



ANNUAL REPORT



for the year ended 30 June 2015



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for the year ended 30 June 2015

22 September 2015

The Honourable Niall Blair, MLC
Minister for Primary Industries
Minister for Lands and Water
Level 19
52 Martin Place
SYDNEY NSW 2000



The Rice
Marketing
Board
FOR THE STATE OF
NSW 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 ended 30 June 2015, for presentation to Parliament.

Yours sincerely,

R Clubb
(Chairman)

N.G. Graham
(Deputy Chairman)

YANCO AVENUE PO BOX 151 LEETON NSW 2705 AUSTRALIA
TELEPHONE: 02 6953 3200 FACSIMILE: 02 6953 7684
EMAIL secretary@rmbnsw.org.au ABN 24 720 995 211

Directory

Head Office

P.O. Box 151
Yanco Avenue, Leeton, NSW 2705
Telephone: 02 6953 3200
Facsimile: 02 6953 7684
Email: secretary@rmbnsw.org.au
Website: <http://www.rmbnsw.org.au>
Business Hours: 8.30am to 5.00pm Monday to Friday

Bankers

Westpac Banking Corporation

Auditors

Auditor-General of New South Wales

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Chairman's Report

Highlights

The 2014-15 crop year produced a rice harvest of over 686,000 tonnes delivered to the authorised buyers in New South Wales (NSW). On behalf of the Rice Marketing Board (the Board) I would like to congratulate all NSW rice growers on another year of overall higher yields, despite lower total volumes.

The Board works hard 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). In 2015 the Board independently verified that the export price premium achieved for growers was \$82million, with a freight advantage of \$14million.

The Board is taking a keen interest in SunRice's proposed Capital Restructure, given the important role SunRice plays in the NSW rice industry, including as holder of the SEEL. We continue to monitor the development of the SunRice Capital proposal to ensure that it is in the best interests of NSW rice growers.

The Board extended congratulations and appreciation to Mr Gerry Lawson on the announcement of his retirement during the year. Mr Lawson's contribution to the rice industry over the past 29 years as both a member and past Chairman of the Board were outstanding and invaluable. I particularly wish to thank him for his wise counsel and friendship.

Review of Vesting 2017

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. Next year the NSW Department of Primary Industries will seek submissions from the industry and other interested parties as part of its review into the continuation of vesting, scheduled for consideration of extension in June 2017.

This Annual Report includes a 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, of \$82million, to NSW rice growers of retaining the SEEL. The Board now has four years of independently verified data on the operation of the SEEL, which will provide an important context for the Government in the forthcoming review of vesting.

Authorised Buyers

Since deregulation of the NSW domestic rice industry in 2006, we now have nine 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

In July 2014, \$2.8million was paid to NSW rice growers for the 2004 rollover of the Capital Equity Rollover Scheme. \$1.3million was repaid in July 2015 and over \$4million is scheduled to be paid in July 2016. The July 2016 payment will mark the final repayment of this long-running arrangement that funded the capital works of the NSW rice storage facilities. The Board resolved on 15 October 2015 to accept a bank guarantee from Ricegrowers Limited, and relinquish the Second Charge over the Australian Grain Storage Pty Ltd assets, subject to various conditions.

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 2014-15.

Financial Performance

For the year ending 30 June 2015, the Board recorded a surplus of \$122,000, while net assets have reached \$998,000. The Board continues to recover its expenses through the Authorised Buyer licence fees.

Board Membership

After 29 years of service to the Board, Mr Gerry Lawson retired and we welcomed Mr John Bradford, who was elected in June 2015 and appointed by the NSW Governor on 26 August 2015.

Appreciation

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

I would like to thank the Ricegrowers Association of Australia (RGA) for its significant contribution to the rice industry over the past year. In particular, congratulations to the retiring President, Mr Les Gordon on his superb efforts in this role. We also thank Ms Ruth Wade for her energy and effectiveness as she completed her term as the Executive Director of RGA. The Board welcomes Mr Jeremy Morton as the new President and Mr Andrew Bomm as Executive Director. The Board sponsored and participated in another successful RGA annual conference with over 150 rice growers in attendance. 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, Mr Tony Roddy, for his hard work anchoring the Board during 2014-15. It is with regret that we accepted Tony's resignation in July 2015. The Board welcomed Ms Carol Chiswell as the new Secretary to the Board in July.

With the challenges facing the rice industry in the coming year, particularly with reduced water allocations, 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



R Clubb
B.Ec CA
F.Fin
MAICD
CHAIRMAN



N.G. Graham
MBA
FAICD
**DEPUTY
CHAIRMAN**



V.L. Taylor
GIA (Cert)
GAICD



J.J. Culleton
csc
BA
pcfsc
GAICD



G.L. Kirkup
MAICD



D.F. Hocking
HDA
GDE



G.F. Lawson
LDA
MAICD

Retired: December 2014



J Bradford
MAICD

Elected: June 2015
Appointed: August 2015

BOARD MEMBERS MEETINGS

Members	RMB Board		ABL Committee		Equity	Committee
	Possible	Attended	Possible	Possible	Attended	Possible
R. Clubb	12	12	3	3	1	1
N.G. Graham	12	11	0	0	1	1
G.F. Lawson	7	7	0	0	0	0
G.L. Kirkup	12	12	0	0	0	0
D.F. Hocking	12	12	3	3	1	1
V.L. Taylor	12	12	3	3	0	0
J.J. Culleton	12	12	3	3	0	0

Members	Audit & Risk Committee		Governance Committee	
	Possible	Attended	Possible	Attended
R. Clubb	1	1	1	1
N.G. Graham	1	1	1	1
G.F. Lawson	1	1	0	0
G.L. Kirkup	0	0	1	1
D.F. Hocking	0	0	0	0
V.L. Taylor	0	0	1	1
J.J. Culleton	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. An election was held in 2013 and Messrs Graham and Lawson and Mrs Kirkup, who were the elected members sitting on the Board prior to the election, were re-elected for a further 4 year term. Two of the four nominated member's terms expire in 2015, with the other two in 2017. Upon Mr Lawson's retirement, an election was held in June 2015, and Mr Bradford was elected to the Board.

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.

The former Secretary Mr Tony Roddy, retired on 30 July 2015 and the position is now held by Ms Carol Chiswell.



BOARD SECRETARY

C Chiswell CPA
B.A.
MCA

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.

FREEDOM OF INFORMATION

The Board has received no requests for information 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 2014-15.

OCCUPATIONAL 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 2015 had a nominal balance of \$5,718,286. The Scheme is managed in accordance with its rules which have been 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 and Nominations Committee
- Audit and Risk Committee
- Capital Equity Rollover Scheme Committee

The Authorised Buyer Licence Committee's responsibilities include:

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

The Governance and Nominations 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.

Governance (continued)

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 of 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 subcommittee is to provide advice to the Board. The subcommittees 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 subcommittee meetings being held when necessary. The agenda for meetings is prepared in conjunction with the Chairman. Standing items include financial reports, Capital Equity Rollover matters, short and long term financing programs and monthly performance monitoring of the sole and exclusive export agreement holder, Ricegrowers Limited. Board papers are circulated in advance.

COMPOSITION OF THE BOARD

Three Board Members are elected for a four year term by rice growers who are eligible and choose to vote. An election was held in 2013. 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, business administration, communications, corporate governance and finance to the Board. The Board Members elect the Chairman and Deputy Chairman annually after the Annual Meeting.

Governance (continued)

REMUNERATION

The Board approves the remuneration of its employee. The Board recommends the remuneration of its Members to the Minister for approval. 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 agreement and involvement of the Board, subcontracted the audit to Johnsons MME.

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

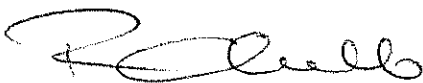
All Board Members and employees are required to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Rice Marketing Board.

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 2015 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 22 September 2015

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2015

	Notes	2015 \$ 000's	2014 \$ 000's
REVENUE			
Authorised Buyer's Fees	2	450	512
Sole and Exclusive Export Agreement	2	200	200
		<u>650</u>	<u>712</u>
EXPENSES			
Audit Fees		(16)	(16)
Legal and Consultancy Fees	3	(57)	(41)
Depreciation		(12)	(12)
Members' Fees		(141)	(146)
Members' Superannuation		(14)	(14)
Employee Expenses	4	(158)	(154)
Insurance		(20)	(21)
Rent		(36)	(36)
Travel		(44)	(28)
Sundry Charges		(66)	(55)
		<u>(564)</u>	<u>(523)</u>
Finance Income	5	36	42
Net Surplus for the Year		<u>122</u>	<u>231</u>
Other Compressive Income		-	-
Total Comprehensive Income		<u>122</u>	<u>231</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 2015

	Notes	2015 \$ 000's	2014 \$ 000's
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	814	888
Trade and Other Receivables	7	500	570
Other Assets	8	1,276	2,784
Total Current Assets		2,590	4,242
Non-Current Assets			
Other Assets	8	4,350	5,465
Property, Plant and Equipment	9	35	47
Total Non-Current Assets		4,385	5,512
Total Assets		6,975	9,754
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	140	228
Prepaid Sole and Exclusive Export Agreement	11	200	200
Growers' Equity Loans	12	1,276	2,784
Provisions	13	11	1
Total Current Liabilities		1,627	3,213
Non-Current Liabilities			
Prepaid Sole and Exclusive Export Agreement	11	-	200
Growers' Equity Loans	12	4,350	5,465
Total Non-Current Liabilities		4,350	5,665
Total Liabilities		5,977	8,878
NET ASSETS		998	876
EQUITY			
Retained Earnings		998	876
TOTAL EQUITY		998	876

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 2015

	Notes	2015 \$ 000's	2014 \$ 000's
Equity at the beginning of the financial year		876	645
Net surplus for the year		122	231
Other comprehensive income		-	-
Equity at the end of the financial year		998	876

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 2015

	Notes	2015 \$ 000's	2014 \$ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from operations		589	449
Interest received		35	42
Payments			
Cash payments to creditors and suppliers		(606)	(531)
Net cash provided by operating activities	17(b)	<u>18</u>	<u>(40)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		-	(8)
Net cash used in investing activities		<u>-</u>	<u>(8)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Equity rollover and redemptions		(2,891)	(2,396)
Receipt of equity contributions		2,799	2,352
Net cash used In financing activities		<u>(92)</u>	<u>(44)</u>
Net increase/(decrease) in cash and cash equivalents		(74)	(92)
Cash and cash equivalents at the beginning of the year		888	980
Cash and cash equivalents at the end of the year	17(a)	<u>814</u>	<u>888</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 2015

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 22 September 2015.

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 2015

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 2015

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 2.11% (2014 2.74%). 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 2.11% (2014 2.74%).

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 2015

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

A number of Australian Accounting Standards have been issued or amended since the last reporting date and are applicable to the entity but are not yet effective. The Board has assessed the impact of these amendments and they are immaterial to the entity. They have not been adopted in the preparation of the Financial Statements at balance date.

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 2015

NOTE 2 AUTHORITY 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. 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 Sole and Exclusive Export Agreement has been paid in advance until 30 June 2016 and will be amortised as income over the term of the licence. 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 2015 was \$650,308 (\$712,401 in 2014).

NOTE 3 LEGAL AND CONSULTANCY FEES

	2015 \$000's	2014 \$000's
Legal Fees & Expense Incurred	39	23
Independent Experts Report	18	18
	<u>57</u>	<u>41</u>

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

NOTE 4 EMPLOYEE EXPENSES

	2015 \$000's	2014 \$000's
Wages & Salary	109	121
Annual Leave	9	(1)
Superannuation	35	29
Training	-	5
Recruitment Costs	5	-
	<u>158</u>	<u>154</u>

NOTE 5 FINANCE INCOME

	2015 \$000's	2014 \$000's
Bank Interest	36	42

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 2015

NOTE 6 CASH AND CASH EQUIVALENTS

	2015 \$000's	2014 \$000's
Cash at Bank	64	138
Cash on Deposit	750	750
	<u>814</u>	<u>888</u>

NOTE 7 TRADE AND OTHER RECEIVABLES

	2015 \$000's	2014 \$000's
Current		
Authorised Buyers	489	560
Other	11	10
	<u>500</u>	<u>570</u>

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

NOTE 8 OTHER ASSETS

	2015 \$000's	2014 \$000's
Current		
Australian Grain Storage Pty Ltd	1,276	2,784
Non-Current		
Australian Grain Storage Pty Ltd	4,350	5,465
	<u>5,626</u>	<u>8,249</u>

The Australian Grain Storage loan is a level 2 asset for fair value measurement purposes. The fair value of this loan is estimated using discounted cash flow analysis, based on the BBSW rate of 2.11% (2014: 2.74%).

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 2015

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	2015 \$000's	2014 \$000's
OFFICE & COMPUTER EQUIPMENT		
At Cost	66	66
Accumulated Depreciation	(31)	(19)
	<u>35</u>	<u>47</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>35</u>	<u>47</u>

Description	Year ended 30 June 2015	Year ended 30 June 2014
	Office, Computer Equipment & WIP \$000's	Office, Computer Equipment & WIP \$000's
Opening WDV 1 July 2014	47	51
Additions	-	8
Depreciation	(12)	(12)
Closing WDV 30 June 2015	<u>35</u>	<u>47</u>

NOTE 10 TRADE AND OTHER PAYABLES

	2015 \$000's	2014 \$000's
Payables	78	74
Unclaimed grower equity repayments	62	154
	<u>140</u>	<u>228</u>

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

	2015 \$000's	2014 \$000's
Prepaid Sole and Exclusive Export Agreement Fee (Current)	200	200
Prepaid Sole and Exclusive Export Agreement Fee (Non Current)	-	200
Total Prepaid Sole and Exclusive Export Agreement Fee	<u>200</u>	<u>400</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 2015

NOTE 12 GROWERS' EQUITY LOANS

	2015 \$000's	2014 \$000's
Equity Roll Over Loan Fund (Current)	1,276	2,784
Equity Roll Over Loan Fund (Non-Current)	4,350	5,465
Total Growers Equity Loans	5,626	8,249

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 2015 was \$5,718,287 (2014: \$8,517,247). 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 is 2.11% (2014: 2.74%).

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.

	2015 \$000's	2014 \$000's
Opening Balance of Fund	8,249	10,328
Less Redemptions	(15)	(16)
Less Roll Over Payment	(2,784)	(2,336)
Add Movement in fair value of loans	176	273
Closing Balance of Fund	5,626	8,249

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

	2015 \$000's	2014 \$000's
Less than one year	1,276	2,784
One year to five years	4,350	5,465
Total	5,626	8,249

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 2015 the agreed maximum was \$145,000 (2014 \$225,000). The agreed yearly amount reduces each year until 2016, where it is \$110,000.

NOTE 13 PROVISIONS

	2015 \$000's	2014 \$000's
Annual Leave (Current)	11	1
	11	1

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 2015

NOTE 14 FINANCING ARRANGEMENTS

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

	2015 \$000's	2014 \$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:

2015	Floating Interest Rate	Fixed Interest Rate Maturing in		Non- Interest Bearing	Total Carried As per Statement of Financial Position	Weighted Average Effective Interest Rate
		1 Year or less	1 to 5 years		of Financial Position	
	\$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	

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 2015

NOTE 15 FINANCIAL INSTRUMENTS (continued)

2014	Floating Interest Rate	Fixed Interest Rate Maturing in		Non- Interest Bearing	Total Carried As per Statement of Financial Position	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	138	750	-	-	888	3.52%
Trade and other receivables	-	-	-	8,819	8,819	n/a
Total financial assets	138	750	-	8,819	9,707	
Financial Liabilities						
Trade and other payables	-	-	-	172	172	n/a
Growers' equity loans	-	-	-	8,249	8,249	n/a
Interest bearing loans	-	-	-	-	-	n/a
Other liabilities	-	-	-	400	400	n/a
Total financial liabilities	-	-	-	8,821	8,821	

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 2015

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:

	2015 \$000's	2014 \$000's
Short-term employee benefits	249	260
Post-employment benefits	58	38
	307	298

16(b) Transactions with Related Parties

The Board did not have any related party transaction for the year ending 30 June 2015 (2014 \$0).

NOTE 17 NOTES TO THE STATEMENT OF CASHFLOWS

17(a) Reconciliation of Cash at End of Year

	2015 \$000's	2014 \$000's
Cash at bank and on deposit	814	888
Cash at end of year	814	888

Definition of Cash for cash flow purposes includes cash on hand and at bank and overnight money market deposits.

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

	2015 \$000's	2014 \$000's
<u>Net surplus for the year</u>	122	231
<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	70	(63)
Increase/(Decrease) in Trade and other payables	4	(19)
Increase/(Decrease) in Other liabilities	(200)	(200)
Increase/(Decrease) in Provisions	10	(1)
Net cash provided by operating activities	18	(40)

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 2015

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 second mortgage over the storage assets sold to Australian Grain Storage Pty Ltd.

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.

End of Audited Financial Statements



INDEPENDENT AUDITOR'S REPORT

Rice Marketing Board

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Rice Marketing Board (the Board), which comprise the statement of financial position as at 30 June 2015, 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.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2015, 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.

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 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

My opinion does *not* provide assurance:

- about the future viability of the Board
- that it carried out its activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



David Nolan
Director, Financial Audit Services

14 October 2015
SYDNEY

Budget

Actual 2014/2015 \$000's	Budget 2014/2015 \$000's		Budget 2015/2016 \$000's
INCOME			
450	517	Authorised Buyers' Licence Fees	396
200	200	Sole & Exclusive Export Licence Fee	200
36	49	Interest Received	30
-	-	Miscellaneous Income	-
686	766		626
EXPENDITURE			
(2)	(2)	Advertising	(1)
(16)	(16)	Audit Fees	(17)
(2)	(2)	Bank Charges	(2)
(57)	(48)	Legal & Consultancy Fees	(114)
(12)	(12)	Depreciation	(12)
(14)	(8)	Information Systems	(10)
(20)	(24)	Insurances	(21)
(141)	(160)	Members' Fees	(150)
(14)	(15)	Members' Superannuation	(14)
(3)	(2)	Postage & Couriers	(1)
(1)	(3)	Printing & Stationery	(3)
(36)	(36)	Rent of Premises	(36)
-	(5)	Crop Auditing Costs	(5)
(158)	(153)	Staff Employment Costs	(161)
(7)	(6)	Telephone	(6)
(44)	(36)	Travel - Members & Staff	(36)
(1)	(2)	Sundry Charges	(2)
(9)	(9)	Grower Relations	(9)
(17)	(-)	Members Election	(-)
(-)	(2)	Staff Training	(6)
(10)	(25)	Market Research Expenses	(20)
(564)	(566)		(626)
122	200	Operating Surplus/(Deficit)	-
(-)	(5)	Capital Expenditure	(5)

Statistical Summary

New South Wales Only

		2015 Crop	2014 Crop	2013 Crop	2012 Crop	2011 Crop
Number of farms producing rice	MIA	351	338	448	423	421
	CIA	195	209	279	270	256
	MV	559	746	898	844	694
	Nth NSW	0	4	6	8	3
	TOTAL	1,105	1,297	1,631	1,545	1,374

Production (tonnes)	MIA	254,031	233,760	377,850	315,868	300,167
	CIA	97,638	115,466	190,540	154,431	146,218
	MV	333,540	476,647	589,668	486,201	350,214
	Nth NSW	0	193	282	471	497
	TOTAL	685,209	826,066	1,158,340	956,971	797,096

Harvested Area (hectares)	MIA	23,153	20,944	33,077	31,572	28,975
	CIA	10,003	11,347	18,922	17,302	14,786
	MV	32,977	46,229	60,795	53,947	39,624
	Nth NSW	87	87	116	98	149
	TOTAL	66,134	78,607	112,910	102,811	83,534

Average Yield (Tonnes/Hectare)	MIA	11.0	11.2	11.4	10.0	10.4
	CIA	9.8	10.2	10.1	8.9	9.9
	MV	10.1	10.3	9.7	9.0	8.9
	Nth NSW	0	2.2	2.4	4.8	3.3
	AVERAGE	10.4	10.5	10.3	9.3	9.5



The Rice Marketing Board

FOR THE STATE OF
NEW SOUTH WALES

**4th Annual Report to NSW Rice Growers
October 2015**

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 ("RMB").

The Act outlines the objectives of the RMB as 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.

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

This report covers the period from October 2014 (the date of the previous report) to October 2015.

Section A

RMB Performance Measured 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 nine 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 RMB has commissioned a report which has independently verified the export price premium as calculated by the SEEL holder Ricegrowers Limited ("RL"). On the basis of the information provided by RL, the independent verification report and its own observations, the RMB 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 12 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;
- Providing information on the RMB website, including Annual Reports, regular news updates, Authorised Buyers contact details, Capital Equity Rollover Scheme rules, RMB policies;
- Communicating with the President and Executive Director of the RGA on issues relevant to the industry;
- Providing articles in the RGA newsletter, "Rice Matters";
- Inviting all NSW rice growers to the Annual Meeting held every November; and
- Being available to all growers, through its sole employee, the Board Secretary.

Section B

Summary of Ricegrowers Limited's Performance as SEEL Holder

(a) Independent Verification Report of the 2014-15 Export Price Premium

Grant Thornton Australia Ltd again performed an independent review of the export price premium for the year ending 30 April 2015. Based on the findings of this review, and its own monthly review of RL's operational and financial results and position, the RMB finds that RL as the holder of the SEEL, continues to deliver substantial benefits to NSW rice growers.

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

The assessment period covers the RL financial year from 1 May 2014 to 30 April 2015.

The Grant Thornton review highlights the following:

- An export price premium delivered to growers of \$82.4 million;
- The average medium grain export prices achieved by RL have been greater than those achieved by Californian exporters for the majority of the past four crop years once the California price is adjusted for storage and handling costs (see graph on page 37);
- Positive trends generally in key markets and market share;
- Paddy price premium includes efficiency scale advantage;
- Freight scale advantage of \$14.3 million (2013-14: \$18.5 million) delivered to growers, in addition to the export price premium;
- 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 \$1.25 billion (up 8.3% on 2013-14);
 - o Net Profit After Tax (NPAT) of \$49.2 million (up 46.8% on 2013-14); and
 - o Debt to equity of 43.9% (up from 43.6% in 2013-14).

(b) Assessment of Ricegrowers Limited in relation to stated objectives

1. Delivery of export price premiums to NSW rice growers

i. Amount of export price premium for 2014-15 year

Ricegrowers Limited, as the current holder of the SEEL, reported the delivery of an export price premium of \$82.4 million for the 2014-15 year.

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 (PNG and Solomon Islands), the Middle East, World Trade Organisation (WTO) Markets, New Zealand, and the Pacific Islands.

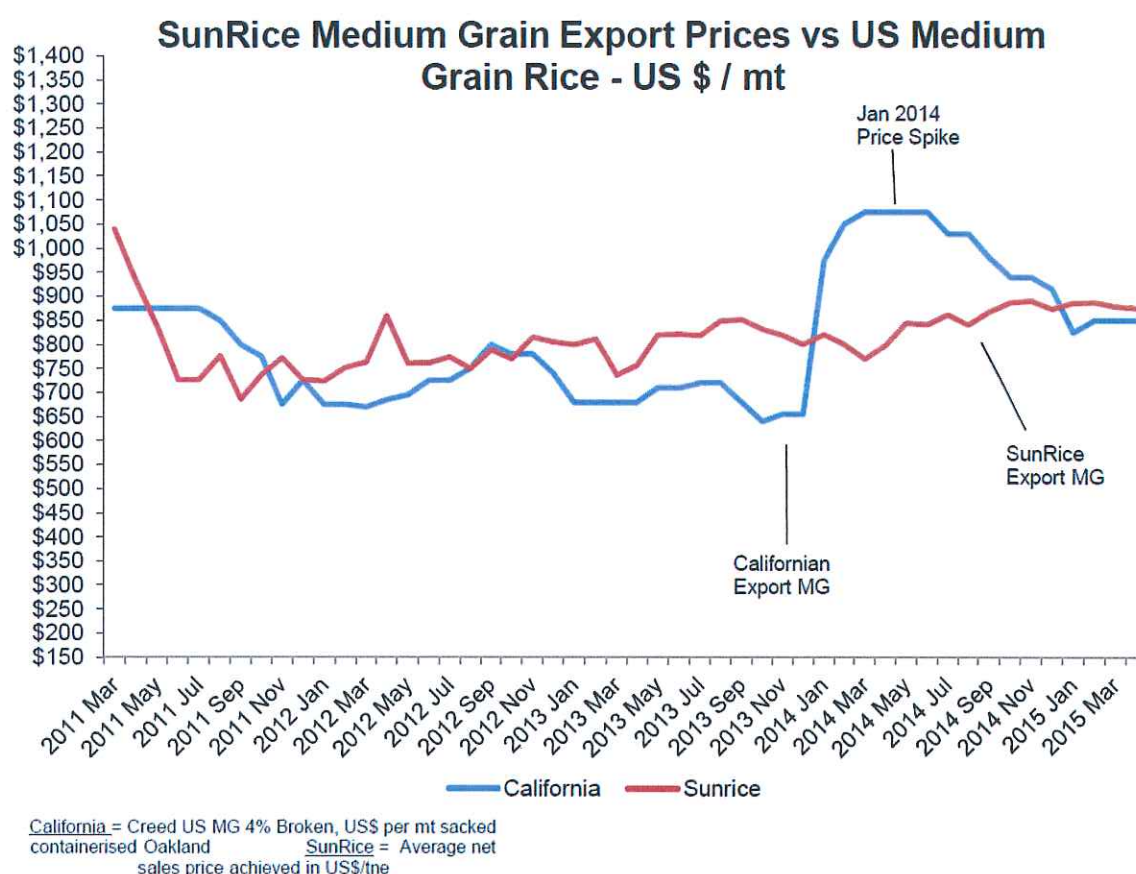
The premium is calculated as the difference between the average local RL sale price, less the average weighted local competitor sale price, multiplied by the volume sold.

While the reported 2014-15 export price premium of \$82.4 million has decreased from the 2013-14 premium of \$95.2 million, the premium per tonne has increased significantly to \$99.40 per tonne based on the 2014-15 rice crop production of 829,000 tonnes (2013-14: \$82 per tonne). Grant Thornton Australia Ltd stated in its verification

report of 17 August 2015 that the per tonne increase was due to an increase in the Papua New Guinea premium, because of the exclusion of rice brokens from the market, and also an increase in the United Arab Emirates and Lebanon selling prices.¹

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

The following graph displays the four year trend of the average FOB price achieved by RL in export markets (for AU Rice exported) compared to the average FOB Creed price. Medium grain continues to sell at a significant premium to long grain on the world's market.



Note:

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.

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

Due to brand strength, RL remains the dominant market player in the Pacific region. Cheaply-priced rice from Asia, however, has made inroads into Ricegrowers Limited's traditional markets. A loyal customer base, quick reliable shipping routes and established warehousing contribute to this market dominance. In the Middle East, rice is the staple food and the SunWhite brand holds a premium in the market and experienced increased sales due to marketing activity although competition from lower priced Egyptian rice remains a threat. Even though the WTO markets of Japan, South Korea and Taiwan continue to be constrained by quotas, sales in those markets increased over the prior year.²

¹ Grant Thornton Australia Ltd, 2015 Verification Report, Commercial-in-Confidence, page 22

² Ricegrowers Limited, SEEL Annual Review Response, September 2015, Commercial-in-Confidence, pages 4-13

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 has provided a summary³ of freight scale by region, detailing a total freight scale advantage of \$14.3 million (2013-14: \$18.5 million). 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 17 August 2015 that *"this is the only practical way of estimating the savings given smaller scale competitor rates are confidential"*⁴.

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 RMB on its milling capacity management. Current New South Wales milling capacity on a 24/7 basis is 880,000 tonnes. With the placement of Coleambally Mill into a care and maintenance program during the year, milling capacity has reduced from a previous 1,175,000 tonnes. This represents a theoretical utilization of 78.4% of New South Wales milling capacity, based on the C15 crop size of 693,000 paddy tonnes.

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.
 - o 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. Development of a new variety called Topaz has been launched to assist to meet this need.
 - o 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.
 - o Through the adoption of their 2012 strategic plan, RL has seen the demand for products increase significantly.
 - o Net profit before income tax of \$70.7million in 2014-15 represents at 30.7% increase on 2013-14 profit and an increase of 82.3% since 2011-12.
- iii. Contribution to Research and Development.
 - o RL is a contributing partner in the Rice Breeding and Grain Quality Partnership.

³ Ricegrowers Limited, SEEL Annual Review Response, September 2015, Commercial-in-Confidence, page 20.

⁴ Grant Thornton Australia Limited, 2015 Verification Report, Commercial-in-Confidence, page 11.

- Collaboration continues with CSIRO, Universities, Rural Industries Research and Development Corporation and NSW Department of Primary Industries amongst others, for product and process development research.
 - RL continues to provide significant funding for rice research and development and hosts a considerable part of this research through its subsidiary, Rice Research Australia Pty Ltd.
- iv. Buyer of last resort and track record of good returns.
- A condition of the Sole and Exclusive Export Licence agreement between RL and RMB, 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.
- 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 (reviewed by RMB in 2011-12) 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

An increasing percentage of water entitlement in the Murray and Murrumbidgee Valleys is now held by the Commonwealth Water Entitlement Holder resulting from entitlement purchase under the Murray Darling Basin Plan ("MDBP"). In the rice growing regions, more than 20% of water entitlement is owned by the Commonwealth Government. A significant development was the legislation to cap water buybacks.

Reduced water entitlement 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.⁵ Additional competition for water from other crops, such as cotton, is adding to the impact.

⁵ Ricegrowers Limited, SEEL Annual Review response, September 2015, Commercial-in-Confidence, page 15.

Analysis by RL indicates that average crop size is unlikely to exceed long term average production of 800,000 tonnes. RL has achieved significant year on year growth in demand across all market segments and to meet this demand, now requires 950,000 to 1,050,000 tonnes.

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. In overseas markets, RL has dominance in the Pacific Islands, Papua New Guinea and the Solomon Islands.

There has been no material change in the business segments of Ricegrowers Limited during CY14.

5. Financial Performance of RL⁶

Overall, the RL financial statements reflect a continued strengthening in financial position over the 12 month period to 30 April 2015. It had a strong trading year, milling and marketing the 2014 crop of 829,000 tonnes. Growers received \$394.62 per tonne for medium grain Reiziq, an increase of 34.4% compared to the previous year (\$293.61), which represented an increase of \$120 million in the annual grower return.

i. Income Statement

- Revenue from continuing operations totalled \$1.25 billion this year, an increase of 8.2% on 2013-14. Expenses increased reflecting the higher paddy price paid to growers.
- Net Profit After Tax of \$49.2 million (2013-14: \$33.5 million) with Earnings Per Share (B class shareholders) of 77.9 cents per share (53.3 cents per share in 2013-14).
- Results by segment indicate all segments were profitable in 2014-15.
- Interest Cover fell to 4.07 times (4.5 times in 2013-14).

ii. Balance Sheet

- Net Assets of \$364 million, an increase of \$40 million.
- Retained earnings increased to \$219 million from \$191 million in 2013-14.
- Current Ratio (current assets to current liabilities) fell to 1.6 (1.7 in 2013-14).
- Gearing percentage (debt/equity) was 43.9% (up slightly on 43.6% in 2013-14).
- Return on capital improved to 15.8% (14.1% in 2013-14).

iii. Cash Flow

- RL's net cash decreased by \$3 million during the 2014-15 year (2013-14: 72.1 million reduction, of which \$138 million related to decreasing debt).

iv. Other relevant financial matters for the year to 30 April 2015.

- Net debt is reducing as a percentage of current earnings.
- Debt levels have been well maintained.

⁶ Detailed information is contained in RL's Annual Report April 2015 including audited Financial Statements

- RL's currency exposures are managed under its Treasury policy. The company is compliant with the requirements of the policy.
- 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 six monthly. 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 2014-15 year, and no capital raisings are planned for the immediate future. A proposed capital restructure is currently being considered by the RL Board, to provide opportunities to enable growth.
- Fixed Asset Management: Capital investments by RL during 2014-15 totalled \$39 million (2013-14: \$32 million). Coleambally Mill was impaired at a cost of \$2 million.

6. Changes of Board and senior management personnel of RL

During the 2014-15 year, the RL Board Chairman Mr Gerry Lawson retired, and Mr Laurie Arthur was appointed. Independent RL Board member Peter Margin resigned. In August 2015 Dr Leigh Vial was elected to the RL Board, replacing Mr Alan Walsh. Mr John Bradford also joined the RL Board in late August 2015, following his election to the RMB.

Ms Simone Anderson replaced Mr Steven Ray as General Manager, Operations during 2014-15. Ms Jo Blackwell, General Manager, People and Performance left RL in 2014-15.

7. Risk management - competition from other agricultural products

RL monitors competition from other summer and winter crops on an annual basis. It is focusing 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. RL believes that rice production will continue to receive support from producers in southern NSW.

RL has purchased a rice mill in Queensland and is expanding production to provide another source of Australian grown rice. This investment is designed to complement the existing rice supply from the Riverina region of NSW. The focus of the investment is on specialty rice varieties, which have historically been difficult to grow in the Riverina.

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