

22 September 2010



The Honourable Mr Steven Whan, MP
Minister for Primary Industries
Minister for Emergency Services and
Minister for Rural Affairs
Parliament House
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 2010, for presentation to Parliament.

Yours sincerely,

N. Papallo
(Chairman)

N.G. Graham
(Deputy Chairman)

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Westpac Banking Corporation

Auditors

Auditor-General of New South Wales

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Annual Report

The Annual Report is also available at the website: www.rmbnsw.org.au

Chairman's Report

I am pleased to present my first report as Chairman of the Rice Marketing Board. From 1 January 2010 the Act requires the Chairman of the RMB to come from the ranks of Independent Members of the Board. This change has been made in order to improve the governance of the RMB, a position that the NSW Government has been actively pursuing amongst the advisory and marketing boards.

The RMB comprises seven members. Three of the members are elected by the Rice Growers and also serve on the Board of SunRice and the four independent members are ministerial appointed.

The objectives of the RMB are:

1. To encourage the development of a competitive domestic market for rice;
2. to ensure the best possible returns are gained from rice sold within and outside of Australia; and
3. to liaise with and represent the interests of all NSW Rice Growers in relation to the Board's functions and objectives.

Therefore, it is paramount that the RMB carries out its functions in order to achieve the above objectives.

The Board of the RMB comprises members with excellent skills and expertise.

The independent members are:

1. **Robyn Clubb** has served on the Board for over 6 years. She worked in the financial services sector for over twenty years, has a strong interest and involvement in agriculture, and serves on a number of other boards as a non-executive director.
2. **Douglas Hocking** has held a number of positions prior to his retirement with the NSW Department of Primary Industries, the more relevant being:

Director, Intensive Industries Development;
Program Manager of Horticultural Products & Plant Protection;
Chief Quarantine Officer for Plants;
Horticulturist which includes various roles in Extension, Research and Industry Development.

Chairman's Report (continued)

3. **Jan McClelland**, who joined the Board this year, brings to the Board sound expertise in executive level direction of organizations.

Jan began a distinguished career for the Australian Public Service in 1973 as part of the Administrative Team at the Australian National University.

As part of her career Jan has steered and implemented numerous strategic planning initiatives in infrastructure and workforce planning, policy development and management of organizational structure.

The Rice Growers' elected members are:

1. **Gerry Lawson**, the Chairman of SunRice.
2. **Noel Graham**, the Deputy Chairman of the RMB and who is also on the Board of Sun Rice and previously Chairman of the RMB for a number of years.
3. **Gillian Kirkup** who is also on the Board of SunRice, is the Chair of Murrumbidgee Irrigation and has vast experience of the rice industry.

The structure and composition of the RMB members ensures that the interests of all NSW Rice Growers and the objectives of the RMB Board are properly and successfully carried out.

Review of the Rice Marketing Act 1983

The *Rice Marketing Act 1983* requires the NSW Minister for Primary Industries to review the Act by the end of 2010. Statutory reviews must comply with the State's National Reform Agenda commitments. The RMB made a submission to the review requesting the retention of vesting and the single desk export arrangements.

A similar review was carried out in 2005 which recommended the retention of the single desk export arrangement and found that on a combined economic and qualitative basis, the single desk export marketing arrangements delivered a net public benefit in the order of \$45,000,000 per annum to the broad economy with other significant benefits which would be lost in the event of deregulation of the export market.

It is the Board's view that a single desk export arrangement is the best way to maximize Grower returns through the issuing of the Sole and Exclusive Export Licence. This view was supported by Growers at their recent Growers' meeting.

It is expected the review will be presented to the NSW Government in November this year. One hopes it will favor the current arrangements to allow the maximization of returns to Growers.

Chairman's Report (continued)

NSW Rice Production

Rice production this year is showing signs of recovery with 205,678 tonnes produced, an increase on the 2009 crop of 65,232 tonnes. This is a far cry from the 1.7 million tonne crop in 2001. However, due to recent rain and high inflows into the dams, next year looks like producing an even bigger crop. Let's hope it is a sign that we have turned the corner on the drought and are now entering a future of higher production.

The rice industry's expansion into Northern NSW has resulted in its second commercial rice crop being harvested in the Lismore area. Last year 36 Growers planted rice but only eleven were able to harvest and delivered 403 tonnes. This year 12 Growers planted rice harvesting 1,593 tonnes, an improvement on last year's harvest. The Growers continue to have problems at harvest time with too much water. It is ironic that the Northern NSW Growers suffer from too much water in trying to establish their rice industry while an established industry fights to minimize the proposed reduction in water allocation to food production.

I wish to congratulate the Rice Growers of NSW for the best record yield per hectare this year which produced 11 tonnes of rice per hectare for the major part of New South Wales.

Equity

Equity payments from the crop year 1999 totaling \$9.6 million were paid in the year ended 30 June 2010.

In March 2009 RiceGrowers Limited approached the Board with a proposal and request to amend the rules of the Capital Equity Rollover Scheme so that Equity certificate holders could redeem their equity early and whether that early redemption could be applied to purchase RiceGrowers Limited B class shares.

The Board was happy to facilitate this request provided all equity certificate holders were treated equitably and on the grounds that the equity holders and the purchasers of RiceGrowers Limited shares were predominantly one and the same. Approximately 33% of equity holders took up the offer, representing 40% of total equity or \$30,922,000.

The balance of the Equity at the start of the year was \$77.3 million. After the 2009 crop rollover payment and the transfer to RiceGrowers Limited of the conversion offer, the balance of the Equity scheme was reduced to \$36.7 million.

Financials

I am pleased to announce that at this financial year end the RMB had a small surplus of \$4,000. The Board receives the majority of its income from licence fees and it is very conscious of the need to keep its costs as low as possible.

Chairman's Report (continued)

Deregulation

The Act deregulated the NSW rice market to ensure a more competitive domestic market for rice. To this end the RMB issues authorized buyers' licences to approved applicants. The Board has recently put in place a clear and concise policy to be followed for the appointment under the Act of authorized buyers for the State of NSW.

Water

Water continues to be the biggest threat to the rice industry, not only the uncertainty of availability through drought but regulation through the MDBA Plan. The plan had not been released at the time of writing my report and it is an event we all await.

At the time of writing my report the dams are all recording record inflows and the Murrumbidgee and Murray Rivers are in flood. Let us hope the drought has broken and we experience good allocations to allow the Growers to produce a huge crop in 2011 and beyond.

Appreciation

My sincere thanks goes to my Deputy Chairman, Mr. Noel Graham, for his support and contribution in all aspects of Board activity. I have found Noel's knowledge of the rice industry vast and first-class and extremely helpful in assisting me in performing my duties as Chairman. I also thank my fellow board Members for their dedication and commitment to the RMB.

I also wish to thank Robert Brown, the secretary of the RMB, for his dedication, hard work and support.

The Board appreciates the support of the Minister for Primary Industries, Minister for Emergency Services and Minister for Rural Affairs, the Hon. Steven Whan MP, and his staff, State Members Tony Catanzariti MLC, Adrian Piccoli MP, John Williams MLA together with retiring Federal Member Kay Hull MP and Federal Member Sussan Ley MLC.

Thank you also to Dr Richard Sheldrake (Director General) and the rest of the team at NSW Industry and Investment who continually provide support to the RMB.

In conclusion, I would like to acknowledge all the growers who continue to support the rice industry in New South Wales.

Nicholas Joseph Papallo
Chairman

Board Structure & Management



J McClelland
B A (Hons),
B Leg S, FAIM,
FACEL, MAICD

D.F. Hocking
HDA GDE

G.L.
Kirkup
MAICD

N. Papallo
LLB OAM

CHAIRMAN

R. Clubb
BEC CA F.Fin
MAICD

G.F. Lawson
DA (Dip Ag)
MAICD

N.G. Graham
FAICD

DEPUTY
CHAIRMAN

BOARD MEMBERS

		<i>Date First Appointed to Board</i>	<i>Meeting Attended During the Year</i> ATTENDED	POSSIBLE
Nominated Members				
N. Papallo	(Chairman)	22-Apr-09	12	12
R. Clubb		1-Aug-04	10	11
D.F. Hocking		22-Apr-09	12	12
A.J. Hay (Retired 13/12/2009)		20-Apr- 09	6	7
J.B. McClelland		3-Mar-10	3	4
Grower Representatives				
N.G. Graham	(Deputy Chairman)	9-Nov-01	11	12
G.F. Lawson		1-May-85	10	12
G.L. Kirkup		9-Nov-05	12	12

The Board consists of seven members, three of whom are elected by growers, and four who are nominated by the Minister for Primary Industries. All Members have been appointed until 2013.

In addition, Board members attended various industry meetings and have represented the Board at several 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.



R.W. Brown
B. Bus(Acc)
SECRETARY

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

Apart from the Secretary, the Board does not employ any staff. 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 had 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.

OCCUPATIONAL HEALTH AND SAFETY

The Board has had no injuries or prosecutions under the Occupational Health and Safety Act 2000.

MULTI CULTURAL POLICIES AND SERVICE PROGRAM

The NSW Rice Industry embraces a multi cultural community and as a result the Board is aware of the needs of such a community in providing appropriate services. The Board is committed to the principles of multiculturalism.

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 June 2010 had a nominal balance of \$36,400,621. The Scheme is managed in accordance with its Rules which have been approved by the Minister for Primary Industries.

Statutory Reporting Requirements (continued)

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. There were no instances of penalty interest being paid or incurred during 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, and was officially constituted by Proclamation on 9th November, 1928 with the appointment of five grower elected members and two nominated members.

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 form 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 Boards' functions and objects.

Corporate 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 its strategic direction, establishing goals and monitoring the achievement of those goals by management.

BOARD PROCESS

The Board generally holds twelve scheduled meetings each year with non-scheduled meetings being held if 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 of the Sole and Exclusive Export Agreement with SunRice. Board papers are circulated in advance. The Secretary of the Board is involved in Board discussions.

COMPOSITION OF THE BOARD

Three Board Members are elected for a four year term by 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 for a four-year term. These nominated Members are from outside the rice industry and bring expertise in agriculture, business, law and finance to the Board. The Board Members elect the Chairman and Deputy Chairman annually after the Annual Meeting.

REMUNERATION

The Board approves remuneration of its employee. The Board recommends the remuneration of its Members to rice growers for their concurrence, and subsequent approval of the Minister with advice to the Premier of NSW. All necessary expenses incurred by Board Members whilst attending to Board business are refunded to them. All remuneration and expenses are paid 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 and to the Board's executive. 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.

Corporate Governance (continued)

AUDIT

The Boards' activities are audited by the Auditor General for New South Wales. The Auditor General has, with the agreement and involvement of the Board, sub-contracted the audit to Johnsons MME.

As the Board Membership is relatively small the Board has determined that it is not appropriate to appoint an Audit Committee, so the Board assumes the responsibilities that would normally be undertaken by such a committee, including:

- a. Meeting in private with the Auditor to review his/her findings and recommendations.
- b. To ensure that, when deficiencies in control or procedures have been identified, prompt remedial action is taken by management:
 - i. Liaise with the Auditor to ensure that annual audits are conducted effectively
 - ii. Monitor funding commitments and availability
 - iii. Review major non financial regulatory matters through the use of compliance programs covering the following matters:
 - Compliance with the Rice Marketing Act
 - Environment
 - Asset Protection
 - Health and safety
 - Trade practices
 - Discrimination and harassment
 - Conflict of interest
 - Ethical Standards
 - Privacy

Corporate Governance (continued)

RISK MANAGEMENT

The Board acknowledges that it is responsible for the overall internal control and risk management framework. To assist in discharging these responsibilities, the Board has instigated the following controls:

Financial Reporting

The Board approves comprehensive budgets for financial performance, financial position and cash forecasts. Monthly results are reported against budget and revised forecasts are prepared regularly.

Insurance

The Board reviews its insurance cover annually to ensure its adequacy.

Crop Auditing

The Board initiated a system of crop auditing to ensure that NSW rice is delivered to an Authorised Buyer and that those buyers comply with the conditions of the licence issued to them. The auditing system includes the use of any or all of the following;

- buyer and grower annual returns and declarations
- satellite imagery technology
- ground truthing using GPS technology
- security patrols
- data verification

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

Pursuant to section 41C of the Public Finance and Audit Act, 1983, and in accordance with a resolution of The Rice Marketing Board for the State of New South Wales, we state on behalf of the Board that in our opinion:

- a. The accompanying Financial Statements exhibit a true and fair view of the financial position of the Rice Marketing Board for the State of New South Wales, as at 30 June 2010, and the transaction for the year then ended.

Pursuant to Section 41C, of that Act and in accordance with a resolution of the Board, we further state on behalf of the Board that:

- I. The financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act, 1983, Public Finance and Audit Regulation 2010 and the NSW Treasurer's directions, and
- II. As at the date of signing this statement, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.



N. Papallo
(Chairman)

Dated 22 September 2010



G. F. Lawson
(Member)

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2010

	Notes	2010 \$ 000's	2009 \$ 000's
REVENUE			
Authorised Buyers Licences	2	207	242
Sole and Exclusive Export Licence	2	200	200
Other		3	44
		<u>410</u>	<u>486</u>
EXPENSES			
Audit fees		(17)	(16)
Legal and consultancy fees	3	(12)	(55)
Depreciation		(5)	(7)
Members' fees		(138)	(86)
Members' superannuation		(12)	(7)
Members' Election		(16)	-
Employee expenses		(112)	(117)
Insurance		(21)	(20)
Rent		(36)	(36)
Travel		(31)	(31)
Security / Crop auditing expenses		(12)	(8)
Sundry charges		(31)	(45)
		<u>(443)</u>	<u>(428)</u>
Finance income	4	61	103
Finance expenses	5	(33)	(78)
		<u></u>	<u></u>
Net profit/(loss) for the year		<u>(5)</u>	<u>83</u>
Other comprehensive income		-	-
Total comprehensive Income/(Result)		<u>(5)</u>	<u>83</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 2010

	Notes	2010 \$ 000's	2009 \$ 000's
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,112	1,434
Trade and other receivables	7	5,832	14,772
Total Current Assets		6,944	16,206
Non-Current Assets			
Trade and other receivables	7	28,446	49,619
Property, plant and equipment	8	7	9
Total Non-Current Assets		28,453	49,628
Total Assets		35,397	65,834
LIABILITIES			
Current Liabilities			
Trade and other payables	9	155	307
Prepaid Sole and Exclusive Export Licence	10	200	200
Grower's equity loans	11	5,581	14,493
Provisions	12	8	5
Total Current Liabilities		5,944	15,005
Non-Current Liabilities			
Grower's equity loans	11	28,446	49,619
Provisions	12	3	1
Prepaid Sole and Exclusive Export Licence	13	-	200
Borrowings	14	1,000	1,000
Total Non-Current Liabilities		29,449	50,820
Total Liabilities		35,393	65,825
NET ASSETS		4	9
EQUITY			
Retained earnings		4	9
TOTAL EQUITY		4	9

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 2010

	Notes	2010 \$ 000's	2009 \$ 000's
Equity at the beginning of the financial year		9	(74)
Net profit/(loss) for the year		(5)	83
Other comprehensive income		-	-
Equity at the end of the financial year		4	9

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 2010

	Notes	2010 \$ 000's	2009 \$ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from operations		252	63
Interest received		61	103
Payments			
Cash payments to creditors and suppliers		(461)	(487)
Interest paid		(80)	(78)
Net cash provided by operating activities	17(b)	<u>(228)</u>	<u>(399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(4)	(3)
Net cash used in investing activities		<u>(4)</u>	<u>(3)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Equity rollover and redemptions		(30,175)	(9,893)
Receipt of equity contributions		30,085	9,933
Net cash used In financing activities		<u>(90)</u>	<u>40</u>
Net increase/(decrease) in cash and cash equivalents		(322)	(362)
Cash and cash equivalents at the beginning of the year		1,434	1,796
Cash and cash equivalents at the end of the year	17(a)	<u>1,112</u>	<u>1,434</u>

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

Notes to and Forming Part of the General Purpose Financial Statements For the Year Ended 30 June 2010

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 *Marketing of Primary Products Act*. 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 was authorised for issue by the Board on 22 September 2010.

(b) GENERAL

The Rice Marketing Board's financial statements are general purpose financial statements which has 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 Regulations.

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 Licence

The Sole and Exclusive Export Licence is recognised as and when the fee is received or becomes receivable in accordance with the Sole and Exclusive Export licence conditions. Sole and Exclusive Export Licence fee received in respect of future accounting periods is not recognised as revenue, but rather deferred to a liability called Sole and Exclusive Export Licence received in advance (Notes 10 & 13).

Interest

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

(d) BORROWING COSTS

Borrowing costs are expensed in the period in which they are incurred.

(e) INCOME TAX

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

Notes to and Forming Part of the General Purpose Financial Statements For the Year Ended 30 June 2010

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible 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.

Interest on interest bearing liabilities which has been paid in advance of when it is due is recognised as a pre-payment and is offset against the outstanding balance of interest bearing liabilities.

(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 the lower of cost or 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	25.0% - 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.

(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.

Notes to and Forming Part of the General Purpose Financial Statements For the Year Ended 30 June 2010

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

Receivables

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 11), being 3.21% (2009 7.76%). Any increase or decrease in the present value of the 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

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 11), being 3.21% (2009 7.76%). Any increase or decrease in the present value of the loans is recognised in the Statement of Comprehensive Income.

(n) 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 with the amount of GST included. 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.

(o) COMPARATIVE FIGURES

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

Notes to and Forming Part of the General Purpose Financial Statements For the Year Ended 30 June 2010

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(p) ACCOUNTING POLICIES

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.

NOTE 2 AUTHORISED BUYER LICENCES

The NSW domestic rice market was deregulated 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 Licence.

The Sole and Exclusive Export Licence was executed 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 Licence by giving the other party at least 5 years written notice of termination.

Authorised Buyers pay a fixed annual fee of \$550 per year. The Sole and Exclusive Export Licence has been paid in advance and will be amortised as income over the term of the licence. 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 2010 was \$406,812 (\$442,617 in 2009).

NOTE 3 LEGAL AND CONSULTANCY FEES

	2010 \$000's	2009 \$000's
Fees & expense incurred	12	55

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

NOTE 4 FINANCE INCOME

	2010 \$000's	2009 \$000's
Bank Interest	61	103

NOTE 5 FINANCE EXPENSES

	2010 \$000's	2009 \$000's
Interest incurred on borrowings	33	78

**Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2010**

NOTE 6 CASH AND CASH EQUIVALENTS

	2010 \$000's	2009 \$000's
Cash at Bank	1	87
Cash on Deposit	1,111	1,347
	<u>1,112</u>	<u>1,434</u>

NOTE 7 TRADE AND OTHER RECEIVABLES

	2010 \$000's	2009 \$000's
Current		
Authorised Buyers	233	266
Australian Grain Storage Pty Ltd	5,581	14,493
Other	18	13
	<u>5,832</u>	<u>14,772</u>
Non-Current		
Australian Grain Storage Pty Ltd	28,446	49,619
	<u>34,278</u>	<u>64,391</u>

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

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	2010 \$000's	2009 \$000's
OFFICE & COMPUTER EQUIPMENT		
At Cost	22	22
Accumulated Depreciation	(15)	(13)
	<u>7</u>	<u>9</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>7</u>	<u>9</u>

	Year ended 30 June 2010	Year ended 30 June 2009
Description	Office & Computer Equipment \$000's	Office & Computer Equipment \$000's
Opening WDV 1 July 2009	9	13
Additions	4	3
Disposals	(1)	-
Depreciation	(5)	(7)
Closing WDV 30 June 2010	<u>7</u>	<u>9</u>

**Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2010**

NOTE 9 TRADE AND OTHER PAYABLES

	2010 \$000's	2009 \$000's
Payables	94	156
Unclaimed grower equity repayments	61	151
Agency fee received in advance		-
	155	307

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 10 PREPAID SOLE AND EXCLUSIVE LICENCE - CURRENT

	2010 \$000's	2009 \$000's
Sole and Exclusive Export Licence	200	200

NOTE 11 GROWERS' EQUITY LOANS

	2010 \$000's	2009 \$000's
Equity Redemption Loan Fund (Current)	5,581	14,493
Equity Roll Over Loan Fund (Non-Current)	28,446	49,619
Total Growers Equity Loans	34,027	64,112

The nominal value of the grower equity loans at 30 June 2010 was \$36,400,621 (2009: \$77,300,427). 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 3.21% (2009: 7.76%).

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.

	2010 \$000's	2009 \$000's
Opening Balance of Fund	64,112	72,837
Less Redemptions	(361)	(378)
Less Conversions	(30,922)	-
Less Roll Over Payment	(9,617)	(9,933)
Add Movement in fair value of loans	10,815	1,586
Closing Balance of Fund	34,027	64,112

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

	2010 \$000's	2009 \$000's
Less than one year	5,581	14,493
One year to five years	24,720	39,403
Five to ten years	3,726	10,216
Total	34,027	64,112

**Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2010**

NOTE 12 PROVISIONS

	2010 \$000's	2009 \$000's
Annual Leave (Current)	8	5
Long Service Leave (Non-Current)	3	1
	<u>11</u>	<u>6</u>

NOTE 13 SOLE AND EXCLUSIVE LICENCE – NON CURRENT

	2010 \$000's	2009 \$000's
Sole and Exclusive Export Licence	<u>-</u>	<u>200</u>

NOTE 14 BORROWINGS

	2010 \$000's	2009 \$000's
Interest bearing loans	<u>1,000</u>	<u>1,000</u>

Loans are recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

FINANCING ARRANGEMENTS

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

	2010 \$000's	2009 \$000's
Bank Overdrafts	2,500	2,500
Interest bearing loans	1,000	1,000
Total	<u>3,500</u>	<u>3,500</u>
Facilities utilised at reporting date		
Bank Overdrafts	-	-
Interest bearing loans	1,000	1,000
Total	<u>1,000</u>	<u>1,000</u>
Facilities not utilised at reporting date		
Bank Overdrafts	2,500	2,500
Interest bearing loans	-	-
Total	<u>2,500</u>	<u>2,500</u>

**Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2010**

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:

2010	Floating Interest Rate	Fixed Interest Rate Maturing in		Non- Interest Bearing	Total Carried As per Balance Sheet	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	211	901	-	-	1,112	4.64%
Trade and other receivables	-	-	-	34,278	34,278	n/a
Total financial assets	211	901	-	34,278	35,390	
Financial Liabilities						
Trade and other payables	-	-	-	155	155	n/a
Growers' equity loans	-	-	-	34,027	34,027	n/a
Interest bearing loans	1,000	-	-	-	1,000	3.25%
Other liabilities	-	-	-	200	200	n/a
Total financial liabilities	1,000	-	-	34,382	35,382	
2009	Floating Interest Rate	Fixed Interest Rate Maturing in		Non- Interest Bearing	Total Carried As per Balance Sheet	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	203	1,231	-	-	1,434	4.29%
Trade and other receivables	-	-	-	64,391	64,391	n/a
Total financial assets	203	1,231	-	64,391	65,825	
Financial Liabilities						
Trade and other payables	-	-	-	307	307	n/a
Growers' equity loans	-	-	-	64,112	64,112	n/a
Interest bearing loans	1,000	-	-	-	1,000	7.76%
Other liabilities	-	-	-	400	400	n/a
Total financial liabilities	1,000	-	-	64,819	65,819	

15(b) Credit risk exposures

The credit risk on financial assets is generally the carrying amount disclosed on the balance sheet.

15(c) Net fair values

For all financial assets and financial liabilities it is considered that carrying values as disclosed in the balance sheet reflect the net fair values.

Notes to and Forming Part of the General Purpose Financial Statements For the Year Ended 30 June 2010

NOTE 15 FINANCIAL INSTRUMENTS (continued)

15(d) Financial Risk Management

The Rice Marketing Board's activities expose it to credit, liquidity and interest rate 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. The Board is exposed to interest rate risk through its long term borrowings.

Cash flow sensitivity analysis for variable rate financial instruments

A change of 100 or 200 basis points in interest rates at the reporting date would have decreased profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The same analysis is also performed on 2009 balances.

	Interest rate risk		Interest rate risk	
	+100bps	+100bps	+200bps	+200bps
	Profit	Equity	Profit	Equity
	\$000's	\$000's	\$000's	\$000's
2010				
Interest bearing loans	(10)	(10)	(20)	(20)
	(10)	(10)	(20)	(20)
2009				
Interest bearing loans	(10)	(10)	(20)	(20)
	(10)	(10)	(20)	(20)

**Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2010**

NOTE 16 RELATED PARTY TRANSACTIONS

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:

	2010 \$000's	2009 \$000's
Short-term employee benefits	232	196
Post-employment benefits	31	17
	263	213

NOTE 17 NOTES TO THE CASH FLOW STATEMENT

(a) RECONCILIATION OF CASH AT END OF YEAR

	2010 \$000's	2009 \$000's
Cash at bank and on deposit	1,112	1,434
Cash at end of year	1,112	1,434

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

(b) RECONCILIATION OF OPERATING RESULT TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2010 \$000's	2009 \$000's
<u>Net profit/(loss) for the year</u>	(5)	83
<u>Non cash recognition of provisions in the balance sheet</u>		
Depreciation	5	7
Loss on Sale of Property Plant and Equipment	1	-
<u>Asset and Liabilities Movements:</u>		
(Increase)/Decrease in Trade and other receivables	28	(277)
Increase/(Decrease) in Trade and other payables	(62)	(7)
Increase/(Decrease) in Other liabilities	(200)	(200)
Increase/(Decrease) in Provisions	5	(5)
Net cash provided by operating activities	(228)	(399)

Notes to and Forming Part of the General Purpose Financial Statements For the Year Ended 30 June 2010

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 Licence 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 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



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

The Rice Marketing Board for the State of New South Wales

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of The Rice Marketing Board for the State of New South Wales (the Board), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Board as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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 the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 the 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 controls relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Board, as well as evaluating the overall presentation of the financial statements.

I believe that 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 has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. 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 role by the possibility of losing clients or income.



Peter Coulogeorgiou
Director, Financial Audit Services

8 October 2010
SYDNEY

2009/10 Budget

Actual 2009/2010 \$000's	Budget 2009/2010 \$000's		Budget 2010/2011 \$000's
INCOME			
207	309	Authorised Buyers' Licence Fees	375
200	200	Sole & Exclusive Export Licence Fee	200
61	53	Interest Received	53
3		Miscellaneous Income	
471	562		628
EXPENDITURE			
(1)	(1)	Advertising	(1)
(18)	(18)	Audit Fees	(18)
(1)	(2)	Bank Charges	(2)
(12)	(16)	Legal & Consultancy Fees	(16)
(5)	(13)	Depreciation	(6)
(2)	(6)	Inform Systems – Maint & Consumables	(6)
(21)	(24)	Insurances	(20)
(31)	(31)	Interest Paid	(53)
(138)	(145)	Members' Fees	(170)
(12)	(13)	Members' Superannuation	(15)
(5)	(3)	Postage & Couriers	(4)
(4)	(6)	Printing & Stationery	(6)
(36)	(36)	Rent of Premises	(36)
(12)	(12)	Satellite Imagery & Telemetry	(24)
(110)	(124)	Staff Employment Costs	(123)
(10)	(9)	Telephone	(10)
(31)	(45)	Travel - Members & Staff	(49)
(26)	(8)	Sundry Charges	(36)
		Grower Relations	(9)
(5)	(25)	Capital Expenditure	(25)
(480)	(562)		(628)
(9)	-	Operating Surplus/(Deficit)	-

Statistical Summary

		2010 Crop	2009 Crop	2008 Crop	2007 Crop	2006 Crop
Number of farms producing rice	MIA	172	89	11	125	513
	CIA	97	49	14	184	309
	MV	135	54	13	62	931
	Nth NSW	10	11			
	TOTAL	414	203	38	371	1,753

Production (tonnes)	MIA	109,262	34,690	6,970	60,099	386,238
	CIA	45,652	17,680	5,448	83,399	180,811
	MV	49,171	12,459	6,879	23,210	470,508
	Nth NSW	1593	403			
	TOTAL	205,678	65,232	19,297	166,707	1,037,557

Harvested Area (hectares)	MIA	9,434	3,937	710	5,931	36,758
	CIA	4,231	2,188	602	8,096	18,218
	MV	4,868	1,751	848	2,759	49,541
	Nth NSW	384	100			
	TOTAL	18,920	7,948	2,160	16,787	104,517

Average Yield (Tonnes/Hectare)	MIA	11.6	9	10	10	11
	CIA	10.8	8	9	10	10
	MV	10.1	7	8	8	9
	Nth NSW	4.2	4			
	OVERALL	10.9	8	9	10	10

Average Yield for Riverina Area (MIA, CIA & MV) 11.01 Tonnes/Hectare.