

ANNUAL REPORT



For the year ending 30 June 2016

13 September 2016

The Honourable Niall Blair, MLC
Minister for Primary Industries
Minister for Lands and Water
Level 19
52 Martin Place
Sydney NSW 2001



The Rice Marketing Board

FOR THE STATE
OF NEW SOUTH
WALES

Dear Minister

In accordance with Section 9A of the Annual Reports (Statutory Bodies) Act 1984, we submit the Rice Marketing Board's Annual Report for the year ending 30 June 2016, for presentation to Parliament.

Yours sincerely

Robyn Clubb
(Chairman)

Noel Graham
(Deputy Chairman)

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Westpac Banking Corporation

Auditors

Auditor-General of New South Wales

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Chairman's Report

Highlights

The 2015-16 year brought with it some challenges for the rice industry, with water allocations reducing the size of the crop in the Riverina. Despite that, record yields were achieved by some growers indicating the quality of the rice growers we have in Australia. With significant inflows into water storage in recent weeks, the outlook for the coming season is much brighter.

As I write this, the NSW Department of Primary Industries is reviewing the rice vesting proclamation, with a determination expected in early December 2016. The Board's role is to ensure the best possible returns to NSW rice growers for rice sold outside Australia, through the Sole and Exclusive Export Licence (SEEL) currently granted to Ricegrowers Limited (SunRice). For the 2015-16 year, the Board, for the fifth year, sought independent verification of the export price premium and freight scale advantage achieved for NSW rice growers. The export price premium was determined to be \$70.7million, with a freight scale advantage of \$9.2million.

The Board is pleased to report that the Capital Equity Rollover Scheme concluded in July 2016, with a final payment of over \$4million.

In northern NSW small amounts of rice continue to be grown and the Board takes an interest in the potential of that region.

Review of Rice Vesting

The Board has vesting powers over all rice grown in NSW, appointing authorised buyers with the purpose of ensuring a net benefit to the NSW rice industry. The Board supports the retention of vesting and has been involved in meeting with growers, including the Ricegrowers' Association of Australia (RGA) branch meetings and annual conference, to discuss the vesting review.

This Annual Report again includes our fifth report to NSW rice growers on the performance of SunRice as the holder of the SEEL. The purpose of the report is to monitor and analyse SunRice's financial performance and position, and the export price premiums obtained for growers from its export markets. Once again the report shows a significant benefit to NSW rice growers of retaining the SEEL.

Authorised Buyers

Since deregulation of the NSW domestic rice industry in 2006, we now have ten Authorised Buyers holding licences to market rice grown in NSW to the domestic market. Further details of the Authorised Buyers are available on the Board website or from the Secretary of the Board.

Capital Equity Rollover Scheme

The Capital Equity Rollover Scheme was commenced in the 1950's and restructured in 1987, as a means for rice growers to self-fund the construction and maintenance of rice storage facilities across the Riverina. The network of sheds is still regarded as some of the best storage and drying infrastructure in the world and they stand as a testament to the commitment of farmers to grow the Australian rice industry. The Scheme funded the vital storage infrastructure that the rice industry relies on and the Board is proud to have been associated with it.

Crop Audit

The Board again performed its annual audit of the NSW rice crop, to ensure that all deliveries are to Authorised Buyers. The audit uses a combination of an analysis of rice seed purchased and rice delivered to Authorised Buyers, and also Customs export documentation, to detect breaches. No material anomalies were identified in 2015-16.

Financial Performance

For the year ending 30 June 2016, the Board recorded a surplus of \$4,000, while net assets have reached \$1million. The Board continues to recover its expenses through the Authorised Buyer licence fees, and to maintain adequate funds to cover up to two years of operating expenses.

Board Membership

Mr John Bradford, a fifth generation farmer and a rice grower from Deniliquin, was elected to the Board in June 2015 and appointed by the NSW Governor on 26 August 2015. Ms Victoria Taylor and I were re-appointed by the Minister for Primary Industries in December 2015, both for four year terms.

Appreciation

The Board has appreciated the support given during the year by the NSW Minister for Primary Industries, Lands and Water, the Hon. Niall Blair MLC, and his staff. We look forward to working with them constructively over the next year as we implement the results of the vesting review.

I would like to thank the RGA for its significant contribution to the rice industry over the past year. Mr Jeremy Morton has provided excellent guidance to the RGA as the new President. Congratulations go to the retiring Executive Director, Mr Andrew Bomm, for his hard work and diligence, and we welcome Mr Graeme Kruger as the new Executive Director. The Board sponsored and participated in another successful RGA annual conference with over 150 rice growers in attendance at Deniliquin.

Our thanks are also extended to the Rural Industries Research and Development Corporation for allowing the Board to maintain its observer status on the Rice R&D Advisory Panel. This is an important role for the Board in ensuring the best possible use of rice industry funds.

Finally I would like to thank my Deputy Chairman, Mr Noel Graham and all the Board members for their time and whole-hearted commitment over the past year. Thanks also to Board Secretary, Ms Carol Chiswell, for her dedication and hard work.

With the on-going uncertainties facing the rice industry in the coming year, the Board is committed to working hard to ensure the best possible monetary return to rice growers consistent with the maintenance of orderly marketing.

Robyn Clubb
Chairman

Board Members



J.M. Bradford <i>MAICD</i>	D.F. Hocking <i>HDA GDE</i>	V.L. Taylor <i>GIA(Cert) GAICD</i>	R. Clubb <i>BEc CA F.Fin MAICD</i>	G.L. Kirkup <i>MAICD</i>	C. Chiswell <i>BA MCA CPA</i>	N.G. Graham <i>MBA FAICD</i>	J.J. Culleton <i>csc BA pcfsc GAICD</i>
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CHAIRMAN

SECRETARY

**DEPUTY
CHAIRMAN**

BOARD MEMBERS MEETINGS

	BOARD MEETINGS		ABL COMMITTEE		AUDIT AND RISK		GOVERNANCE	
MEMBERS	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
R. Clubb	12	12	9	9	1	1	1	1
N.G. Graham	12	12	0	0	1	1	1	1
G.L. Kirkup	12	12	0	0	1	1	1	1
D.F. Hocking	12	11	9	8	0	0	0	0
V.L. Taylor	12	12	9	9	0	0	1	1
J.J. Culleton	12	10	9	7	2	2	0	0
J. M. Bradford	10	10	0	0	1	1	0	0

BOARD STRUCTURE

The Board consists of seven members, three of whom are elected by growers, and four who are nominated by the NSW Minister for Primary Industries. During 2015-16, Ms Clubb and Ms Taylor were re-appointed for four years. Board members have attended various industry meetings and have represented the Board at government, industry and other delegations.

MANAGEMENT

The Secretary is the Board's only employee and is responsible to the Board for the management of Finance, Administration, Compliance, Crop Audit and the Capital Equity Rollover Scheme.

Statutory Reporting Requirements

EQUAL EMPLOYMENT OPPORTUNITY

Apart from the Secretary, the Board does not employ any staff. The Board supports the principles of equal opportunity and the involvement of women in the rice industry.

DISABILITY PLANS

The Board's offices are accessible to disabled persons.

WASTE

The Board is conscious of the requirement for waste control and where possible, given the small volume of resources used, reduces the generation of waste.

GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT

The Board has received no requests for information under the *Government Information (Public Access) Act 2009* during the year.

PRIVACY MANAGEMENT PLAN

The Board is bound by the *Privacy and Personal Information Protection Act 1998* which is concerned with how personal information is to be collected, stored, used and accessed. As required by this Act, the Board has developed a Privacy Policy and Privacy Statement. There were no reviews in 2015-16.

WORKPLACE HEALTH AND SAFETY

The Board has had no injuries or prosecutions under the *Work Health and Safety Act 2011*.

MULTI CULTURAL POLICIES AND SERVICES PROGRAM

The NSW Rice Industry is located in the ethnically diverse Riverina region of New South Wales. As a result the Board is aware of the needs of such a community and represents fairly and equally the interests of all rice producers irrespective of their country of origin. In providing services Board members and staff are sensitive to the cultural, social and religious differences of people of varying backgrounds.

All rice producers within the area of the Board's jurisdiction have the opportunity to contribute to the administration of the Board and the policies by which it functions. They are encouraged to vote at Board elections as a means of expressing an opinion of Board performance, and to question decisions and policies. All views are considered by the Board without bias to race.

The Board is committed to the Principles of Multiculturalism.

Statutory Reporting Requirements (continued)

FINANCIAL MANAGEMENT

Investment Performance

As required the Board invests funds on the short term money market at rates that are comparable to Treasury Corporation Hour Glass Investment Cash rates.

Liability Management Performance

The Board manages the Capital Equity Rollover Scheme which at 30 June 2016 had a nominal balance of \$4,425,389. This liability was covered by a loan to Australian Grain Storage Pty Ltd and guaranteed by a Second Charge over the storage assets. The Board resolved on 15 October 2015 to accept a bank guarantee from Ricegrowers Limited, and relinquish the Second Charge over the assets, subject to various conditions which were fulfilled.

The final payment of the Capital Equity Rollover Scheme was on 27 July 2016. The Scheme was managed in accordance with its rules which were approved by the Minister for Primary Industries.

Payment of Accounts

It is the Rice Marketing Board's target to pay 95% of invoices within 30 days. This target has been achieved for the year.

Charter

The Rice Marketing Board for the State of New South Wales was the first commodity marketing board established in New South Wales under the *Marketing of Primary Products Act 1927*, now replaced by the *Rice Marketing Act 1983*, and was officially constituted by Proclamation on 9th November 1928.

The Board's primary function is to obtain the best possible monetary return to rice growers consistent with the maintenance of orderly marketing and operates under the authority of and in accordance with the *Rice Marketing Act 1983*, the *Public Finance and Audit Act 1983* and the *Annual Reports (Statutory Bodies) Act 1984*.

Objectives

1. To encourage the development of a competitive domestic market for rice.
2. To ensure the best possible returns from rice sold outside Australia based on the quality differentials or attributes of the Australian grown rice.
3. To liaise with and represent the interests of all NSW rice growers in relation to the Board's functions and objects.

Governance

The Board's primary role is to ensure the achievement of its Charter and Objectives.

To fulfil this role the Board Members are responsible for the overall corporate governance of the organisation, including setting its strategic direction, establishing goals and monitoring the achievement of those goals by management.

BUSINESS PLAN AND BOARD SUB-COMMITTEES

A Business Plan has been developed to guide the Board's operations in relation to its key legislative objectives to:

- encourage the development of a competitive domestic market for rice
- ensure the best possible returns from rice sold outside Australia based on the quality differentials or attributes of Australian rice and
- liaise with, and represent the interests of, all NSW rice growers in relation to the Board's functions and objects.

It aligns these objectives with operational processes within the framework of the Board's internal governance structures.

A range of actions to deliver against legislative objectives have been defined and are outlined in the Business Plan. This includes the establishment of a number of sub-committees to facilitate efficient decision-making while ensuring the Board continues to operate in accordance with its governing legislation and to the broader benefit of the NSW rice industry.

The sub-committees comprise:

- Authorised Buyer Licence Committee
- Governance, Nominations and Remuneration Committee
- Audit and Risk Committee
- Capital Equity Rollover Scheme Committee

The Authorised Buyer Licence Committee's responsibilities include:

- Administer the authorised buyer licensing scheme
- Review licensee annual returns
- Liaise with authorised buyers
- Make recommendations for changes to the licensing rules.

The Governance, Nominations and Remuneration Committee's responsibilities include:

- Review Board composition, induction program and role statement
- Review RMB policies, procedures and practices
- Review Board governance procedures and decision making processes.

The Audit and Risk Committee's responsibilities include:

- Review engagement and methodology of external auditors
- Review risk profile as the basis of the external audit program.

- Monitor external auditors and management and report to the Board on:
 - a) Financial reporting processes
 - b) Compliance with legislation and regulation, accounting policies and internal controls
 - c) Audit outcomes and actions
 - d) Performance of auditors
- Review completeness and accuracy of the financial statements prior to consideration and approval by the Board
- Review emerging risks identified by the Board or management and ensure that risks are appropriately addressed
- Review financial management objectives and plan.

The Capital Equity Rollover Scheme Committee's responsibilities include:

- Review annual equity rollover payment and recommend for Board approval.
- Review equity redemption and rearrangement applications and recommend for Board approval.

The role of each sub-committee is to provide advice to the Board. The sub-committees will be reviewed periodically to ensure they continue to address key legislative and governance areas.

The outcomes and outputs of the actions established by the Business Plan will underpin the Board's annual activities and inform the Annual Report.

BOARD PROCESS

The Board generally holds eleven scheduled board meetings each year with non-scheduled meetings and sub-committee meetings being held when necessary. The agenda for meetings is prepared in conjunction with the Chairman. Standing items include monitoring performance in relation to the Board's regulatory and legislative objectives, financial reports, Capital Equity Rollover matters, short and long term financing programs and monthly performance monitoring of the sole and exclusive export licence holder, Ricegrowers Limited. Board papers are circulated in advance.

COMPOSITION OF THE BOARD

Three Board Members are elected for a four year term by those rice growers who are eligible and choose to vote. Four Board Members are nominated by the Minister for Primary Industries and appointed by the Governor of NSW, usually for a term of four years. The nominated Members are from outside the rice industry and bring additional expertise in agriculture, corporate governance, finance, business administration, communications, and stakeholder engagement to the Board. The Board Members elect the Chairman and Deputy Chairman annually after the Annual Meeting. The NSW government requires that the Chairman is selected from the Board's nominated members.

REMUNERATION

The Board approves the remuneration of its employee. The Board recommends the remuneration of its Members to the Minister for approval. Board Members fees are based on the Classification and Remuneration Framework for NSW Government Boards and Committees. All necessary expenses incurred by Board Members whilst attending to Board business are paid by the Board. Funding of the Board is met by the industry.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO BOARD INFORMATION

Each Member of the Board has the right of access to all relevant Board information. Subject to prior consultation with the Chairman, Members may seek independent professional advice at the Board's expense. A copy of the advice received by the Member is made available to all Members of the Board.

AUDIT

The Board's financial accounts are audited by the Auditor General for New South Wales. The Auditor General has, with the involvement of the Board, subcontracted the audit to Johnsons MME for the year 2015-16.

RISK MANAGEMENT AND INSURANCE

The Board acknowledges that it is responsible for risk management and has implemented procedures covering financial reporting, insurance and crop audit to reduce these risks.

ETHICAL STANDARDS

All Board Members and employees are required to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Rice Marketing Board. A Code of Conduct is in place and all members and employees have signed a Code of Conduct declaration and undertaking and a Pecuniary Interests declaration and undertaking during 2015-16.

Statement by Members of the Board

Under section 41C of the *Public Finance and Audit Act, 1983*, we state that, in our opinion, the accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Rice Marketing Board for the State of New South Wales at 30 June 2016 and its performance for the year then ended.

We further state:

- (a) that the financial statements and notes thereto comply with applicable Australian Accounting Standards, the *Public Finance and Audit Act, 1983*, the Public Finance and Audit Regulation 2015 and the Treasurer's Directions.
- (b) that we are not aware of any circumstances which would make any details in the financial statements misleading or inaccurate.



R Clubb
(Chairman)



N.G. Graham
(Deputy Chairman)

Dated 13 September 2016

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2016

	Notes	2016 \$ 000's	2015 \$ 000's
REVENUE			
Authorised Buyer's Fees	2	311	450
Sole and Exclusive Export Agreement	2	200	200
Other income		13	-
		<u>524</u>	<u>650</u>
EXPENSES			
Audit Fees		(15)	(16)
Legal and Consultancy Fees	3	(81)	(57)
Depreciation	9	(12)	(12)
Members' Fees		(147)	(141)
Members' Superannuation		(14)	(14)
Employee Expenses	4	(151)	(158)
Insurance		(17)	(20)
Rent		(36)	(36)
Travel		(42)	(44)
Sundry Charges		(30)	(66)
		<u>(545)</u>	<u>(564)</u>
Finance Income	5	25	36
Net Surplus for the Year		<u>4</u>	<u>122</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>4</u>	<u>122</u>

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

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	2016 \$ 000's	2015 \$ 000's
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	732	814
Trade and Other Receivables	7	320	500
Other Assets	8	4,425	1,276
Total Current Assets		5,477	2,590
Non-Current Assets			
Other Assets	8	-	4,350
Property, Plant and Equipment	9	27	35
Total Non-Current Assets		27	4,385
Total Assets		5,504	6,975
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	73	140
Prepaid Sole and Exclusive Export Agreement	11	-	200
Growers' Equity Loans	12	4,425	1,276
Provisions	13	4	11
Total Current Liabilities		4,502	1,627
Non-Current Liabilities			
Growers' Equity Loans	12	-	4,350
Total Non-Current Liabilities		-	4,350
Total Liabilities		4,502	5,977
NET ASSETS		1,002	998
EQUITY			
Retained Earnings		1,002	998
TOTAL EQUITY		1,002	998

The above statement of financial position should be read in conjunction with the accompanying notes.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2016

	Notes	2016 \$ 000's	2015 \$ 000's
		<hr/>	<hr/>
Equity at the beginning of the financial year		998	876
Net surplus for the year		4	122
Other comprehensive income		-	-
		<hr/>	<hr/>
Equity at the end of the financial year		<u><u>1,002</u></u>	<u><u>998</u></u>

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

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
30 JUNE 2016

	Notes	2016 \$ 000's	2015 \$ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from operations		554	589
Interest received		25	35
Payments			
Cash payments to creditors and suppliers		(641)	(606)
Net cash provided by operating activities	17(b)	<u>(62)</u>	<u>18</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(4)	-
Net cash used in investing activities		<u>(4)</u>	<u>-</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Equity rollover and redemptions		(1,292)	(2,891)
Receipt of equity contributions		1,276	2,799
Net cash used In financing activities		<u>(16)</u>	<u>(92)</u>
Net increase/(decrease) in cash and cash equivalents		(82)	(74)
Cash and cash equivalents at the beginning of the year		814	888
Cash and cash equivalents at the end of the year	17(a)	<u>732</u>	<u>814</u>

The statement of cash flows should be read in conjunction with the accompanying notes.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2016

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(a) REPORTING ENTITY

The Rice Marketing Board for the State of New South Wales was created by proclamation on 9th November 1928 under the now repealed *Marketing of Primary Products Act*, now replaced by the *Rice Marketing Act 1983*. Its office is located in Leeton New South Wales. The Rice Marketing Board's primary function is to obtain the best possible monetary return to rice growers consistent with the maintenance of orderly marketing. The financial statements were authorised for issue by the Board on 13 September 2016.

Under AIFRS there are requirements that apply specifically to not-for-profit entities that are not consistent with International Financial Reporting requirements. The Board has analysed its purposes and operating philosophy and determined that it does not have profit generation as its prime objective. Consequently where appropriate the Board has elected to apply options and exemptions within AIFRS that are applicable to not-for-profit entities.

(b) GENERAL

The Rice Marketing Board's financial statements are general purpose financial statements, which have been prepared in accordance with:

- Applicable Australian Accounting Standards;
- Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- The requirements of the New South Wales *Public Finance and Audit Act 1983* and Public Finance and Audit Regulation 2015.

The financial statements are prepared in accordance with the historical cost convention and on an accruals basis. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies set out below have been consistently applied to all years presented.

The financial statements have been prepared on a going concern basis.

(c) REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Authorised Buyers Licence

The Authorised Buyers Licence has a base fee charged in advance each year and a variable fee applied on a per tonne basis charged in arrears annually. Both fees are recognised as and when the fees are received or become receivable in accordance with Authorised Buyer's Licence conditions.

Sole and Exclusive Export Agreement

The Sole and Exclusive Export Agreement is recognised as and when the fee is received or becomes receivable in accordance with the Sole and Exclusive Export Agreement conditions. Sole and Exclusive Export Agreement fee received in respect of future accounting periods is not recognised as revenue, but rather deferred to a liability called Sole and Exclusive Export Agreement received in advance (Note 11).

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2016

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(c) REVENUE (continued)

Interest

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

(d) BORROWING COSTS

The Board has no borrowings that incur interest.

(e) INCOME TAX

The entity is exempt from income tax pursuant to section 50-52 of the *Income Tax Assessment Act*.

(f) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and other short term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(g) TRADE AND OTHER RECEIVABLES

Receivables are recognised at the amount recoverable as they fall due for settlement. Trade receivables are held at original invoice amount.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off.

(h) PREPAYMENTS

Prepayments are recognised where funds have been paid in advance of which future economic benefits are expected to flow to the entity in return for the funds paid.

(i) PROPERTY PLANT AND EQUIPMENT

All assets acquired, including property, plant and equipment, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Each class of property, plant and equipment is carried at their fair value less, where applicable, any accumulated depreciation. Plant and Equipment have been brought to account at historic cost less depreciation. Assets are written off over their assessed economic life by the use of the straight-line method of depreciation.

Assets are depreciated at the following rates per annum:-

Office & computer equipment	20.0% - 33.3%
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(j) IMPAIRMENT OF ASSETS

The carrying amounts of the Board's assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised for the amount by which, the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. As the Board is deemed a not-for-profit entity for reporting purposes, the value in use is the depreciated replacement cost.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2016

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(k) TRADE AND OTHER PAYABLES

Accounts payable are recognised for future amounts to be paid in respect of goods and services received at balance date, whether or not they have been invoiced. Settlement of accounts payable is normally effected within a 30 day term. Due to the short term nature of payables, measurement at invoice amount is not materially different from amortised cost.

(l) EMPLOYEE PROVISIONS

Employee Benefits

A provision is made for the Board's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for these benefits.

An employee benefit liability is classified as a current liability if the Board does not have an unconditional right to defer settlement of the liability for at least 12 months. This includes all annual leave and unconditional long service leave, irrespective of when the liability is expected to be settled.

Superannuation

Superannuation expenditure relates to payments of the basic benefit for eligible employees to a privately administered superannuation plan.

(m) FINANCIAL INSTRUMENTS

Recognition

Financial instruments are initially measured at fair value less attributable transaction costs. Subject to initial recognition these instruments are measured as set out below.

Loan Receivables

Loan Receivables from Australian Grain Storage Pty Ltd are non-derivative financial assets with determinable payments that are carried at fair value. Fair value is the present value of all future cash payments discounted using the BBSW rate applicable to the Board's long term loan (Note 12), being 0% (2015 2.11%). Any increase or decrease in the present value of the interest free loans is recognised in the Statement of Comprehensive Income.

Borrowings

After initial recognition, interest-bearing loans are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the loans on an effective interest basis.

Grower Equity Loans

Interest Free Grower equity loans are initially recognised and subsequently carried at fair value. Fair value is the present value of all future cash payments discounted using the BBSW rate applicable to the Board's long term loan (Note 12), being 0% (2015: 2.11%). No rate was required in 2016 because the loan will be fully paid in July 2016.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2016

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(n) FAIR VALUE

The Board measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In addition, the Board determines whether transfers have occurred between levels in the hierarchy by re assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(o) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated net of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Tax Office are classified as operating cash flows.

(p) COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(q) ISSUED BUT NOT YET EFFECTIVE AUSTRALIAN ACCOUNTING AND REPORTING PRONOUNCEMENTS

Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2015/16

The accounting policies applied in 2015/16 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have been applied for the first time in 2015/16. There is no impact to the financial statements of these revised Australian Accounting Standards.

Accounting Standard/Interpretation:

□ AASB 2013-9 (Part C), AASB 2014-1 (Part E) and AASB 2014-8 regarding amendments to AASB 9 Financial Instruments

□ AASB 2013-9 (Part C), AASB 2014-1 (Part E) and AASB 2014-8 amend AASB 9 Financial Instruments. AASB 9 is applicable for annual reporting periods beginning on or after 1 January 2018. Early adoption is not permitted under NSW TC 15/03 Mandates of Options and Major Policy Decisions under Australian Accounting Standards.

- AASB 2015-3 regarding withdrawal of AASB 1031 Materiality. This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing AASB 1031 to effectively be withdrawn.
- AASB 2015-4 regarding amendments to AASB 128 Investments in Associates and Joint Ventures relating to financial reporting requirements for Australian groups with a foreign parent.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Accounting Standards have not been applied and are not yet effective:

Accounting Standard/Interpretation

- AASB 9 and AASB 2014-7 regarding financial instruments
- AASB 14 and AASB 2014-1 (Part D) regarding Regulatory Deferral Accounts
- AASB 15, AASB 2014-5 and AASB 2015-8 regarding Revenue from Contracts with Customers
- AASB 1056 Superannuation Entities
- AASB 1057 and AASB 2015-9 Application of Australian Accounting Standards
- AASB 2014-3 regarding accounting for acquisitions of interests in joint operations
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation
- AASB 2014-6 regarding bearer plants
- AASB 2014-9 regarding equity method in separate financial statements
- AASB 2014-10 and AASB 2015-10 regarding sale or contribution of assets between an investor and its associate or joint venture
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle
- AASB 2015-2 regarding amendments to AASB 101 (disclosure initiative)
- AASB 2015-5 Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception
- AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities
- AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities.

It is considered that the implementation of these Standards will not have any material impact on the Board's financial statements.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements For the Year Ended 30 June 2016

NOTE 2 AUTHORIZED BUYER LICENCES AND SOLE AND EXCLUSIVE EXPORT AGREEMENT

The NSW domestic rice market was deregulated effective from 1 July 2006. As a result of deregulation Authorised Buyer Licences have been issued to appropriate bodies and persons by the Board. The Agency Agreement has been replaced by the Domestic Authorised Buyers Licences and the Sole and Exclusive Export Agreement.

The Sole and Exclusive Export Agreement was executed on 30 June 2006 and effective from 1 July 2006, for an initial term of five years to 1 July 2011. The Agreement was renewed for another five year term from 1 July 2011 to 1 July 2016. A new five year term is currently being negotiated. At any time after the initial term, either party may terminate the Sole and Exclusive Export Agreement by giving the other party at least 5 years written notice of termination.

Authorised Buyers pay a fixed annual fee of \$500 per year. The Board has recognised it requires operating capital and has retained the prepaid Sole and Exclusive Export Agreement fee as its operating capital. The Board has therefore adopted a full cost recovery policy for the term of the current Sole and Exclusive Export Agreement. After accounting for this combined income the Board levies Authorised Buyers with the balance of its operating shortfall (if any) for the period based on the percentage of the total rice crop each Authorised Buyer has procured.

The amount recognised as income for year ended 30 June 2016 was \$511,383 (\$650,308 in 2015).

NOTE 3 LEGAL AND CONSULTANCY FEES

	2016 \$000's	2015 \$000's
Legal Fees & Expense Incurred	63	39
Independent Experts Report	18	18
	<u>81</u>	<u>57</u>

During the year, the Rice Marketing Board engaged advisers for various legal, property and accounting matters.

NOTE 4 EMPLOYEE EXPENSES

	2016 \$000's	2015 \$000's
Wages & Salary	125	109
Annual Leave	10	9
Superannuation	13	35
Training	3	-
Recruitment Costs	-	5
	<u>151</u>	<u>158</u>

NOTE 5 FINANCE INCOME

	2016 \$000's	2015 \$000's
Bank Interest	25	36

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2016

NOTE 6 CASH AND CASH EQUIVALENTS

	2016 \$000's	2015 \$000's
Cash at Bank	232	64
Cash on Deposit	500	750
	732	814

NOTE 7 TRADE AND OTHER RECEIVABLES

	2016 \$000's	2015 \$000's
Current		
Authorised Buyers	315	489
Other	5	11
	320	500

All receivables recognised in the Statement of Financial Position are, in the opinion of the Rice Marketing Board, fully collectable.

NOTE 8 OTHER ASSETS

	2016 \$000's	2015 \$000's
Current		
Australian Grain Storage Pty Ltd	4,425	1,276
Non-Current		
Australian Grain Storage Pty Ltd	-	4,350
	4,425	5,626

The Australian Grain Storage loan is a level 2 asset for fair value measurement purposes. The present value represents the result of discounting the nominal value under Australian Accounting Standards using the BBSW rate applicable to the Board's long term loan which was 2.11% in 2015. No discount rate was applied in 2016 because the loan expires on 31 July 2016.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2016

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	2016 \$000's	2015 \$000's
OFFICE & COMPUTER EQUIPMENT		
At Cost	70	66
Accumulated Depreciation	(43)	(31)
	27	35
TOTAL PROPERTY, PLANT AND EQUIPMENT	27	35

Description	Year ended 30 June 2016	Year ended 30 June 2015
	Office, Computer Equipment & WIP \$000's	Office, Computer Equipment & WIP \$000's
Opening WDV 1 July 2015	35	47
Additions	4	-
Depreciation	(12)	(12)
Closing WDV 30 June 2016	27	35

NOTE 10 TRADE AND OTHER PAYABLES

	2016 \$000's	2015 \$000's
Payables	26	78
Unclaimed grower equity repayments	47	62
	73	140

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

NOTE 11 PREPAID SOLE AND EXCLUSIVE EXPORT AGREEMENT FEE

	2016 \$000's	2015 \$000's
Prepaid Sole and Exclusive Export Agreement Fee (Current)	-	200
Total Prepaid Sole and Exclusive Export Agreement Fee	-	200

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2016

NOTE 12 GROWERS' EQUITY LOANS

	2016 \$000's	2015 \$000's
Equity Roll Over Loan Fund (Current)	4,425	1,276
Equity Roll Over Loan Fund (Non-Current)	-	4,350
Total Growers Equity Loans	4,425	5,626

Grower equity loans are level 2 liabilities for fair value measurement purposes. The nominal value of the interest free grower equity loans at 30 June 2016 was \$4,425,389 (2015: \$5,718,287). The nominal value represents the actual amounts which have been collected from and which are due to be repaid to growers. The present value represents the result of discounting the nominal value under Australian Accounting Standards using the BBSW rate applicable to the Board's long term loan which was 2.11% in 2015. No discount rate was applied in 2016 because the loan expires on 31 July 2016.

EQUITY ROLL OVER FUND MOVEMENTS

This Fund was introduced for the 1988 Crop for the purpose of further financing of the Rice Marketing Board's Capital Programs and to repay contributions made to the Capital Equity Rollover Scheme.

	2016 \$000's	2015 \$000's
Opening Balance of Fund	5,626	8,249
Less Redemptions	(16)	(15)
Less Roll Over Payment	(1,276)	(2,784)
Add Movement in fair value of loans	91	176
Closing Balance of Fund	4,425	5,626

Based on the Rice Marketing Board's current practice, rollover payments are scheduled to be repaid as follows:

	2016 \$000's	2015 \$000's
Less than one year	4,425	1,276
One year to five years	-	4,350
Total	4,425	5,626

Growers can apply to redeem their equity loan if they meet the rules of the scheme. However, the total value of redemptions in any one year is capped by an agreement with AGS. For the year ending 30 June 2016 the agreed maximum was \$110,000 (2015 \$145,000).

The year ending 30 June 2017 is the final year of the loan.

NOTE 13 PROVISIONS

	2016 \$000's	2015 \$000's
Annual Leave (Current)	4	11
	4	11

All annual leave liabilities are expected to settle within 12 months.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2016

NOTE 14 FINANCING ARRANGEMENTS

The Rice Marketing Board has access to the following lines of credit:

	2016 \$000's	2015 \$000's
Bank overdrafts	2,500	2,500
Total	2,500	2,500
Facilities utilised at reporting date		
Bank overdrafts	-	-
Total	-	-
Facilities not utilised at reporting date		
Bank overdrafts	2,500	2,500
Total	2,500	2,500

NOTE 15 FINANCIAL INSTRUMENTS

15(a) Interest rate risk exposures

The Rice Marketing Board's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

2016	Floating Interest Rate	Fixed Interest Rate Maturing in		Non- Interest Bearing	Total Carried As per Statement of Financial Position	Weighted Average Effective Interest Rate
	\$000's	1 Year or less \$000's	1 to 5 years \$000's	\$000's	\$000's	%
Financial Assets						
Cash and cash equivalents	232	500	-	-	732	2.64%
Trade and other receivables	-	-	-	4,745	4,745	n/a
Total financial assets	232	500	-	4,745	5,477	
Financial Liabilities						
Trade and other payables	-	-	-	73	73	n/a
Growers' equity loans	-	-	-	4,425	4,425	n/a
Total financial liabilities	-	-	-	4,498	4,498	

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2016

NOTE 15 FINANCIAL INSTRUMENTS (continued)

2015	Floating Interest Rate	Fixed Interest Rate Maturing in		Non- Interest Bearing	Total Carried As per Statement of Financial Position \$000's	Weighted Average Effective Interest Rate %
		1 Year or less	1 to 5 years			
	\$000's	\$000's	\$000's	\$000's	\$000's	
Financial Assets						
Cash and cash equivalents	64	750	-	-	814	3.07%
Trade and other receivables	-	-	-	6,126	6,126	n/a
Total financial assets	64	750	-	6,126	6,940	
Financial Liabilities						
Trade and other payables	-	-	-	94	94	n/a
Growers' equity loans	-	-	-	5,626	5,626	n/a
Other liabilities	-	-	-	200	200	n/a
Total financial liabilities	-	-	-	5,920	5,920	

15(b) Credit risk exposures

The credit risk on financial assets is generally the carrying amount disclosed on the Statement of Financial Position.

15(c) Net fair values

For all financial assets and financial liabilities it is considered that carrying values as disclosed in the Statement of Financial Position reflect the net fair values.

15(d) Financial Risk Management

The Rice Marketing Board's activities expose it to credit and liquidity risks. The Board's overall risk management program focuses on the key risk of unpredictability in financial markets and seeks to minimise potential adverse affects on the financial performance of the Board.

a) Credit risk

Credit risk arises from cash and cash equivalents, deposits and bills with banks as well as credit exposures including outstanding receivables. The maximum exposure to credit risk at balance date is the carrying amount of financial assets as summarised in Note 15(a). Refer to Note 21 for details regarding the capital equity rollover scheme. To manage its credit risk the entity invests in term deposits to maximise its return on surplus funds while reducing the potential effect of the short term unpredictability of financial markets and the effect this may have on its return on surplus funds. Due to the size and fixed nature of the term deposits at balance date the entity's exposure to credit risk is considered immaterial to the overall profitability of the entity.

b) Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. The maximum exposure to liquidity risk at balance date is the carrying amount of financial liabilities as summarised in Note 15(a). To manage its liquidity risk the entity monitors its cash flow requirements on a monthly basis to maintain sufficient cash to pay its debts as and when they fall due.

c) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Board's income or the value of its obligations, and arises on floating rate debt.

Cash flow sensitivity analysis for variable rate financial instruments

The Board is not exposed to any cash flow sensitivity relating to interest rate shock on borrowings.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2016

NOTE 16 RELATED PARTY TRANSACTIONS

16(a) Transactions with Management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Rice Marketing Board either directly or indirectly. The key management personnel comprise the directors and executives who are responsible for the financial and operational management of the Rice Marketing Board.

Compensation paid to key management personnel of the company was as follows:

	2016 \$000's	2015 \$000's
Short-term employee benefits	272	249
Post-employment benefits	37	58
	<u>309</u>	<u>307</u>

16(b) Transactions with Related Parties

The Board did not have any related party transaction for the year ending 30 June 2016 (2015 \$0).

NOTE 17 NOTES TO THE STATEMENT OF CASHFLOWS

17(a) Reconciliation of Cash at End of Year

	2016 \$000's	2015 \$000's
Cash at bank and on deposit	732	814
Cash at end of year	<u>732</u>	<u>814</u>

Definition of Cash for cash flow purposes includes cash on hand and at bank and term deposits.

17(b) Reconciliation of Operating Result to Net Cash Provided by Operating Activities

	2016 \$000's	2015 \$000's
<u>Net surplus for the year</u>	4	122
<u>Non cash recognition of provisions in the statement of financial position</u>		
Depreciation	12	12
<u>Asset and Liabilities Movements:</u>		
(Increase)/Decrease in Trade and other receivables	180	70
Increase/(Decrease) in Trade and other payables	(51)	4
Increase/(Decrease) in Other liabilities	(200)	(200)
Increase/(Decrease) in Provisions	(7)	10
Net cash provided by operating activities	<u>(62)</u>	<u>18</u>

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2016

NOTE 18 CONTINGENT LIABILITIES

No contingent liabilities are known to exist at the time of signing these statements.

NOTE 19 EVENTS OCCURRING AFTER REPORTING DATE

No after balance date events are known to exist at the time of signing these statements.

NOTE 20 SEGMENT REPORTING

The Rice Marketing Board is based in Leeton, NSW. It derives its income from licensed Authorised Buyers via fixed and variable fees. The fixed fees include the Authorised Buyer Annual Application Fee and Sole and Exclusive Export Agreement Fee. The variable fee is based upon the percentage of the total rice crop each Authorised Buyer has procured from producers of paddy rice grown within New South Wales.

NOTE 21 CAPITAL EQUITY ROLL OVER SCHEME

The Rice Marketing Board is reliant on Australian Grain Storage Pty Ltd being able to repay its outstanding debts to the Board to enable the Rice Marketing Board to repay grower equity loans as and when they fall due. The Rice Marketing Board is therefore economically dependent on Australian Grain Storage Pty Ltd by virtue of the size and nature of business transacted between the two entities.

The Board's obligation to growers under the scheme is secured via a Bank Guarantee. In December 2015, the Board replaced a second mortgage over the storage assets sold to Australian Grain Storage Pty Ltd, with the Bank Guarantee. The final rollover payment to growers for the equity loans took place on 27 July 2016.

Equity Certificates issued with the prefix 'B' may be redeemed by the Board to Growers whose names appear thereon at any time at the discretion of the Board. Generally, an Equity Certificate will be redeemed by the Board 10 years after the year of the Rice crop to which the Equity Certificate relates, but the Board may resolve to redeem any Equity Certificate at a later time, or if requested by the Grower, at the absolute discretion of the Board, at any time.

NOTE 22 COMMITMENTS FOR EXPENDITURE

	2016 \$000's	2015 \$000's
Operating lease commitments:		
Within one year	6	6
	<u>6</u>	<u>6</u>

There were no other capital or other commitments at 30 June 2016 (2015: nil) other than that disclosed above.

End of Audited Financial Statements



INDEPENDENT AUDITOR'S REPORT

Rice Marketing Board

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Rice Marketing Board (the Board), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Rice Marketing Board in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Board's Responsibility for the Financial Statements

The members of the Board are responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the members of the Board determine(s) is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Board must assess the Rice Marketing Board's ability to continue as a going concern unless the Rice Marketing Board will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>.

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Rice Marketing Board carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



David Nolan
Director, Financial Audit Services

13 October 2016
SYDNEY

Budget

Actual 2015/2016 \$000's	Budget 2015/2016 \$000's		Budget 2016/2017 \$000's
INCOME			
311	396	Authorised Buyers' Licence Fees	353
200	200	Sole & Exclusive Export Licence Fee	200
25	30	Interest Received	25
13	-	Miscellaneous Income	-
549	626		578
EXPENDITURE			
(1)	(1)	Advertising	(2)
(15)	(17)	Audit Fees	(17)
(2)	(2)	Bank Charges	(2)
(81)	(114)	Legal & Consultancy Fees	(88)
(12)	(12)	Depreciation	(13)
(3)	(10)	Information Systems	(4)
(17)	(21)	Insurances	(23)
(147)	(150)	Members' Fees	(150)
(14)	(14)	Members' Superannuation	(14)
(1)	(1)	Postage & Couriers	(1)
-	(3)	Printing & Stationery	-
(36)	(36)	Rent of Premises	(36)
-	(5)	Crop Auditing Costs	-
(151)	(161)	Staff Employment Costs	(151)
(4)	(6)	Telephone	(6)
(42)	(36)	Travel - Members & Staff	(50)
(2)	(2)	Sundry Charges	(1)
(9)	(9)	Grower Relations	(9)
(3)	(6)	Staff Training	(5)
(5)	(20)	Market Research Expenses	(6)
(545)	(626)		(578)
4	-	Operating Surplus/(Deficit)	-
-	(5)	Capital Expenditure	-

Statistical Summary

New South Wales Only

		2016 Crop	2015 Crop	2014 Crop	2013 Crop	2012 Crop
Number of farms producing rice	MIA	220	351	338	448	423
	CIA	87	195	209	279	270
	MV	101	559	746	898	844
	Nth NSW	4	4	4	6	8
	TOTAL	412	1,109	1,297	1,631	1,545

Production (tonnes)	MIA	152,951	254,031	233,760	377,850	315,868
	CIA	39,849	97,638	115,466	190,540	154,431
	MV	51,384	333,540	476,647	589,668	486,201
	Nth NSW	603	419	193	282	471
	TOTAL	244,787	685,628	826,066	1,158,340	956,971

Harvested Area (hectares)	MIA	13,382	23,153	20,944	33,077	31,572
	CIA	3,980	10,003	11,347	18,922	17,302
	MV	4,884	32,977	46,229	60,795	53,947
	Nth NSW	220	132	87	116	98
	TOTAL	22,466	66,265	78,607	112,910	102,811

Average Yield (Tonnes/Hectare)	MIA	11.4	11.0	11.2	11.4	10.0
	CIA	10.0	9.8	10.2	10.1	8.9
	MV	10.5	10.1	10.3	9.7	9.0
	Nth NSW	2.7	3.2	2.2	2.4	4.8
	AVERAGE	10.9	10.4	10.5	10.3	9.3



The Rice Marketing Board

FOR THE STATE OF
NEW SOUTH WALES

**5th Annual Report to NSW Rice Growers
October 2016**

Introduction

The *Rice Marketing Act 1983* (“the Act”) directs that all rice produced in New South Wales (“NSW”) be vested in the Rice Marketing Board for the State of NSW (“the Board”).

A Proclamation by the Governor of the State of NSW outlines the objectives of the Board as:

- To encourage the development of a competitive domestic market for rice;
- To ensure the best possible returns from rice sold outside Australia based on the quality differentials or attributes of Australian rice; and
- To liaise with and represent the interests of all NSW rice growers in relation to the Board’s functions and objects.¹

Section A of this document reports on the performance of the Board against these objectives while Section B provides an assessment of the performance of the Sole and Exclusive Export Licence (“SEEL”) holder.

Section A

The Board's performance against stated objectives

(a) The Board continues to encourage a competitive domestic market for rice by facilitating participation in the market in the following ways:

- There are currently ten licensed Authorised Buyers; and
- The Board has issued licences to all parties who have applied for an Authorised Buyers Licence, have met the required conditions, and have signed the Authorised Buyers Licence Agreement.

(b) Ensuring the best possible returns on rice sold outside Australia

Again this year the Board has commissioned a report which has independently verified the export price premium as calculated by the SEEL holder Ricegrowers Limited trading as SunRice (“RL”). On the basis of the information provided by RL, the independent verification report and its own observations, the Board has concluded that RL, and the single desk arrangements, continue to provide substantial benefits to NSW rice growers.

(c) The members of the Board liaised with NSW rice growers over the past twelve months, in relation to its objects and activities, through the following means:

- Attending the Ricegrowers’ Association of Australia (“RGA”) branch meetings;
- Sponsoring and attending the RGA Annual Conference;
- Visiting the Northern Rivers area to meet with local Authorised Buyers;

¹ NSW Government Gazette No. 75, 22 May 2009, p. 2310

- Providing information on the Board's website, including Annual Reports, regular news updates, Authorised Buyers contact details, Capital Equity Rollover Scheme rules, Board policies;
- Communicating with the President and Executive Director of the RGA on issues relevant to the rice industry;
- Providing regular articles in the RGA newsletter, "Rice Matters";
- Inviting all NSW rice growers to the Board's Annual Meeting held every November; and
- Being available to all growers, through its sole employee, the Board Secretary.

Section B

Summary of RL's Performance as SEEL Holder

(a) Independent verification of the 2015-16 Export Price Premium

Grant Thornton Australia Ltd was engaged to perform an independent review of the export price premium and freight scale advantage for the year ending 30 April 2016.² Based on the findings of this review, and its own monthly review of RL's operational and financial results and position, the Board finds that RL as the holder of the SEEL, continues to deliver substantial benefits to NSW rice growers.

The Board can also confirm the existence of other substantial benefits to growers as a result of RL holding the SEEL.

The Grant Thornton review highlights the following:

- An export price premium delivered to growers of \$70.7million;³
- The average medium grain export prices achieved by RL have been greater than those achieved by Californian exporters for the majority of the past three crop years (see graph on page 38);
- Positive trends generally in key markets and market share;
- Paddy price premium includes efficiency scale advantage;
- Freight scale advantage of \$9.2million (2014-15: \$14.3million) delivered to growers, in addition to the export price premium;⁴
- RL delivers other substantial benefits to growers. For example, the ability to respond to changes in market conditions, product research and development, buyer of last resort, history of reliable sales and payments, crop finance, rice crop insurance, provision of storage and purity of seed; and
- Sound financial performance of RL, including:
 - o Revenues of \$1.3 billion (up 1.9% on 2014-15);
 - o Net Profit After Tax (NPAT) of \$52million (up 5.8% on 2014-15); and
 - o Debt to equity of 46.6% (up from 43.9% in 2014-15).⁵

² RL's financial year is from 1 May 2015 to 30 April 2016.

³ Grant Thornton Australia Ltd. Verification of the export price premium and freight scale advantage report, 2016, Commercial-in-confidence, p. 7.

⁴ Ibid, p. 11.

⁵ Ricegrowers Limited Annual Report 2016, Group highlights, pp. 8-9.

(b) Assessment of RL in relation to stated objectives

1. Delivery of export price premiums to NSW rice growers

i. Value of export price premium for 2015-16 year

An export price premium of \$70.7million for the 2015-16 year was achieved by RL as the current holder of the SEEL.⁶

The export price premium is calculated for each of the five major export regions in which RL operates, and also across all of these regions. These markets comprise the Pacific Majors (Papua New Guinea (PNG) and Solomon Islands), the Middle East, World Trade Organisation (WTO) Markets (Japan, Taiwan and South Korea), New Zealand, and the Pacific Islands.

The premium is calculated as the difference between the average local RL sale price, less the average weighted local competitor sale price, multiplied by the volume sold.

While the reported 2015-16 export price premium of \$70.7million has decreased from the 2014-15 premium of \$82.4million, the premium per tonne has increased slightly to \$101.96 per tonne based on the 2015-16 rice crop production of 693,000 tonnes (2014-15: \$99.40 per tonne). Grant Thornton Australia Ltd stated in its verification report that the total premium has decreased \$11.7million due to further declines in PNG volumes sold, due to a lower Australian domestic crop and the continued release of cheaper rice blends in the market.

ii. Three year trend of the average Free on Board (FOB) Price

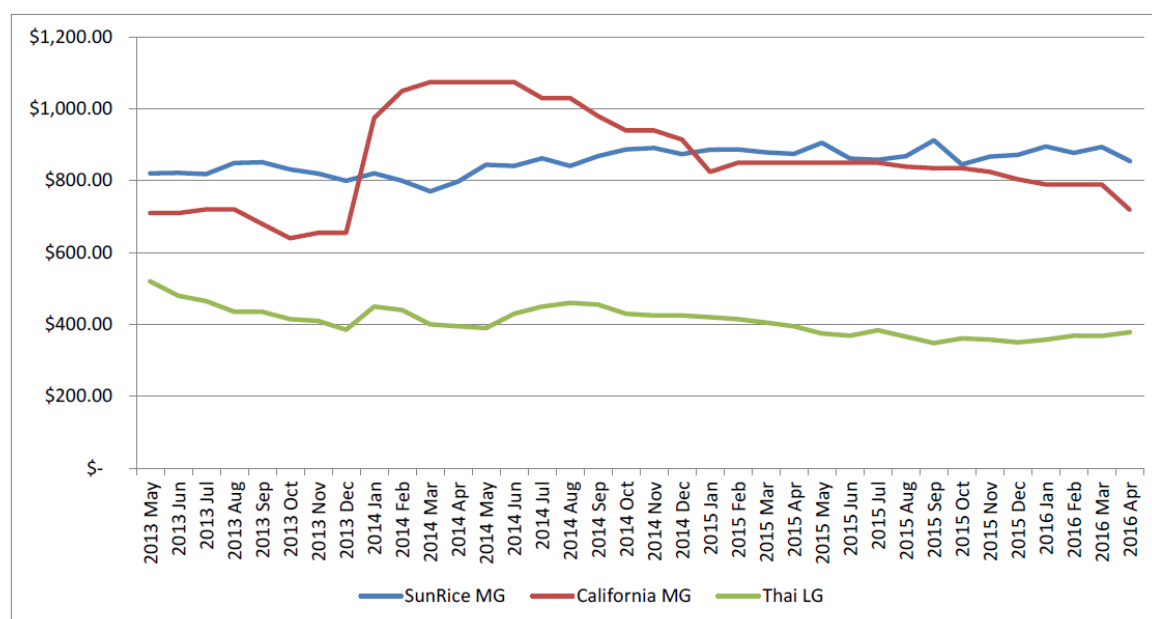
The following graph displays the three year trend of the average FOB price achieved by RL Medium Grain rice in export markets (for exported Australian rice) compared to the average FOB California medium grain price and Thai long grain price⁷. The graph shows that RL medium grain has consistently traded above California medium grain since early 2015. It also shows that medium grain continues to sell at a significant premium to long grain on the world market.⁸

⁶ Grant Thornton Australia Ltd, Op. Cit., p. 7.

⁷ Ricegrowers Limited, SEEL Annual Review Response, September 2016, Commercial-in-Confidence, pp.4-13.

⁸ The January 2014 price spike for Californian rice reflects the sharp increase in United States medium grain asking prices as a result of the Californian drought and the anticipated restricted future paddy supply.

Medium Grain Rice Price Time Series 2013-2016
SunRice Export Market Prices vs California MG
 FOB US\$/MT Basis



iii. Summary of trends or developments in key markets as reported by RL

Due to brand strength, RL remained the dominant market player in the Pacific region and the Middle East, and also saw strong volume growth in Asia during 2015-16. A new RL subsidiary based in Singapore was opened in 2015, to build and facilitate sustainable relationships with customers, marketers and suppliers in Asia. An RL office was also opened in Dubai to provide representation for high potential regional areas.⁹

iv. Demonstration of Freight Scale Advantage to Rice Growers

Freight scale advantages arise due to the benefit of delivering larger volumes into export markets thereby lowering delivery costs for NSW rice into export markets. These benefits provide a further advantage against international competitors and would not be available in the absence of the scale delivered under the SEEL arrangement.

RL produced a total freight scale advantage of \$9.2million (2014-15: \$14.3million) in 2015-16, which equates to \$13.33 per tonne (2014-15: \$17.27 per tonne).¹⁰ If volumes were lowered as a result of other exporter participation, the scale advantage that is passed back to growers would be significantly reduced.

The calculation by RL of the freight scale advantage was estimated based on discount ranges/indications of the volume discounts provided by four freight companies, and is not based on a specific analysis of actual discounts received. Grant Thornton stated in its verification report of 7

⁹ Ricegrowers Limited Annual Report 2016, p. 16.

¹⁰ Grant Thornton Australia Ltd, Op. Cit., p. 7.

September 2016 that “*this is the only practical way of estimating the savings given smaller scale competitor rates are confidential*”.¹¹

v. Demonstration of the Advantages of Scale to Rice Growers

A component of the paddy price for rice grown in NSW and purchased by RL is derived from the degree of efficiency in rice-milling. RL continues to report monthly to the Board on its milling capacity management. Current NSW milling capacity on a 24/7 basis is 880,000 tonnes. This represents a theoretical utilization of 27.6% of New South Wales milling capacity, based on the C16 crop size of 243,000 paddy tonnes.¹²

2. Assessment of the ongoing delivery of other secondary benefits provided by the SEEL holder to NSW rice growers

- i. Ability to successfully compete with imported, typically long grain, rice.
 - RL’s ability to compete against imported long grain and jasmine rice is directly related to the size of the Riverina grown crops of this type.
 - Due to its brand strength in the retail channel, RL is able to compete against private labels and command a substantial shelf premium.
- ii. Demonstrated ability to respond to changes in conditions and continue to operate profitably.
 - Through the adoption of their 2012 strategic plan, RL has seen the demand for products increase significantly.
 - Net profit before income tax of \$73million in 2015-16 represents at 3.6% increase on 2014-15 profit.
- iii. Contribution to Research and Development.
 - RL continues to provide significant funding for rice research and development to its subsidiary, Rice Research Australia Pty Ltd. New seed varieties are currently being trialed that are expected to deliver a two week shorter growing period and are cold tolerant.¹³
 - RL is a contributing partner in the Rice Breeding and Grain Quality Partnership.
 - Collaboration continues with CSIRO, Universities, and the NSW Department of Primary Industries amongst others, for product and process development research.
- iv. Buyer of last resort and track record of good returns.
 - A condition of the Sole and Exclusive Export Licence agreement between RL and the Board, is that RL be the buyer of last resort. This provides certainty for growers that their NSW crop will be sold if it is of merchantable quality.
 - RL has an unbroken record of paying the indicated returns, or better, to growers on or before scheduled payment dates.

¹¹ Ibid, p. 11.

¹² Ricegrowers Limited, SEEL Annual Review Response, September 2016, Commercial-in-Confidence, p. 19.

¹³ Ricegrowers Limited Annual Report 2016, p. 20.

- v. Operating a transparent pool and regularly updating growers on price trends and payment dates.
- vi. Regularly exceeding pool price expectations.
- vii. Financing of crop at competitive interest rates.
 - RL does not profit from forward finance arrangements as happens in other industries and it currently underwrites these financial arrangements.
- viii. Provision of rice storage.
 - Paddy storage is provided by RL through its subsidiary, Australian Grain Storage Pty Ltd.
- ix. Pure Seed production and supply to rice growers.
 - RL operates a quality assured Pure Seed Program to supply registered seed for all commercial rice varieties to growers.
 - Its subsidiary, Rice Research Australia Pty Ltd produces breeder's seed of all varieties for the Pure Seed Program.
- x. Strength of products and related brands to drive ongoing demand.
 - RL continues to invest in its brands, through product innovation, and consistent above and below the line support to its branded products to command the premiums achieved in the market.

3. Impact of changes in the availability of water

Reduced water entitlement as a result of the Murray Darling Basin Plan has had and will continue to have an impact on rice production. RL has indicated that the impact is twofold: irrigators have less water to grow crops and temporary water prices have escalated in some seasons to make water purchase for rice production unviable. Additional competition for water from other crops, such as cotton, is adding to the impact.¹⁴

4. Market Position

Rice consumption in Australia is growing, being driven by sales in traditional food service channels such as restaurants and sushi chains, and also by favourable immigration trends. RL's Australian rice is the market leader in the Australian retail sector.

There has been no material change in the business segments of Ricegrowers Limited during 2015-16.

¹⁴ Ricegrowers Limited, SEEL Annual Review response, September 2016, Commercial-in-Confidence, page 15.

5. Financial Performance of RL¹⁵

Overall, the RL financial statements reflect a continued strengthening in financial position over the 12 month period to 30 April 2016. RL had a strong trading year, milling and marketing the 2015 crop of 693,000 tonnes. Growers received \$403.60 per tonne for medium grain Reiziq, an increase of 2.3% compared to the previous year (2014-15: \$394.62).

i. Income Statement

- Revenue from continuing operations totaled \$1.27 billion in 2015-16, an increase of 1.9% on 2014-15 (2014-15: \$1.25 billion).
- Expenses increased, particularly raw materials reflecting higher costs of paddy.
- Net Profit After Tax was \$52million (2014-15: \$49.2million), an increase of 5.8%.
- Results by segment indicate all segments were profitable in 2015-16.
- Dividend paid to B Class shareholders was 33 cents per B class shareholder, an increase of 6.5% (2014-15: 31 cents).
- Earnings per share was 88.0 cents in 2015-16 compared to 77.9 cents in the prior year.

ii. Balance Sheet

- Net Assets were \$390million in 2015-16, an increase of \$26million (2014-15: \$364million).
- Retained earnings increased to \$254million in 2015-16, from \$219million in 2014-15.
- Current Ratio (current assets to current liabilities) fell to 1.5 (1.6 in 2014-15).
- Debt to Equity (external financing to all sources of capital) was 46.6%, up slightly from 43.9% in 2014-15.
- Gearing percentage (debt to debt plus equity) was 31.8% compared to 30.5% for 2014-15.
- Return on capital of 15.1% in 2015-16 was down slightly compared to the prior year (2014-15: 15.8%).

iii. Cash Flow

- RL's net cash increased by \$61million during the 2015-16 year (2014-15: \$3million reduction).

iv. Other relevant financial matters for the year to 30 April 2016.

- Net debt has increased as a percentage of current earnings. The increase in gearing was due to higher net working capital, including higher international inventory levels and lower Riverina grower payables due to the smaller crop.
- Debt levels are in line with industry peers.
- RL's currency exposures are managed under its Treasury policy. The company is compliant with the requirements of the policy.

¹⁵ Detailed information is contained in RL's Annual Report April 2016 including audited Financial Statements.

- Capacity to pay growers for paddy: syndicated seasonal borrowing facilities are negotiated on an annual basis to meet grower payments.
- Capacity to pay debt, seasonality of debt, and interest cover: Ability of RL to meet financial commitments is tested regularly. All bank loan covenants have been met.
- Interest rate exposures are managed under RL's Treasury policy. RL is compliant with the requirements of the policy.
- Capital Raisings: RL has not undertaken a capital-raising during the 2015-16 year, and no capital raisings are planned for the immediate future.
- A proposed capital restructure was being considered by the RL Board, to provide opportunities to enable growth. This restructure proposal has been delayed due to a joint venture partner reviewing its arrangements with RL.
- Fixed Asset Management: Capital investments by RL during 2015-16 totaled \$24million (2014-15: \$39million).

6. Changes of Board and senior management personnel of RL

During the 2015-16 year, Mr Ian Glasson was appointed as an independent director following the resignation of Mr Peter Margin. Mr Tom Howard replaced retiring General Manager Grower Services, Mr Mike Hedditch.

Mr Gerard Woods, General Manager CopRice and Australian Grain Storage Pty Ltd, left RL in 2015-16. Ms Alison Salmon joined RL in 2015-16 as General Manager Human Resources.

7. Risk management - competition from other agricultural products

RL monitors competition from other summer and winter crops and focuses on a range of initiatives to make rice production as competitive as possible and to encourage Riverina irrigators to make rice their first choice summer crop.

Conclusion

The Rice Marketing Board for the State of NSW continues to deliver against the objectives of the *Rice Marketing Act 1983*, to the benefit of all NSW rice growers.

The Board is confident its administration of the SEEL, and the appointment of Ricegrowers Limited to operate this licence, results in both export price premiums and substantial secondary benefits to rice growers.

The Board will continue to work with the NSW Government and all rice growers to monitor the benefits accruing from the current arrangements.