysis

At 30 April 2018, had the US dollar increased by 5 cents to the Australian dollar, with all other variables held constant, the Group's profit after tax for the year would have been \$69,000 higher (2017: \$1,472,000 higher) and other equity would have been \$4,774,000 higher (2017: \$3,564,000 higher).

At 30 April 2018, had the US dollar decreased by 5 cents to the Australian dollar, with all other variables held constant, the Group's profit after tax for the year would have been \$320,000 higher (2017: \$1,813,000 lower) and other equity would have been \$6,239,000 lower (2017: \$7,220,000 lower).

The ongoing tightening of the USD available in Papua New Guinea (PNG) continues to affect Trukai's ability to settle its intercompany trade payable, exposing the Group to the risk of a sudden devaluation of the PNG Kina. At 30 April 2018, the outstanding amount due from Trukai was USD 52,970,000 compared to USD 24,996,000 at 30 April 2017.

If the USD/PGK exchange rate was 5 cents lower (0.2525 instead of 0.3025), with all other variables held constant, Trukai's intercompany trade payable would have been higher in its local currency, resulting in an additional foreign exchange loss in the Group's profit after tax for the year of \$8,112,000 (2017: \$4,651,000).

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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:

30 April 2018	Weighted average interest rate %	Balance \$000's
Cash at bank	1.0	16,294
Bank loans and bank overdrafts	3.2	(165,000)
Interest rate swap (notional principal amount)	4.0	31,000
Net exposure to cash flow interest rate risk		(117,706)

30 April 2017	Weighted average interest rate %	Balance \$000's
Cash at bank	0.7	23,060
Bank loans and bank overdrafts	2.9	(144,932)
Interest rate swap (notional principal amount)	4.0	31,000
Net exposure to cash flow interest rate risk		(90,872)

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

Sensitivity analysis

At 30 April 2018, if interest rates had changed by + / - 25 basis points from the year end rates, with all other variables held constant, profit after tax for the year would have been \$390,000 lower/higher (2017: \$343,000 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 & 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.

The majority of export customers trading terms are secured by letters of credit, cash against documents or documentary collection and prepayment in accordance with the Treasury policy.

Individual credit limits are set in accordance with the limits set by the Board and compliance with credit limits is regularly monitored by the Group.

Further information about the quality of receivables is set out in note 11.

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 Group's underlying businesses, Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

In relation to the liquidity risk, the total of cash and cash equivalents held by Trukai amounts to PGK 190,293,000 (AUD 76,187,000) at 30 April 2018, compared to PGK 57,907,000 (AUD 23,742,000) at 30 April 2017.

The Group continues to closely monitor economic conditions in PNG to proactively manage the liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Financing arrangements

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

	2018 \$000's	2017 \$000's
Floating rate:		
Bank overdraft - expiring within one year	3,816	17,247
Bank loans - expiring within one year	117,903	316,669
Bank loans - expiring beyond one year	141,000	71,000
	262,719	404,916

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

Maturities of financial liabilities

The tables below summarise the Group's financial liabilities. The amounts disclosed in the tables are the contractual undiscounted cash flows.

For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the reporting date.

	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 2018						
Non-derivatives						
Non-interest bearing	377,406	25,874	-	1,588	404,868	404,868
Variable rate	91,211	2,674	84,183	-	178,068	165,000
Fixed rate	553	423	70	-	1,046	1,005
Total non-derivatives	469,170	28,971	84,253	1,588	583,982	570,873
Derivatives						
Interest rate swaps - net settled	449	-	83	-	532	532
Foreign currency contracts - gross settled						
- outflow	326,897	-	-	-	326,897	594
- (inflow)	(326,303)	-	-	-	(326,303)	-
Total derivatives	1,043	-	83	-	1,126	1,126

	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 2017						
Non-derivatives						
Non-interest bearing	215,859	20,387	-	1,871	238,117	238,117
Variable rate	69,809	45,667	36,106	-	151,582	144,932
Fixed rate	521	289	179	-	989	947
Total non-derivatives	286,189	66,343	36,285	1,871	390,688	383,996
Derivatives						
Interest rate swaps - net settled	-	1,079	138	-	1,217	1,217
Foreign currency contracts - gross settled						
- outflow	358,587	-	-	-	358,587	-
- (inflow)	(358,964)	-	-	-	(358,964)	(377)
Total derivatives	(377)	1,079	138	-	840	840

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Fair value measurement

The Group's assets and liabilities carried at fair value are mainly related to currency and interest rate derivatives.

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 held (level 2).

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 inputs.

Only the investment property is classified as level 3, as the fair value is determined by an independent valuation.

The following table presents the Group's financial assets and liabilities measured and recognised at fair value on a recurring basis.

Recurring fair value measurements	2018			2017		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Assets						
Investment properties	-	1,150	1,150	-	1,150	1,150
Derivatives used for hedging						
- Foreign exchange contracts	761	-	761	466	-	466
Total assets	761	1,150	1,911	466	1,150	1,616
Liabilities						
Derivatives used for hedging						
- Foreign exchange contracts	1,355	-	1,355	89	-	89
- Interest rate swaps	532	-	532	1,217	-	1,217
Total liabilities	1,887	-	1,887	1,306	-	1,306

There were no transfer between levels for recurring fair value measurements during the year.

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

5. Significant events of the period

For a detailed discussion about the Group's performance and financial position, please refer to our review of operations in the Directors' report.

6. Revenue

	2018 \$000's	2017 \$000's
Sales revenue		
Sale of goods	1,173,986	1,109,266
	1,173,986	1,109,266
Other revenue		
Interest received	359	581
Other sundry items	2,941	2,968
	3,300	3,549
Total revenue from continuing operations	1,177,286	1,112,815

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. Other income

	2018 \$000's	2017 \$000's
Net gain on disposal of property, plant and equipment	6	38
Foreign exchange gains	6,607	-
Total other income	6,613	38

In the current period, the foreign exchange gain was primarily the result of a combination of significant fluctuations in the AUD/USD exchange rate and hedged exposures no longer expected to occur.

8. Expenses

Profit before income tax includes the following specific expenses.

	2018 \$000's	2017 \$000's
Contributions to employee superannuation plans	(8,617)	(7,370)
Depreciation and amortisation		
Buildings	(7,711)	(7,310)
Leased assets	(539)	(550)
Plant and equipment	(10,634)	(10,988)
Leasehold improvements	(593)	(964)
Patents/brands and software	(1,445)	(1,639)
Total depreciation and amortisation expense	(20,922)	(21,451)
Other expenses		
Energy	(19,181)	(12,147)
Contracted services	(24,559)	(19,524)
Operating lease expenditure and equipment hire	(13,239)	(13,836)
Research and development	(1,310)	(1,055)
Advertising and artwork	(24,475)	(22,532)
Repairs and Maintenance	(13,100)	(11,144)
Insurance	(3,213)	(3,583)
Training	(2,256)	(1,798)
Internet, telephone and fax	(2,645)	(2,645)
Motor vehicle and travelling expenses	(8,421)	(7,492)
Capital restructuring costs	(1,161)	(84)
Other	(18,689)	(15,217)
Total other expenses	(132,249)	(111,057)

At 30 April 2017, "Other" included the reversal of the dispute settlement provision of \$4,707,000 with SunFoods minority shareholders.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. Income tax expense

a. Income tax expense

	2018 \$000's	2017 \$000's
Current tax expense	(19,940)	(2,731)
Deferred tax benefit / (expense)	2,520	(4,689)
Adjustments for current tax of prior periods	(321)	1,367
Income tax expense attributable to profit from continuing operations	(17,741)	(6,053)
Deferred income tax (expense)/benefit included in income tax expense comprises:		
Increase / (decrease) in deferred tax assets (note 18)	2,288	(5,935)
Decrease in deferred tax liabilities (note 23)	232	1,246
	2,520	(4,689)

b. Numerical reconciliation of income tax expense to prima facie tax payable

	2018 \$000's	2017 \$000's
Profit from continuing operations before related income tax	62,862	40,289
Income tax expense calculated at the Australian rate of tax of 30% (2017: 30%)	(18,859)	(12,087)
Tax effect of amounts which are not taxable/(deductible) in calculating taxable income:		
Entertainment	(40)	(41)
Research & development	197	272
Overseas attributable income	(1,917)	(874)
Impairment of assets (net of reversal)	-	(120)
Difference in overseas tax rates	2,627	909
Sundry items	85	100
	952	246
Previously unrecognised tax losses now recouped or recognised	487	4,421
Adjustments for current tax of prior periods	(321)	1,367
Income tax expense	(17,741)	(6,053)

c. Tax relating to items of other comprehensive income

	2018 \$000's	2017 \$000's
Cash flow hedges	199	(1,060)

d. Deferred tax assets not recognised for USA ordinary losses

The Group has not recognised deferred tax assets for ordinary tax losses of \$3,298,000 (2017: \$5,532,000) in the USA, as the Group considers there remains uncertainty in the ability of the local entity to generate enough future taxable profits against which these losses can be utilised.

The Group will continuously reassess this position should conditions in the USA improve in a sustainable manner.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. Cash and cash equivalents

	2018 \$000's	2017 \$000's
Cash at bank and on hand	122,902	59,978
Total cash and cash equivalents	122,902	59,978

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 consolidated cash flow statement as follows:

	2018 \$000's	2017 \$000's
Cash and cash equivalents	122,902	59,978
Less: Bank overdraft (note 20)	-	(10,098)
Balances per consolidated statement of cash flows	122,902	49,880

b. Risk exposure

The Group's exposure to interest rate risk is discussed in note 3(a).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

The Group is also exposed to a liquidity risk in relation to the availability of USD in PNG. Further details are presented in note 3(a).

11. Receivables

	2018 \$000's	2017 \$000's
Current		
Trade receivables	132,600	110,363
Provision for impairment of receivables (note a)	(1,055)	(1,121)
	131,545	109,242
Other receivables	3,396	4,904
GST receivable	13,116	5,694
Prepayments	3,100	3,236
Total receivables	151,157	123,076

a. Impaired trade receivables

	2018 \$000's	2017 \$000's
1 to 3 months	9	22
3 to 6 months	90	5
Over 6 months	956	1,094
	1,055	1,121

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

	2018 \$000's	2017 \$000's
At 1 May	1,121	1,416
Provision for impairment recognised during the year	213	54
Receivables written off during the year as uncollectible	(51)	(105)
Amounts subsequently collected	(207)	(260)
Foreign currency difference on translation	(21)	16
At 30 April	1,055	1,121

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the consolidated 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 at 30 April 2018, 88% (2017: 90%) are current and 12% (2017: 10%) are overdue.

The directors have no reason to believe that amounts not provided for will not be collected in full in a subsequent period.

b. Past due but not impaired

	2018 \$000's	2017 \$000's
1 to 3 months	12,931	10,111
3 to 6 months	2,011	369
	14,942	10,480

The other classes within receivables are not impaired or past due.

c. Fair values

Trade and other receivables are financial assets carried at amortised costs.

Due to their short-term nature, their carrying amount is assumed to approximate their fair value.

d. Risk exposure

Information about the Group's exposure to credit risk, foreign exchange risk and interest rate risk is provided in note 3(a).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

12. Inventories

	2018 \$000's	2017 \$000's
Raw materials	368,689	241,047
Finished goods	121,241	110,172
Packaging materials	7,659	11,218
Engineering and consumable stores	9,204	9,135
Total inventories	506,793	371,572

13. Derivative financial instruments

	2018 \$000's	2017 \$000's
Current assets		
Forward foreign exchange contracts (cash flow hedges)	761	466
	761	466
Current liabilities		
Interest rate swaps (cash flow hedges)	532	1,217
Forward foreign exchange contracts (cash flow hedges)	1,355	89
	1,887	1,306

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 3(a).

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 and the settlement dates coincide with the dates on which interest is payable on the underlying debt.

The contracts are settled on a net basis and the timing of cash flows and effects on the consolidated income statement are materially the same.

At 30 April 2018, interest rate swaps cover 39.2% (2017: 39.2%) of the Obligor Group Core debt.

At 30 April 2018, the fixed interest rates range between 2.48% - 4.81% (2017: 2.48% - 4.10%).

The Obligor Group is a sub-group of Ricegrowers Limited that jointly guarantees the Core and Seasonal facilities contracted in Australia. The following entities are part of the Obligor Group:

- Riviana Foods Pty Ltd
- Australian Grain Storage Pty Ltd
- Rice Research Australia Pty Ltd
- Solomons Rice Company Limited
- Sunshine Rice Inc.
- Ricegrowers Singapore Pte Ltd
- Silica Resources Pty Ltd
- Sunshine Rice Pty Ltd
- SunFoods LLC

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.

Forward foreign 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 pre-determined exchange rates.

The contracts are entered into to hedge firm commitments or highly probable purchases and sales denominated in foreign currencies.

The timing of cash flows and effects on the consolidated income statement are materially the same.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

b. Risk exposure

Information about the Group's exposure to credit risk, foreign exchange risk and interest rate risk is provided in note 3.

The maximum exposure to credit risk in relation to favourable derivatives outstanding at the reporting date is the carrying amount of the derivative financial assets.

14. Investments accounted for using the equity method

	2018 \$000's	2017 \$000's
Shares in associates	1,497	1,750

Information relating to the associate is set out below.

Name of company	Principal activity	Ownership interest	
		2018	2017
Pagini Transport (incorporated in Papua New Guinea)	Transport	30.44%	28.85%

a. Movements in carrying amounts

	Consolidated	
	2018 \$000's	2017 \$000's
Carrying amount at the beginning of the financial year	1,750	1,684
Share of profit after related income tax	72	39
Change in ownership interest	78	-
Foreign exchange difference on translation	(53)	27
Other adjustments	(350)	-
Carrying amount at the end of the financial year	1,497	1,750

b. Summarised financial information of Pagini Transport (100%)

	Assets \$000's	Liabilities \$000's	Revenues \$000's	Profits \$000's
2018	13,177	8,259	2,815	235
2017	14,589	8,523	2,714	134

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

The directors believe that the financial effects of any events or transactions occurring since the last available financial information have not materially affected the financial position or performance of the associate.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Property, plant and equipment

	2018 \$000's	2017 \$000's
Freehold land		
At cost	15,543	15,610
	15,543	15,610
Buildings		
At cost	218,251	204,481
Less accumulated depreciation and impairment	(112,475)	(98,740)
	105,776	105,741
Leasehold improvements		
At cost	10,565	17,409
Less accumulated depreciation and impairment	(3,870)	(7,184)
	6,695	10,225
Plant and equipment		
At cost	260,563	252,273
Less accumulated depreciation and impairment	(179,781)	(175,863)
Under finance lease	3,947	3,191
Less accumulated depreciation	(2,990)	(2,453)
	81,739	77,148
Capital works in progress		
At cost	7,959	9,253
	7,959	9,253
Total property, plant and equipment	217,712	217,977

a. Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Land & Buildings \$000's	Leasehold Improvements \$000's	Plant & Equipment \$000's	Assets under construction \$000's	Totals \$000's
Carrying amount at 1 May 2017	121,351	10,225	77,148	9,253	217,977
Additions	-	-	-	20,297	20,297
Recognition of finance lease	-	-	761	-	761
Capital works in progress reclassifications	5,257	73	16,249	(21,579)	-
Transfers/disposals/scrapping	2,932	(2,752)	(421)	-	(241)
Depreciation expense	(7,711)	(593)	(11,173)	-	(19,477)
Impairment	(390)	-	(564)	-	(954)
Foreign exchange difference on translation	(120)	(258)	(261)	(12)	(651)
Carrying amount at 30 April 2018	121,319	6,695	81,739	7,959	217,712

During the year ended 30 April 2018, an impairment charge of \$954,000 has been recognised against various individual assets of the Group which are no longer being used.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Land & Buildings \$000's	Leasehold Improvements \$000's	Plant & Equipment \$000's	Assets under construction \$000's	Totals \$000's
Carrying amount at 1 May 2016	124,217	9,142	82,067	2,540	217,966
Additions	-	1,935	2,811	16,480	21,226
Recognition of finance lease	-	-	237	-	237
Capital works in progress reclassifications	3,286	62	6,408	(9,756)	-
Transfers/disposals/scrapping	(162)	(10)	(237)	-	(409)
Depreciation expense	(7,310)	(964)	(11,538)	-	(19,812)
Impairment	1,103	-	(2,851)	-	(1,748)
Foreign exchange difference on translation	217	60	251	(11)	517
Carrying amount at 30 April 2017	121,351	10,225	77,148	9,253	217,977

In October 2014, an impairment charge of \$1,994,000 had been recognised on land, building and plant and equipment of a division of Riviana, as a consequence of lower trading performance. At 30 April 2017, the improved financial performance of this division supported the reversal of the initial impairment charge up to the net book value of the assets at that time (\$1,624,000).

This reversal was offset in the FY17 financial statements by the recognition of:

- an impairment charge of \$2,173,000 on the land, building and plant and equipment of Brandon, the Group's rice milling operations in North Queensland. This was due to the development of a sustainable rice industry in the region which was slower than expected and the mill facing manufacturing challenges that were increasing the cost of production. The residual carrying value of the Brandon fixed assets was supported by an independent valuation.
- an impairment charge of \$1,100,000 on a specific manufacturing line that became unused in the period subsequent to a change in sourcing strategy.

The residual impairment charge at 30 April 2017 had been recognised against various other individual assets of the Group which were no longer being used.

b. Assets pledged as security

There is a fixed and floating charge over fixed assets as disclosed in note 20.

16. Intangibles

	2018 \$000's	2017 \$000's
Goodwill	4,829	4,829
Patents and brands at cost	9,584	9,623
Less accumulated amortisation	(7,136)	(6,782)
	2,448	2,841
Software at cost	7,612	8,149
Less accumulated amortisation	(6,927)	(6,987)
	685	1,162
Other at cost	1,301	412
Less accumulated amortisation	(239)	(180)
	1,062	232
Total intangibles	9,024	9,064

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

a. Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$000's	Brands \$000's	Software \$000's	Other \$000's	Total \$000's
Carrying amount at 1 May 2017	4,829	2,841	1,162	232	9,064
Additions	-	-	251	1,177	1,428
Amortisation charge	-	(370)	(728)	(347)	(1,445)
Foreign exchange difference on translation	-	(23)	-	-	(23)
Carrying amount at 30 April 2018	4,829	2,448	685	1,062	9,024

	Goodwill \$000's	Brands \$000's	Software \$000's	Other \$000's	Total \$000's
Carrying amount at 1 May 2016	4,299	2,580	1,920	32	8,831
Additions	2,005	584	159	545	3,293
Impairment	(1,475)	-	-	-	(1,475)
Amortisation charge	-	(367)	(917)	(355)	(1,639)
Foreign exchange difference on translation	-	44	-	10	54
Carrying amount at 30 April 2017	4,829	2,841	1,162	232	9,064

During the year ended 30 April 2017, an impairment charge of \$1,475,000 had been recognised against the Brandon Mill goodwill. This was due to the difficult trading conditions faced by the mill, as further detailed in note 15.

b. Goodwill

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

	2018 \$000's	2017 \$000's
Global Rice	34	34
Riviana Foods	4,610	4,610
CopRice	185	185
	4,829	4,829

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use 5 year cash flow projections based on financial budgets approved by the Board for the forthcoming year and management forecasts for the years thereafter. Cash flows beyond the explicit period of projection are extrapolated using the estimated growth rates stated below.

Key assumptions used for value in use calculations

CGU	Long-term Growth Rate		Pre Tax Discount Rate	
	2018 %	2017 %	2018 %	2017 %
Global Rice	1.9	1.5	10.4	11.9
Riviana Foods	1.9	1.5	12.1	12.5
CopRice	1.9	1.5	12.4	12.7

The discount rates reflect the risks relating to each CGU to the extent that the risk components are not already included in the cash flows forecasts.

Sensitivity to changes in assumptions

No reasonable change in assumptions above would give rise to an impairment in the Riviana, CopRice and Global Rice CGUs.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. Investment properties

At fair value	2018 \$000's	2017 \$000's
Opening balance at 1 May	1,150	1,150
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.

18. Deferred tax assets

	2018 \$000's	2017 \$000's
The balance comprises temporary differences attributable to:		
Provisions	7,213	5,617
Accruals	5,693	3,227
Depreciation	3,324	4,603
Foreign exchange	467	-
Inventories	3,581	3,380
Tax losses	628	1,780
Other	722	839
	21,628	19,446
Derivatives - cash flow hedges	473	274
Total deferred tax assets	22,101	19,720
Set-off of deferred tax liabilities pursuant to set-off provisions (note 23)	(2,219)	(2,469)
Net deferred tax assets	19,882	17,251
Deferred tax assets expected to be recovered within 12 months	18,239	13,537
Deferred tax assets expected to be recovered after more than 12 months	3,862	6,183
	22,101	19,720
Movements		
Opening balance at 1 May	19,720	26,586
(Charged)/credited to income statement	2,288	(5,935)
Foreign exchange differences on translation	(106)	75
(Charged)/credited to other comprehensive income	199	(1,006)
Closing balance at 30 April	22,101	19,720

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. Payables

	2018 \$000's	2017 \$000's
Current		
Trade and other payables	129,091	101,498
Amounts payable to Riverina Rice Growers	248,315	114,361
	377,406	215,859
Non-current		
Trade and other payables	1,588	1,871
Amounts payable to Riverina Rice Growers	25,874	20,387
	27,462	22,258

a. Fair values

Trade and other payables are financial liabilities carried at amortised costs.

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 3(a).

20. Borrowings

	2018 \$000's	2017 \$000's
Current - Secured		
Bank overdrafts	-	10,098
Bank loans	86,000	55,834
Net accrued interest and capitalised borrowing costs	(330)	(611)
Lease liability (note 28)	522	496
Total borrowings	86,192	65,817
Non current - Secured		
Bank loans	79,000	79,000
Net accrued interest and capitalised borrowing costs	(279)	(390)
Lease liability (note 28)	483	451
Total borrowings	79,204	79,061

a. Significant terms and conditions of bank facilities

During the 2018 financial year, Ricegrowers Limited renegotiated its Seasonal and Core bank facilities.

The Seasonal bank facility (including a trade finance facility) of \$235,000,000 decreased by \$175,000,000 compared to the prior year (\$410,000,000) and the maturity date was extended to April 2019.

The Core bank facility of \$220,000,000 increased by \$70,000,000 compared to the prior year (\$150,000,000) and the maturity dates were extended to April 2021 (\$120,000,000) and April 2023 (\$100,000,000).

The Australian bank borrowings, 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 each member of the Obligor Group.

Under the terms of the banking facilities, the Group is required to comply with a set of financial covenants. The Group complied with these covenants throughout the reporting period.

b. Fair values

The Directors consider the carrying amounts of bank overdrafts and borrowings approximate their fair values, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

c. Carrying amount of all assets pledged as security

There is a fixed and floating charge over 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 3.

The Group's bank borrowings are categorised as follows:

	2018 \$000's	2017 \$000's
Seasonal debt	86,000	55,834
Core debt	79,000	79,000
	165,000	134,834
Representing:		
Current bank loans	86,000	55,834
Non-current bank loans	79,000	79,000
	165,000	134,834

Seasonal debt

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

Core debt

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

21. Provisions

	2018 \$000's	2017 \$000's
Current		
Employee benefits (note 22)	22,250	16,310
Employee allowances	172	114
Directors' retirement benefits	325	399
Total provisions	22,747	16,823
Non current		
Employee benefits (note 22)	4,007	3,673
Total provisions	4,007	3,673

a. Reconciliations

	Employee benefits \$000's	Employee allowances \$000's	Directors' retirement benefits \$000's	Other \$000's	Total \$000's
Carrying amount at 1 May 2017	19,983	114	399	-	20,496
Additional provision recognised	6,274	58	-	-	6,332
Amount used during the year	-	-	(74)	-	(74)
Carrying amount at 30 April 2018	26,257	172	325	-	26,754

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Employee benefits \$000's	Employee allowances \$000's	Directors' retirement benefits \$000's	Other \$000's	Total \$000's
Carrying amount at 1 May 2016	19,761	218	399	4,707	25,085
Additional provision recognised	212	-	-	-	212
Unused amount reversed	-	-	-	(4,707)	(4,707)
Amount used during the year	-	(104)	-	-	(104)
Foreign exchange difference on translation	10	-	-	-	10
Carrying amount at 30 April 2017	19,983	114	399	-	20,496

In the previous reporting period, the reversal of the dispute settlement provision of \$4,707,000 with SunFoods minority shareholders had been recognised against "Other expenses" in the consolidated income statement (refer to note 8)

b. 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.

c. Fair values

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

22. Employee benefits

a. Employee benefits and related on cost liabilities

	2018 \$000's	2017 \$000's
Provision for employee benefits (note 21)		
- Current	22,250	16,310
- Non-current	4,007	3,673
Aggregate employee entitlement benefits	26,257	19,983

Employee numbers	2018 Number	2017 Number
Average number of employees during the year	2,185	2,190

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

23. Deferred tax liabilities

	2018 \$000's	2017 \$000's
The balance comprises temporary differences attributable to:		
Prepayments	61	71
Inventories	1,929	1,764
Foreign exchange	-	405
Brands acquired through business combination	175	175
	2,165	2,415
Derivatives - cash flow hedges	54	54
Total deferred tax liabilities	2,219	2,469
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	(2,219)	(2,469)
Net deferred tax liabilities	-	-
Deferred tax liabilities expected to be settled within 12 months	2,044	2,294
Deferred tax liabilities expected to be settled after more than 12 months	175	175
	2,219	2,469
Movements		
Opening balance at 1 May	2,469	3,415
Credited to income statement	(232)	(1,246)
Foreign exchange difference on translation	(18)	71
Charged/(credited) to other comprehensive income	-	54
Business combination	-	175
Closing balance at 30 April	2,219	2,469

24. Contributed equity

a. Share capital

	2018 \$000's	2017 \$000's
Fully paid Ordinary B Class Shares	111,855	107,819

B Class shares

B Class shares are non-voting shares and entitle the holder to participate in dividends. B Class shares have no par value.

The number of B Class shares on issue is detailed below.

A Class shares

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

At 30 April 2018, 715 (2017: 806) A Class shares were on issue.

b. Movement in ordinary B class shares

Date	Number of shares	\$000's
Balance at 1 May 2017	55,762,392	107,819
Issue under Dividend Reinvestment Plan	511,393	2,062
Issue under Grower Share Purchase Plan	239,642	939
Issue under Employee Share Scheme - purchased shares	178,763	724
Issue under Employee Share Scheme - shares offered for no consideration	48,954	198
Issue under Employee Share Scheme - treasury shares	27,887	113
Balance at 30 April 2018	56,769,031	111,855

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Dividend Reinvestment Plan

The company has established a Dividend Reinvestment Plan (DRP) under which holders of ordinary B Class shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary B Class shares rather than by being paid in cash.

Shares are issued under the DRP at a 2% discount to the average of the Volume Weighted Average Price (VWAP) of ordinary B Class shares traded on the NSX over the five days on which B Class shares were traded prior to the dividend record date.

Grower Share Purchase Plan

The company has established a Grower Share Purchase Plan (GSPP) under which eligible growers are given the opportunity to acquire ordinary B Class shares based on the number of paddy tonnes they deliver in any given crop year.

Shares are issued under the GSPP at a 2% discount to the average of the VWAP of ordinary B Class shares traded on the NSX over the five days on which B Class shares were traded prior to the GSPP offer date.

Employee Share Scheme

The company has established an Employee Share Scheme (ESS) under which eligible employees and non-executive Independent Directors are given the opportunity to acquire ordinary B Class shares out of their benefit entitlements or after tax funds.

Under the matching arrangement of the ESS, employees may also be granted shares for no consideration (see further details in note 1(q))

Treasury shares issued under the ESS are B Class shares in Ricegrowers Limited that are held as unallocated shares by the Ricegrowers Employee Share Trust until their subsequent allocation to eligible participants under the ESS (see further details in note 1(u)).

Shares are offered under the ESS at the average of the VWAP of ordinary B Class shares traded on the NSX over the five days on which B Class shares were traded prior to 27 February 2018 (being the last practicable date prior to communicating the launch of the plan).

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 A Class and B Class 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 net debt plus total equity.

Net debt is calculated as total borrowings less cash and cash equivalents. Total equity is calculated as 'equity' as shown in the consolidated balance sheet (including non-controlling interests).

The gearing ratios at 30 April 2018 and 30 April 2017 were as follows:

	Notes	2018 \$000's	2017 \$000's
Net debt	31	42,494	84,900
Total equity		434,133	404,875
Gearing ratio		9%	17%

25. Reserves and retained profits

	2018 \$000's	2017 \$000's
General reserve	28,453	28,453
Asset revaluation reserve	4,917	4,917
Foreign currency translation reserve	(21,140)	(20,491)
Hedging reserve - cash flow hedges	(746)	(282)
Transaction with non-controlling interests	(7,956)	(7,956)
Share-based payment reserve	563	-
Treasury shares reserve	(113)	-
Total reserves	3,978	4,641
Retained profits	293,925	269,632

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

a. Movements

Reserves	2018 \$000's	2017 \$000's
Foreign currency translation reserve		
Balance 1 May	(20,491)	(21,191)
Net exchange difference on translation of overseas controlled entities	(1,252)	986
Non controlling interest in translation differences	603	(286)
Balance 30 April	(21,140)	(20,491)
Hedging reserve - cash flow hedges		
Balance 1 May	(282)	(2,754)
Revaluation and transfer to other comprehensive income	(663)	3,532
Deferred tax	199	(1,060)
Balance 30 April	(746)	(282)
Transaction with non-controlling interests		
Balance 1 May	(7,956)	-
Acquisition of additional ownership of SunFoods LLC	-	(7,956)
Balance 30 April	(7,956)	(7,956)
Share-based payment reserve		
Balance 1 May	-	-
Share-based payment expense	761	-
Shares issued to employees under the Employee Share Scheme	(198)	-
Balance at 30 April	563	-
Treasury shares reserve		
Balance 1 May	-	-
Treasury shares issued under the Employee Share Scheme	(113)	-
Balance at 30 April	(113)	-

In September 2016, the Group purchased the non-controlling interests of SunFoods LLC (35%) for a consideration of \$4,645,000 (\$US 3,500,000).

The acquisition of additional shares in SunFoods LLC was shown in the financial statements as a transfer of equity between non-controlling interests and the reserves attributable to Ricegrowers Limited (transaction with owners in their capacity as owners in accordance with the accounting standards).

Retained profits	2018 \$000's	2017 \$000's
Balance 1 May	269,632	253,833
Net profit for the year	42,695	34,201
Dividends provided for or paid	(18,402)	(18,402)
Balance 30 April	293,925	269,632

b. Nature and purpose of reserves

General reserve

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

Asset revaluation reserve

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

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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(t).

Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Transactions with non-controlling interests

This reserve is used to record the effects that arise as a result of transactions with non-controlling interests that do not result in a loss of control.

Share-based payment reserve

The share-based payments reserve is used to recognise:

- the grant date fair value of share rights issued to employees but not yet vested under the Employee Long Term Incentive Plan (including the Chief Executive Officer Long Term Incentive Plan), as described in note 1(q), and
- the grant date fair value of shares issued to employees for no consideration under the matching arrangement of the Employee Share Scheme, as described in note 1(q).

Treasury shares reserve

Treasury shares are B Class shares in Ricegrowers Limited that are held as unallocated shares by the Ricegrowers Employee Share Trust for the purpose of allocating shares to employees under the Employee Share Scheme (see further details in note 1(u)). B Class shares allocated to employees are recognised on a first-in-first-out basis.

c. Share-based payments

Employee Long Term Incentive Plan

Under the Group's Employee Long Term Incentive Plan (LTI), participants are granted rights to ordinary B Class shares of Ricegrowers Limited.

Rights are granted annually and vest at the end of a three year performance period. They automatically convert into one ordinary B Class share each on vesting, aligned to the performance outcome. Share rights do not entitle their holders to receive any dividends during the vesting period.

If a participant ceases to be employed by the Group within this period, the rights will be forfeited, except in limited circumstances that are approved by the Board on a case-by-case basis.

The number of rights to be granted is determined based on a percentage of fixed remuneration converted to a number of shares using the price applicable to the Grower Share Purchase Plan (\$3.92). This price was used as the initial intent was to align the grower and employee offers, however awaiting the ASIC relief and tax ruling delayed the launch of the LTI.

	2018	2017
Number of share rights granted on 16 March 2018	155,350	-
Fair value of rights at grant date	\$3.15	-

The fair value of the rights at grant date was estimated by taking the market price of the company's shares on that date (\$4.00) less the present value of expected dividends that will not be received by the participants on their rights during the three year vesting period.

Chief Executive Officer Long Term Incentive Plan

With the introduction of the Employee LTI Plan discussed previously, the Board took the opportunity to align the Chief Executive Officer's FY16-FY18 LTI Plan to an, in part, equity-based scheme.

In accordance with the Chief Executive Officer's employment contract (issued in 2016), the Board invited the Chief Executive Officer to take part of his LTI plan as B Class share rights in lieu of the cash equivalent. The CEO accepted this offer for a portion of the FY18 performance year component of his LTI plan. The offer equates to 100,000 B Class share rights representing part of the incentive opportunity of the FY18 performance year component of the plan divided by the price applicable to the Employee LTI plan (\$3.92).

	2018	2017
Number of share rights granted on 22 March 2018	100,000	-
Fair value of rights at grant date	\$4.00	-

The fair value of the rights at grant date was estimated by taking the market price of the company's shares on that date (\$4.00).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Employee Share Scheme

Employees and non-executive Independent Directors who are Australian Tax Residents are eligible and may elect to participate in the Group's Employee Share Scheme.

Under the matching arrangement of the scheme, eligible employees may be granted up to \$1,000 worth of fully paid ordinary B Class shares in Ricegrowers Limited annually for no cash consideration. The number of shares issued to participants in the scheme is the offer amount divided by the Volume Weighted Average Price of B Class shares traded on the NSX over the five days on which B Class shares were traded prior to 27 February 2018 (being the last practicable date prior to communicating the launch of the plan to employees).

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment by the group. In all other respects the shares rank equally with other fully paid ordinary B Class shares on issue.

	2018	2017
Number of B Class shares offered for no cash consideration under the plan to participating employees	48,954	-

Each participant was issued with shares on the Volume Weighted Average Price of \$4.05, which was also determined as the grant date fair value of these shares.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2018 \$000's	2017 \$000's
Share rights granted under the Employee Long Term Incentive Plan	163	-
Share rights granted under the Chief Executive Officer Long Term Incentive Plan	400	-
Shares issued for no consideration under the Employee Share Scheme	198	-
	761	-

26. Franked dividends

	2018 \$000's	2017 \$000's
Final dividend for the year ended 30 April 2017 of 33 cents (2016: 33 cents) per ordinary B Class share	18,402	18,402
Total dividend paid	18,402	18,402

Subsequent to year end, the Directors have recommended the payment of a final dividend of 33 cents per ordinary B Class share for the year ended 30 April 2018.

The aggregated amount of the proposed dividend not recognised as a liability at 30 April 2018 is \$18,733,780.

The franked portions of the final dividend recommended after 30 April 2018 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 2019,

	2018 \$000's	2017 \$000's
Franking credits available for subsequent financial years based on a tax rate of 30% (2017 - 30%)	80,417	74,100

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 \$8,029,000 (2017 – \$7,886,000).

27. 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:

	2018 \$000's	2017 \$000's
Letters of credit	26,758	34,722
Guarantee of bank advances	1,839	2,774
Total contingencies	28,597	37,496

Letters of credit in both years are mainly contracted in relation to the purchase of rice in Asia.

28. Commitments for expenditure

a. Capital commitments (property, plant and equipment)

	2018 \$000's	2017 \$000's
Commitments for capital expenditure contracted for at reporting date but not recognised as liabilities	5,685	2,598

b. Lease commitments

	2018 \$000's	2017 \$000's
Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities:		
- Within one year	5,872	5,631
- Later than one year but not later than five years	6,484	7,950
- Later than five years	2,525	2,776
	14,881	16,357
Representing:		
Non-cancellable operating leases	14,881	16,357
Commitments in relation to finance leases are payable as follows:		
- Within one year	554	521
- Later than one year but not later than five years	493	469
	1,047	990
less: future finance charges	(42)	(43)
Recognised as a liability	1,005	947
Present value of lease liabilities:		
Current (note 20)	522	496
Non current (note 20)	483	451
	1,005	947

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).

Name of entity	Country of Incorporation	Principal activities	Direct/indirect interest in ordinary shares/equity	
			2018 %	2017 %
SunRice Trading Pty Ltd	Australia	Distribution of rice	100	100
SunFoods LLC	USA	Processing and distribution of rice	100	100
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
SunShine Rice Pty Ltd	Australia	Processing and distribution of rice	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
Aqaba Processing Company Ltd	Jordan	Rice packing/storage	80	80
Sunshine Rice, Inc	USA	Marketing	100	100
SunRice Fund Limited (ex-Bligh Funds Management)	Australia	Inactive	100	100
Ricegrowers Middle East DMCC	UAE	Distribution of rice	100	-
Ricegrowers Singapore Pty Ltd	Singapore	Trading of rice	100	100

*Entities part of a Deed of Cross Guarantee that are relieved under the ASIC Legislative Instrument 2016/785 from preparing a separate financial report (see note 39).

**This entity was dissolved on 8 January 2018.

Non-controlling interests

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

c. Directors and other Key Management Personnel

Directors and other Key Management Personnel compensation

	2018 \$	2017 \$
Short term employee benefits	4,238,837	3,993,370
Post-employment benefits	153,691	187,748
Termination benefits	303,400	-
Other long-term benefits	561,289	296,417
Share-based payments	428,604	-
	5,685,821	4,477,535

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

Share holdings

Directors' and other Key Management Personnel Interests In A and B Class shares of Ricegrowers Limited

Director	2018		2017	
	A Class Shares	B Class Shares	A Class Shares	B Class Shares
LJ Arthur	1	235,818	1	233,818
I Mason	1	141,710	1	140,114
GA Andreazza	1	81,783	2	80,279
GL Kirkup	1	69,444	1	67,424
GF Latta AM	-	29,838	-	29,838
DM Robertson	1	227,725	1	224,539
LK Vial	2	111,000	2	104,570
J Bradford	1	31,421	2	30,663
R Gordon	-	1,726	-	-

Former Directors	2018		2017	
	A Class Shares	B Class Shares	A Class Shares	B Class Shares
NG Graham	1	100,897	1	100,897

At 30 April 2018, I Glasson did not hold any shares. Under the ESS offer established in September 2017 (following Board approval), I Glasson and GF Latta AM each accepted the invitation to purchase 20,000 B Class shares on 11 May 2018 and 12 May 2018 respectively. The B Class shares purchased are held in the Ricegrowers Employee Share Trust, are subject to a three-year disposal restriction period and will be reported in FY19.

Other Key Management Personnel	2018 B Class Shares	2017 B Class Shares
D Keldie	17,720	14,784
D Courtelis	1,726	-

Key Management Personnel not listed did not hold any shares. The aggregate number of shares held by current Directors of Ricegrowers Limited, their related entities and other Key Management Personnel at the end of the reporting period were:

Issuing entity	2018	2017
Ricegrowers Limited	949,911	886,822

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Transactions with Directors and other Key Management Personnel

Transactions and outstanding balances	2018 \$		2017 \$	
	Transactions	Outstanding Balances	Transactions	Outstanding Balances
Purchases of rice from Directors	8,665,400	7,177,135	4,476,783	3,104,389
Sale of inputs to Directors	147,879	-	164,849	-
Sale of stockfeed to Directors	43,040	-	-	-
	8,856,319	7,177,135	4,641,632	3,104,389

There were no transactions with other Key Management Personnel.

31. Cash flow Information

a. Reconciliation of profit after income tax to net cash inflow from operating activities

	2018 \$000's	2017 \$000's
Profit for the year	45,121	34,236
Depreciation and amortisation	20,922	21,451
Gain on sale/disposal of property, plant and equipment	(6)	(38)
Net exchange differences	(243)	(731)
Impairment of non-current assets	954	3,223
Share-based payment expense	761	-
Salary deductions under employee share plan	331	-
Share of associate's net loss / (profit)	200	(39)

Changes in operating assets and liabilities

(Increase) / decrease in trade and other receivables	(29,725)	10,717
Decrease in other operating assets	1,644	10,299
(Increase) / decrease in inventories	(135,221)	81,949
Increase in amounts payable to Riverina Rice Growers	139,441	23,515
Increase / (decrease) in trade and other payables and employee entitlements	33,568	(17,899)
Decrease / (increase) in current tax receivable and liability	5,228	(29,594)
(Increase) / decrease in deferred tax balances	(2,520)	4,689
Net cash inflows from operating activities	80,455	141,778

b. Net debt reconciliation

This section sets out an analysis of the net debt and the movements in net debt for each of the periods presented.

	2018 \$000's	2017 \$000's
Net debt		
Cash and cash equivalents	122,902	59,978
Borrowings - repayable within one year (including overdraft)	(86,192)	(65,817)
Borrowings - repayable after one year	(79,204)	(79,061)
Net Debt	(42,494)	(84,900)
Cash and cash equivalents	122,902	59,978
Gross debt - fixed interest rates	(31,000)	(31,000)
Gross debt - variable interest rates	(134,396)	(113,878)
Net debt	(42,494)	(84,900)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Other Assets		Liabilities from financing activities				Total
	Cash / bank overdrafts	RMB certificates owed	Finance leases due within one year	Finance leases due after one year	Borrowings due within one year	Borrowings due after one year	
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Net debt as at 1 May 2016	115,067	(4,425)	(611)	(481)	(212,346)	(79,069)	(181,865)
Cash flows	(67,813)	4,425	624	-	156,483	736	94,455
Acquisition - finance leases	-	-	(79)	(158)	-	-	(237)
Foreign exchange adjustments	2,626	-	-	-	-	-	2,626
Other non cash movements	-	-	(430)	188	640	(277)	121
Net debt at at 30 April 2017	49,880	-	(496)	(451)	(55,223)	(78,610)	(84,900)
Cash flows	72,815	-	701	-	(30,166)	-	43,350
Acquisition - finance leases	-	-	(254)	(507)	-	-	(761)
Foreign exchange adjustments	207	-	-	-	-	-	207
Other non cash movements	-	-	(473)	475	(281)	(111)	(390)
Net debt at at 30 April 2018	122,902	-	(522)	(483)	(85,670)	(78,721)	(42,494)

32. Earnings per share

a. Basic and diluted earnings per share

	2018 Cents	2017 Cents
Basic and diluted earnings per share	75.9	61.3

b. Reconciliation of earnings per share

	2018 \$000's	2017 \$000's
Profit for the year	42,695	34,201

c. Weighted average number of shares used as a denominator

	2018 000's	2017 000's
Weighted average number of B Class shares - for basic earnings per share	56,240	55,762
Adjustment for outstanding share rights	1	-
Weighted average number of B Class shares - for diluted earnings per share	56,241	55,762

33. Events occurring after the reporting period

On 29 June 2018, the Directors recommended a fully franked final dividend of 33 cents per ordinary B Class share. The aggregated amount of the proposed dividend not recognised as a liability at the end of the reporting period is \$18,733,780.

On 28 May 2018, SunRice announced plans to move the listing of its B Class shares from the National Stock Exchange (NSX) to the Australian Securities Exchange (ASX) to improve access to external capital and support the Company's growth strategy. If approved by shareholders, the ASX listing will remove current B Class share ownership restrictions and the 5% shareholding cap and allow anyone to invest in SunRice B Class shares, up to a new maximum 10% shareholding cap. This will allow the Company to take advantage of investor appetite for Australian branded Fast Moving Consumer Goods and agri-stocks, while retaining its dual class structure and A Class grower shareholder control. The ASX Proposal will be taken to a shareholder vote at the time of the SunRice AGM on 20 September 2018.

The Directors are not aware of any other matter or circumstance, since the end of the financial year, not otherwise dealt with in this financial 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

There continues to be uncertainty about future market access in PNG and the related implications this could have on Trukai's business. The Group continues to actively monitor developments on this matter.

34. Parent entity information

a. Summary financial information

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

	2018 \$000's	2017 \$000's
Balance sheet		
Current assets	649,721	452,671
Total assets	823,989	618,938
Current liabilities	468,409	274,510
Total liabilities	578,143	377,055
Shareholders equity		
Issued capital	111,855	107,819
Reserves		
General reserve	18,657	18,657
Share-based payment reserve	572	-
Treasury shares reserve	(113)	-
Hedging reserve - cash flow hedges	(1,221)	(639)
Retained earnings	116,096	116,046
	245,846	241,883
Profit / (Loss) for the year	18,450	(1,793)
Total comprehensive income	17,868	(1,086)

b. Guarantees entered into by the parent entity

The parent entity has entered into cross guarantees in respect of all banking facilities, including bank borrowings, foreign exchange facilities and bank overdrafts with Riviana Foods Pty Ltd.

Ricegrowers Limited, Riviana Foods Pty Ltd and Australian Grain Storage Pty Ltd entered into a deed of cross guarantee on 28 April 2016 under which each company guarantees the debts of the others.

No liabilities subject to the deed of cross guarantee at 30 April 2018 are expected to arise to Ricegrowers Limited and subsidiaries, as all such subsidiaries were financially sound and solvent at that date.

c. Contingent liabilities of the parent entity

	2018 \$000's	2017 \$000's
Guarantee of bank advances	3,815	1,499
Total contingencies	3,815	1,499

d. Contractual commitments of the parent entity for the acquisition of property, plant and equipment

At 30 April 2018, the parent entity had contractual commitments for the acquisition of property, plant or equipment totaling \$4,837,000 (30 April 2017: \$2,446,000).

These commitments are not recognised as liabilities at the end of the reporting period as the relevant assets have not yet been received.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

35. Subsidiaries with material non-controlling interests

a. Trukai Industries Limited Summary financial information

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

Set out below is summarised financial information for Trukai Industries Limited.

The amounts disclosed are before inter-company eliminations but after homogenisation to the Group accounting policies.

	2018 \$000's	2017 \$000's
Balance sheet		
Current assets	133,724	90,277
Non-current assets	25,751	26,313
Current liabilities	(83,083)	(45,589)
Non-current liabilities	(1,970)	(1,783)
Net Assets	74,422	69,218
Accumulated non-controlling interests	25,132	23,375
Statement of comprehensive income		
Revenue	247,646	268,179
(Loss)/profit after tax for the period	6,702	(601)
Other comprehensive income	(1,498)	824
Total comprehensive income	5,204	223
Non-controlling interest share of profit after tax for the period	2,263	(203)
Non-controlling interest share of total comprehensive income	1,757	75
Cash flows		
Cash flows from operating activities	54,947	(54,320)
Cash flows from investing activities	(2,943)	(4,027)
Cash flows from financing activities	-	(1,292)
Net increase in cash and cash equivalents	52,004	(59,639)

b. Significant restrictions

The ongoing tightening of the USD available in PNG continues to affect Trukai's ability to settle its intercompany trade payable, exposing the Group to the risk of a sudden devaluation of the PNG Kina.

The total of cash and cash equivalents held by Trukai amounts to PGK 190,293,000 (AUD 76,187,000) at 30 April 2018, compared to PGK 57,907,000 (AUD 23,742,000) at 30 April 2017.

The Group continues to closely monitor economic conditions in PNG to proactively manage the liquidity risk.

36. Business combination

On 14 September 2016, Riviana acquired Fehlbergs Fine Foods (Fehlbergs). Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	\$000's
Cash paid	2,600
Total purchase consideration	2,600

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The fair value of assets and liabilities recognised as a result of the acquisition are as follows:

	\$000's
Property, plant and equipment	185
Brand	585
Deferred tax	(175)
Identifiable net assets acquired	595
Add: Goodwill	2,005
Net assets acquired	2,600

37. Segment information

a. Business segments

The Corporate Management Team examines the Group's financial performance from a product and service perspective and has identified 6 reportable segments of its business.

In aggregating operating segments into reportable segments, the Group has considered the requirements of the accounting standards and notably the existence of similarities in economic characteristics, nature of products, market and customers.

Rice Pool

The milling, marketing and distribution of rice from the Riverina (i.e. excluding the rice sourced from Queensland) 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.

International Rice

The manufacturing, marketing and distribution of rice from all other sources (i.e other than the Riverina) through intermediaries to consumers, food service and processing customers, where the economics of the business reflect profit generated as a result of managing supply and demand.

International Rice is an aggregation of the main following operating segments:

- Global Rice and Ricegrowers Singapore, the global trading arms of the Group, sourcing rice from outside the Riverina region and selling branded rice products in Australia or overseas.
- Trukai, SunFoods, Aqaba Processing Company and Solrice, which are separate legal entities that distribute rice in their respective local markets. SunFoods also mills locally sourced rice and, in addition to selling domestically, exports to overseas markets.

The nature of products manufactured, the distribution process and the type of customers are comparable between these segments.

The economic characteristics of the larger operating segments, measured by their gross margin, is also largely comparable when considering past and expected performance.

Some operating segments do however present different performance profiles, but it is the Group's assessment that this does not materially impact the aggregated reportable segment due to the small contribution of these operating segments to International Rice.

Rice Food

The manufacturing, marketing and distribution of rice-based products, which incorporate additional value in their transformation process.

This reportable segment is an aggregation of the Rice Cakes, Rice Flour, Rice Chips, Microwave Rice and Microwave Meals operating segments.

These operating segments have similar economic characteristics, measured as the gross margin.

Riviana Foods (Riviana)

The importation, manufacture, distribution and sale of consumer food products to intermediaries.

CopRice

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Corporate

The Corporate segment captures the income from, and cost of, holding and financing the assets mainly utilised by the Rice Pool segment.

It also captures royalty income from brands owned by the parent entity and other income and costs not allocated to other business segments, such as legal and Capital Restructure costs.

AGS is aggregated into the Corporate segment.

Performance

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

In the case of the Rice Pool, the profit before tax is calculated based on a standard paddy price before its final adjustment.

Sales between segments are eliminated on consolidation. The revenue from external customers, assets and liabilities are measured in a manner consistent with that of the financial statements.

The following table sets forth the segment results for the year ended 30 April 2018.

	Rice Pool	International Rice	Rice Food	Riviana	CopRice	Corporate	Total
2018	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Total segment revenue	440,033	456,876	107,460	120,022	118,416	52,132	1,294,939
Inter-segment revenue	(60,957)	(214)	(518)	-	(7,313)	(51,951)	(120,953)
Revenue from external customers	379,076	456,662	106,942	120,022	111,103	181	1,173,986
Other revenue							3,300
Total revenue from continuing operations							1,177,286
Contributed Net Profit Before Tax	-	23,906	2,183	9,028	5,289	28,125	68,531
Intersegment eliminations							(5,669)
Profit before income tax							62,862
Depreciation and amortisation	(4,384)	(4,814)	(1,860)	(335)	(1,469)	(8,060)	(20,922)
Impairment	(552)	-	(402)	-	-	-	(954)
Acquisitions of non-current assets*	8,673	4,464	2,716	81	1,545	5,007	22,486
Segment assets	522,279	265,658	46,805	58,579	52,516	136,698	1,082,535
Intersegment eliminations							(99,801)
Cash and cash equivalents							28,305
Current tax asset							3,239
Deferred tax assets							19,882
Total assets							1,034,160
Segment liabilities	358,816	211,594	10,419	27,657	10,343	59,725	678,554
Intersegment eliminations							(245,045)
Current tax liability							1,122
Borrowings							165,396
Total liabilities							600,027

*Other than financial assets and deferred tax

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The following table sets forth the segment results for the year ended 30 April 2017.

	Rice Pool	International Rice	Rice Food	Riviana	CopRice	Corporate	Total
2017	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Total segment revenue	280,874	505,948	113,030	126,333	103,927	29,371	1,159,483
Inter-segment revenue	(15,704)	(49)	(439)	(12)	(4,912)	(29,101)	(50,217)
Revenue from external customers	265,170	505,899	112,591	126,321	99,015	270	1,109,266
Other revenue							3,549
Total revenue from continuing operations							1,112,815
Contributed Net Profit Before Tax	(32,463)	27,647	7,892	8,514	(1,542)	25,925	35,973
Intersegment eliminations							4,316
Profit before income tax							40,289
Depreciation and amortisation	(4,183)	(4,905)	(2,277)	(555)	(1,474)	(8,057)	(21,451)
Impairment	(79)	(3,668)	(1,100)	1,624	-	-	(3,223)
Acquisitions of non-current assets*	8,995	7,933	1,343	3,056	1,407	1,785	24,519
Segment assets	363,502	236,294	45,124	60,968	41,347	175,974	923,209
Intersegment eliminations							(153,122)
Cash and cash equivalents							14,989
Current tax asset							8,175
Deferred tax assets							17,251
Total assets							810,502
Segment liabilities	197,678	178,832	10,720	22,751	5,732	65,163	480,876
Intersegment eliminations							(220,957)
Current tax liability							830
Borrowings							144,878
Total liabilities							405,627

*Other than financial assets and deferred tax

Australian cash and borrowing balances are not allocated to operating segments but to the Group because the head office is centrally managing the treasury and financing of Australian operations.

This creates an asymmetry in information because fixed assets and working capital that are financed by borrowings are allocated to each reportable segment.

No single external customer represents more than 10% of revenues in either the 2018 or 2017 financial reporting period.

b. Other segment information – geographical areas

	Australia \$000's	PNG \$000's	Other \$000's	Total \$000's
2018				
Revenues from external customers	459,159	247,646	467,181	1,173,986
2017				
Revenues from external customers	467,756	268,179	373,331	1,109,266

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 \$190,773,000 (2017: \$190,291,000) and the total of these non-current assets located in other countries is \$38,610,000 (2017: \$39,696,000).

Segment assets are allocated to countries based on where the assets are located.

38. Remuneration of auditors

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

a. Audit services

	2018 \$	2017 \$
Fees paid to PricewaterhouseCoopers Australian firm	477,500	453,000
Fees paid to related practices of PricewaterhouseCoopers Australian firm	90,056	104,873
Fees paid to non-PricewaterhouseCoopers audit firm	26,814	25,684
Total remuneration for audit services	594,370	583,557

b. Other assurance services

	2018 \$	2017 \$
Fees paid to related practices of PricewaterhouseCoopers Australian firm	65,154	4,944
Total remuneration for other assurance services	65,154	4,944

c. Taxation services

	2018 \$	2017 \$
Fees paid to PricewaterhouseCoopers Australian firm	247,059	348,357
Fees paid to related practices of PricewaterhouseCoopers Australian firm	84,772	87,920
Total remuneration for taxation services	331,831	436,277

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important.

These assignments are principally tax compliance and advice or where PricewaterhouseCoopers is awarded assignments on a competitive basis.

It is the Group's policy to seek competitive tenders for all major consulting projects.

39. Deed of cross guarantee

Riceworkers Limited, Riviana Foods Pty Ltd and Australian Grain Storage Pty Ltd entered into a deed of cross guarantee on 28 April 2016 under which each company guarantees the debts of the others.

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a separate financial report and Directors' report under ASIC Legislative Instrument 2016/785.

a. Consolidated income statement, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The previously mentioned companies represent a "closed Group" for the purposes of the ASIC Legislative Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Riceworkers Limited, they also represent the "extended closed Group".

Set out on the next page is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 April 2018 of the closed Group consisting of Riceworkers Limited, Riviana Foods Pty Ltd and Australian Grain Storage Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2018 \$000's	2017 \$000's
Consolidated statement of profit or loss		
Sales revenue	957,942	700,932
Other revenue	9,853	13,344
Revenue from continuing operations	967,795	714,276
Other income	1,497	2
Changes in inventories of finished goods	14,261	(6,283)
Raw materials and consumables used	(606,687)	(424,603)
Employee benefits expenses	(115,736)	(98,200)
Depreciation and amortisation expense	(16,469)	(16,879)
Finance costs	(9,853)	(10,779)
Other expenses	(196,828)	(148,507)
Profit before income tax	37,980	9,027
Income tax expense	(11,711)	(3,685)
Profit for the year	26,269	5,342

Consolidated statement of comprehensive income		
Profit for the year	26,269	5,342
Items that may be reclassified to the profit or loss		
Changes in fair value of cash flow hedges	(663)	3,532
Income tax relating to items of other comprehensive income	199	(1,060)
Other comprehensive income for the year, net of tax	(464)	2,472
Total comprehensive income for the year	25,805	7,814

Summary of movements in consolidated retained earnings		
Balance 1 May	186,689	199,749
Net profit for the year	26,269	5,342
Dividends provided for or paid	(18,402)	(18,402)
Balance 30 April	194,556	186,689

b. Consolidated balance sheet

Set out on the next page is a consolidated balance sheet as at 30 April 2018 of the closed Group consisting of Ricegrowers Limited, Riviana Foods Pty Ltd and Australian Grain Storage Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2018 \$000's	2017 \$000's
Current assets		
Cash and cash equivalents	28,307	14,989
Receivables	230,782	178,730
Inventories	451,057	299,518
Current tax receivable	1,657	5,301
Derivative financial instruments	761	466
Total current assets	712,564	499,004
Non-current assets		
Receivables	622	628
Other financial assets	3,785	3,967
Property, plant and equipment	179,504	178,983
Investment properties	1,150	1,150
Intangibles	7,461	7,201
Deferred tax assets	15,670	11,463
Total non-current assets	208,192	203,392
Total assets	920,756	702,396
Current liabilities		
Payables	130,264	91,846
Amounts payable to Riverina Rice Growers	248,315	114,361
Borrowings	86,114	65,746
Provisions	20,628	14,694
Derivative financial instruments	1,863	1,217
Total current liabilities	487,184	287,864
Non current liabilities		
Payables	1,323	-
Amounts payable to Riverina Rice Growers	25,874	20,387
Borrowings	79,097	78,877
Provisions	2,483	2,383
Total non-current liabilities	108,777	101,647
Total liabilities	595,961	389,511
Net assets	324,795	312,885
Equity		
Contributed equity	111,855	107,819
Reserves	18,384	18,377
Retained profits	194,556	186,689
Total equity	324,795	312,885

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 54 to 109 are in accordance with the Corporations Act 2001, including:
 - i. complying with Australian 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 2018 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.
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 39 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 39.

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.



L Arthur
Chairman



R Gordon
Director

29 June 2018

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

To the members of Ricegrowers Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Ricegrowers Limited (the Company or SunRice) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 April 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 April 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the consolidated income statement for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit, we used overall Group materiality of \$5.0 million, which was based on a combination of profit before tax and revenue-based benchmarks.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose a combination of profit before tax and revenue-based benchmarks, to better reflect the unique nature of SunRice's organisational structure. In our view, revenue is the metric against which the performance of the rice pool business is most commonly measured, because of its non-profit nature. In respect of the profit orientated businesses of the Group, in our view, profit before tax is the metric against which their performance is most commonly measured. By using both of these benchmarks, we determined a range of potential materiality outcomes, and applied our professional judgement to select a value at the lower end of this range which, in our view, reflected the relativity of the different businesses within the overall operations of the Group.

Audit scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We decided the nature, timing and extent of work that needed to be performed by us and the component auditor operating under our instructions. We then structured our audit approach as follows:



- Given their financial significance, we and the component auditor performed audit procedures over the component financial information of Ricegrowers Limited (including SunRice and CopRice), Trukai (Papua New Guinea (PNG)) and Ricegrowers Singapore.
- We performed specific risk-focused audit procedures over selected balance sheet and income statement balances (including cash and cash equivalents, receivables, inventories, property, plant and equipment, payables, provisions and revenue) of Riviana Foods, SunFoods (United States of America) and Australian Grain Storage.
- We performed analytical procedures over the balance sheet and income statement balances of the remaining businesses of the Group.
- We performed further audit procedures at the Group level, including over the consolidation of the components' financial information and the preparation of the financial report.
- Work was performed by a component auditor in PNG. For these procedures, we decided on the level of involvement required from us to be able to conclude whether sufficient appropriate audit evidence had been obtained. Our involvement included issuing written instructions and maintaining an active and open dialogue with the component auditor, including receiving written reports, reviewing their work and attending meetings with local management.
- In planning our work, we ensured that the audit team possessed the appropriate skills, competencies and industry expertise which are needed for the audit of the SunRice Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Finance and Audit Committee.

Key audit matter

How our audit addressed the key audit matter

Impairment of assets [\$217.7m carrying value]

(Refer to note 2, 15)

The impairment of property, plant and equipment and intangible assets was a key audit matter because of the materiality of their carrying value and because of management's judgement involved in:

- Assessing whether indicators of impairment existed and whether there were conditions supporting the reversal of previously booked impairment charges
- Assessing the expected future use of the Group's assets and the expected future profitability of their related businesses
- Estimating the fair value of the Group's assets, which may require the Group to engage external experts to perform complex valuations.

We used our understanding of the business and the industry it operates in to evaluate the Group's assessment of the changes that affected each of its Cash Generating Units (CGUs) and to evaluate whether indicators of impairment existed and whether there were conditions supporting the reversal of previously recognised impairment.

We obtained 5 year cash flow projections used in the value-in-use calculations and compared it to the financial budget approved by the Board for the forthcoming year and management forecasts for the years thereafter.



Key audit matter

How our audit addressed the key audit matter

We compared budgets to reported actual results for previous years to evaluate the Group's historical ability to forecast cash flows.

Where the Group used an independent expert's valuation to support the carrying value of tangible fixed assets, we examined the valuation reports obtained by the Group and evaluated the competency, experience, objectivity and qualification of the valuers as well as the appropriateness of the methodologies used in the valuation report.

We also considered the adequacy of the Group's disclosures in the financial report in relation to impairment in the light of the requirements of Australian Accounting Standards.

Inventory valuation [\$506.8m]

(Refer to note 12)

This was a key audit matter because:

- Inventory is a material asset to the Group and there are multiple types of inventory items requiring different costing techniques
- The valuation of current and prior seasons' Riverina paddy rice required management to assess current and expected future returns and to exercise discretion in setting an appropriate price for each crop year
- Judgement was required in estimating future selling prices used in valuing other finished product inventory at net realisable value
- Providing for quality or obsolescence issues required assumptions on the potential future use of inventory items

As a normal part of the Group's operations, a significant amount of inventory was transferred between group entities, which required a material consolidation adjustment to eliminate unrealised intercompany profits at year end.

We performed the following procedures, amongst others:

- We evaluated the Group's valuations of the current and prior seasons' crops which are based on the performance of the paddy pool.
- We tested the costing of a sample of inventory items across the range of inventory types by tracing costs to supporting documentation.
- We recalculated, on a sample basis, the amount of the unrealised gains on transactions between group companies that were eliminated at year end.
- We discussed the Group's processes for identifying quality or obsolescence matters and assessed the appropriateness of the provisions raised through obtaining an understanding of the planned use of the inventory.
- We considered a sample of sales adjustments processed in May 2018 for additional evidence of customer claims, quality or other net realisable value issues.



Key audit matter

How our audit addressed the key audit matter

*Share based payment expense [\$0.8m]
(Refer to note 25)*

This was a key audit matter because the Group introduced new arrangements during the year, which required various judgements. Share based payments also contributed to overall remuneration received by key management personnel.

The Group provided benefits to employees in the form of share based payments transactions, whereby officers and employees render services and receive rights over shares. These transactions are classified by the Group as equity-settled share-based payment transactions.

Accounting for share based payments requires judgement in determining the fair value of these equity instruments on grant date, assessing the likelihood of specific performance hurdles being met and the vesting period over which the share based payment should be recognised.

We performed the following procedures, amongst others:

- For grants of new shares and rights during the year, we obtained the relevant terms and conditions and evaluated the calculation of fair value by reference to the market price of shares on the relevant grant dates.
- We checked that the expense was appropriately reflected in the income statement and share based payments reserve.

We also considered the adequacy of the Group's disclosures in the financial report by comparing these to our understanding of the matters disclosed and the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 April 2018, including the Chairman and CEO messages, SunRice's five-year strategy, its five-year performance, its growers, its rice pool business, its profit businesses, its corporate management team, its sustainability commitment, its environment and communities, the corporate governance statement, the directors' report and the corporate directory, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the directors 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 *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 37 to 51 of the directors' report for the year ended 30 April 2018.

In our opinion, the remuneration report of Ricegrowers Limited for the year ended 30 April 2018 complies with section 300A of the *Corporations Act 2001*.



Responsibilities

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

P.J. Carney

Paddy Carney
Partner

Sydney
29 June 2018

CORPORATE DIRECTORY

SUNRICE REGISTERED OFFICES

REGISTERED OFFICE

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RICE MILLS AND PACKAGING

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Lae

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COPRICE FEED MILLS

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SUBSIDIARIES

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