



ANNUAL REPORT



for the year ended 30 June 2012

26 September 2012

The Honourable Katrina Hodgkinson, MP
Minister for Primary Industries, and
Minister for Small Business
Parliament House
SYDNEY NSW 2000



**The Rice
Marketing
Board**

FOR THE STATE OF
NEW SOUTH WALES

Dear Minister,

In accordance with Section 9A of the Annual Reports (Statutory Bodies) Act, 1984 we submit the Rice Marketing Board's Annual Report for the year ended 30 June 2012, for presentation to Parliament.

Yours sincerely,

R Clubb
(Chairman)

N.G. Graham
(Deputy Chairman)

Directory

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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

This past year for the rice industry was highlighted by an excellent rice crop and high water allocations auguring well for another large crop in the 2012-13 season. The relief to growers arising from the resumption in 2010 -11 of strong rice production and again in 2011-12, was tempered somewhat by the ongoing uncertainty arising from the various iterations of the Murray Darling Basin Plan, the NSW Government's recent review of vesting and the vesting period, and the introduction of the carbon tax in July this year.

Response and Implementation - Review of the Rice Marketing Act 1983

The review by Integrated Marketing Communications (IMC) of The *Rice Marketing Act 1983* was tabled in Parliament last year.

The review made five recommendations, covering the monitoring of the holder of the Sole and Exclusive Export Licence, operation of the Authorised Buyers' Scheme and associated fee structure, consideration of exemptions from the Authorised Buyers' Scheme, and funding of the Rice Marketing Board.

The Board, in response to the recommendations, has instigated a new monitoring and reporting process with Ricegrowers Limited, the holder of the Sole and Exclusive Export Licence. This new system commences with the audited financial results of Ricegrowers Ltd as at 30 April 2012.

Response to the Review of Vesting and the Vesting Proclamation Period

In July 2012, the NSW Department of Trade and Investment sought submissions from the industry and other interested parties, on the continuation of vesting. The Rice Marketing Board forwarded a submission to the Department requesting the continuation of vesting for a period of eight years commencing from January 2013. It continues to be the view of the Board 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 at the seven June 2012 Branch meetings of the Rice Growers Association. There was unanimous support at all seven meetings for the continuation of vesting, a strong message from rice growers that vesting continues to deliver an export price premium to them.

NSW Rice Production

It is pleasing to report rice production this year was just over 956,000 tonnes. This is an increase on last year's crop of 797,000 tonnes. Given the level of water allocations, indications are that next year's crop will surpass 1 million tonnes.

Grower Equity Rollover Scheme

The balance of the Equity at the start of this last financial year was \$30.586 million. Equity payments from the crop year 2001 totalling \$11.755 million were paid in July 2011.

The balance owing to growers under the scheme as at 30 June 2012 was \$18.758 million. After the 2002 crop rollover payment of \$7.878 million in late July 2012, the balance of the Equity Scheme reduced to \$10.880 million. The final payment under the Scheme is due to occur in July 2016.

Chairman's Report (continued)

Financials

This year the Board has recorded a surplus of \$225 thousand which will contribute to the Board's targeted reserve of 2 years operating costs. The larger rice crop has enabled the full cost recovery rate per tonne to drop to 40 cents. The Board remains diligent in managing the operations of RMB in the most cost effective yet efficient manner.

Deregulation

The Act deregulated the NSW rice market in 2006 to facilitate a more competitive domestic market for rice. To this end the RMB issues authorised buyers' licences to approved applicants. The Board has issued seven authorised buyers' licences since the commencement of the Authorised Buyers Scheme. Information on authorised buyers is available on the RMB website.

Water

The further releases of drafts of the Murray Darling Basin Plan continue to be a major concern to rice growers and their surrounding communities. At the time of writing my report the dams are again full with allocation of 100% in the Murray Valley and 64% plus average carryover of 27% in the Murrumbidgee Valley.

Appreciation

My sincere thanks go to my Deputy Chairman, Mr. Noel Graham, for his ongoing support and contribution in all aspects of Board activity. 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. Robert resigned from his position in late June 2012 in order to re-locate to the Southern Highlands of NSW.

The Board appreciates the support of the Minister for Primary Industries and Minister for Small Business, the Hon. Katrina Hodgkinson MP, and her staff, the Hon. Adrian Piccoli MP, Minister for Education and State Member for Murrumbidgee, Mr John Williams MP, State Member for Murray-Darling, Mr Michael McCormack MP, Federal Member for Riverina and Ms Sussan Ley MP, Federal Member for Farrer.

Thank you also to Dr Richard Sheldrake (Director General) and the team at NSW Department of Primary Industries who continually provide support to the RMB.

I would like to acknowledge Les Gordon (President), Ruth Wade (Executive Director) and the RGA Central Executive for their tireless work in advocating on behalf of the industry.

In conclusion, I wish all the growers who continue to support the rice industry in New South Wales all the best for the 2013 crop.

Robyn Clubb
Chairman

Board Structure & Management



J.B. McClelland <i>B A (Hons), B Leg S, FAIM, FACEL, FAICD</i>	D.F. Hocking <i>HDA GDE</i>	G.L. Kirkup <i>MAICD</i>	N.J. Papallo <i>OAM LLB</i>	R. Clubb <i>BEc CA F.Fin MAICD</i>	G.F. Lawson <i>AM LDA (Dip Ag) MAICD</i>	N.G. Graham <i>FAICD</i>
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CHAIRMAN

**DEPUTY
CHAIRMAN**

BOARD MEMBERS

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

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 are 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 Accounting,
GradDipACG*
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

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.

WORK HEALTH AND SAFETY

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

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.

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 2012 had a nominal balance of \$18,758,857.97. 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 now repealed *Marketing of Primary Products Act, 1927*, now replaced by the *Rice Marketing Act 1983* 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 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.

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 eleven 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 the Minister for approval. 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 Board's 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 2012, 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.



R Clubb
(Chairman)



N.G. Graham
(Deputy Chairman)

Dated 26 September 2012

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2012

	Notes	2012 \$ 000's	2011 \$ 000's
REVENUE			
Authorised Buyer's Licences		386	513
Sole and Exclusive Export Agreement		200	200
Other		4	-
	2	<u>590</u>	<u>713</u>
EXPENSES			
Audit Fees		(15)	(17)
Legal and Consultancy Fees	3	(4)	(114)
Depreciation		(2)	(4)
Members' Fees		(145)	(145)
Members' Superannuation		(13)	(13)
Employee Expenses	4	(116)	(111)
Insurance		(24)	(23)
Rent		(36)	(36)
Travel		(31)	(36)
Sundry Charges		<u>(44)</u>	<u>(38)</u>
		<u>(430)</u>	<u>(537)</u>
Finance Income	5	65	60
Finance Expenses	6	-	(54)
Net Surplus/Deficit for the Year		<u>225</u>	<u>182</u>
Other Comprehensive Income		-	-
Total Comprehensive Income/(Result)		<u>225</u>	<u>182</u>

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

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Notes	2012 \$ 000 s	2011 \$ 000 s
ASSETS			
Current Assets			
Cash and Cash Equivalents	7	925	817
Trade and Other Receivables	8	392	513
Other Assets	9	7,873	11,755
Total Current Assets		9,190	13,085
Non-Current Assets			
Other Assets	9	9,986	16,493
Property, Plant and Equipment	10	39	27
Total Non-Current Assets		10,025	16,520
Total Assets		19,215	29,605
LIABILITIES			
Current Liabilities			
Trade and Other Payables	11	133	158
Prepaid Sole and Exclusive Export Agreement	12	200	-
Growers Equity Loans	13	7,873	11,755
Provisions	14	5	7
Borrowings	15	-	1,000
Total Current Liabilities		8,211	12,920
Non-Current Liabilities			
Prepaid Sole and Exclusive Export Agreement	12	600	-
Growers Equity Loans	13	9,986	16,494
Provisions	14	7	5
Total Non-Current Liabilities		10,593	16,499
Total Liabilities		18,804	29,419
NET ASSETS		411	186
EQUITY			
Retained Earnings		411	186
TOTAL EQUITY		411	186

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2012**

	Notes	2012 \$ 000 s	2011 \$ 000 s
Equity at the beginning of the financial year		186	4
Net surplus/deficit for the year		225	182
Other comprehensive income		-	-
Equity at the end of the financial year		411	186

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 2012

	Notes	2012 \$ 000's	2011 \$ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from operations		510	335
Interest received		65	60
Payments			
Cash payments to creditors and suppliers		(523)	(556)
Interest paid		-	(86)
Net cash provided by operating activities	18(b)	<u>52</u>	<u>(247)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(14)	(24)
Net cash used in investing activities		<u>(14)</u>	<u>(24)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Equity rollover and redemptions		(11,809)	(5,856)
Receipt of equity contributions		11,879	5,832
Net cash used In financing activities		<u>70</u>	<u>(24)</u>
Net increase/(decrease) in cash and cash equivalents		108	(295)
Cash and cash equivalents at the beginning of the year		817	1,112
Cash and cash equivalents at the end of the year	18(a)	<u><u>925</u></u>	<u><u>817</u></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 2012

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 26 September 2012.

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 2010.

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 12).

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.

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 2012

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

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.

(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	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.

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 2012

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.

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 13), being 3.25% (2011 5.38%). 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 13), being 3.25% (2011 5.38%). Any increase or decrease in the present value of the interest free 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 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.

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 2012

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(o) COMPARATIVE FIGURES

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

(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 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 \$550 per year. The Sole and Exclusive Export Agreement has been paid in advance 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 2012 was \$586,251 (\$713,458 in 2011).

NOTE 3 LEGAL AND CONSULTANCY FEES

	2012 \$000's	2011 \$000's
Legal Fees & Expense Incurred	4	74
Independent Experts Report	-	40
	4	114

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

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 2012

NOTE 4 EMPLOYEE EXPENSES

	2012 \$000's	2011 \$000's
Wages & Salary	91	91
Annual Leave	8	7
Long Service Leave	2	2
Superannuation	9	9
Training	6	2
	<u>116</u>	<u>111</u>

NOTE 5 FINANCE INCOME

	2012 \$000's	2011 \$000's
Bank Interest	65	60

NOTE 6 FINANCE EXPENSES

	2012 \$000's	2011 \$000's
Interest incurred on borrowings	-	54

NOTE 7 CASH AND CASH EQUIVALENTS

	2012 \$000's	2011 \$000's
Cash at Bank	24	173
Cash on Deposit	901	644
	<u>925</u>	<u>817</u>

NOTE 8 TRADE AND OTHER RECEIVABLES

	2012 \$000's	2011 \$000's
Current		
Authorised Buyers	390	511
Other	2	2
	<u>392</u>	<u>513</u>

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

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 2012

NOTE 9 OTHER ASSETS

	2012 \$000's	2011 \$000's
Current		
Australian Grain Storage Pty Ltd	7,873	11,755
Non-Current		
Australian Grain Storage Pty Ltd	9,986	16,493
	<u>17,859</u>	<u>28,248</u>

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

	2012 \$000's	2011 \$000's
OFFICE & COMPUTER EQUIPMENT		
At Cost	22	22
Accumulated Depreciation	(21)	(19)
Capital Work In Process	38	24
	<u>39</u>	<u>27</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>39</u>	<u>27</u>

	Year ended 30 June 2012	Year ended 30 June 2011
Description	Office, Computer Equipment & WIP \$000 s	Office & Computer Equipment \$000 s
Opening WDV 1 July 2011	27	7
Additions	14	24
Disposals	0	0
Depreciation	(2)	(4)
Closing WDV 30 June 2012	<u>39</u>	<u>27</u>

NOTE 11 TRADE AND OTHER PAYABLES

	2012 \$000's	2011 \$000's
Payables	25	21
Unclaimed grower equity repayments	108	37
Agency fee received in advance	-	100
	<u>133</u>	<u>158</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.

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 2012

NOTE 12 PREPAID SOLE AND EXCLUSIVE AGREEMENT - CURRENT

	2012	2011
	\$000's	\$000's
Sole and Exclusive Export Agreement (Current)	200	-
Sole and Exclusive Export Agreement (Non Current)	600	-
Total Sole and Exclusive Export Agreement	800	-

NOTE 13 GROWERS' EQUITY LOANS

	2012	2011
	\$000's	\$000's
Equity Redemption Loan Fund (Current)	7,873	11,755
Equity Roll Over Loan Fund (Non-Current)	9,986	16,494
Total Growers Equity Loans	17,859	28,249

The nominal value of the interest free grower equity loans at 30 June 2012 was \$18,758,857 (2011: \$30,568,884). 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 3.25% (2011: 5.38%).

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.

	2012	2011
	\$000's	\$000's
Opening Balance of Fund	28,249	34,027
Less Redemptions	(54)	(254)
Less Roll Over Payment	(11,755)	(5,578)
Add Movement in fair value of loans	1,419	53
Closing Balance of Fund	17,859	28,248

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

	2012	2011
	\$000's	\$000's
Less than one year	7,873	11,755
One year to five years	9,986	16,493
Total	17,859	28,248

Growers can apply to redeem their equity loan at anytime if they meet the rules. However, the total value of redemptions in any one year is capped by an agreement with AGS. For the year ending 30 June 2012 the agreed maximum was \$395,000 (2011 \$555,000). The agreed yearly amount reduces each year until 2015; the amount in 2015 is \$110,000.

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 2012

NOTE 14 PROVISIONS

	2012	2011
	\$000's	\$000's
Annual Leave (Current)	5	7
Long Service Leave (Non-Current)	7	5
	<u>12</u>	<u>12</u>

NOTE 15 BORROWINGS

	2012	2011
	\$000's	\$000's
Interest bearing loans (Current)	-	1,000
Interest bearing loans (Non-Current)	-	-
	<u>-</u>	<u>1,000</u>

Loans are recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Interest Loan relates to an advanced payment received from Ricegrowers Limited. This loan matured on 30 June 2011 and was retained as the Prepaid Sole and Exclusive Export Agreement. Interest was charged using the BBSW rate of 5.38% for 2011.

FINANCING ARRANGEMENTS

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

	2012	2011
	\$000's	\$000's
Bank overdrafts	2,500	2,500
Interest bearing loans		1,000
Total	<u>2,500</u>	<u>3,500</u>
Facilities utilised at reporting date		
Bank overdrafts	-	-
Interest bearing loans	-	1,000
Total	<u>-</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>

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 2012

NOTE 16 FINANCIAL INSTRUMENTS

16(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:

2012	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	\$000's	
Financial Assets						
Cash and cash equivalents	24	901	-	-	925	5.57%
Trade and other receivables	-	-	-	18,251	18,251	n/a
Total financial assets	24	901	-	18,251	19,176	
Financial Liabilities						
Trade and other payables	-	-	-	133	133	n/a
Growers' equity loans	-	-	-	17,859	17,859	n/a
Interest bearing loans	-	-	-	-	-	n/a
Other liabilities	-	-	-	800	800	n/a
Total financial liabilities	-	-	-	18,792	18,792	

2011	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	\$000's	
Financial Assets						
Cash and cash equivalents	216	601	-	-	817	5.70%
Trade and other receivables	-	-	-	28,762	28,762	n/a
Total financial assets	216	601	-	28,762	29,599	
Financial Liabilities						
Trade and other payables	-	-	-	158	158	n/a
Growers' equity loans	-	-	-	28,428	28,428	n/a
Interest bearing loans	1,000	-	-	-	1,000	5.38%
Other liabilities	-	-	-	-	-	n/a
Total financial liabilities	1,000	-	-	28,586	29,586	

16(b) Credit risk exposures

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

16(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.

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 2012

NOTE 16 FINANCIAL INSTRUMENTS (continued)

16(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 16(a). Refer to Note 22 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 16(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 one million dollar loan in the Board's accounts at 30 June 2011 matured at 30 June 2011 and was converted into the prepaid Sole and Exclusive Export Agreement fee on the 1 July 2012. Therefore, for the period ending 30 June 2012 the Board was not exposed to any cash flow sensitivity relating to interest rate shock on borrowings. A change of 100 or 200 basis points in interest rates at the reporting date would not have affected the Board. However, last year a change would have decreased the result by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on 2011 balances.

	Interest rate risk		Interest rate risk	
	+100bps Result \$000's	+100bps Equity \$000's	+200bps Result \$000's	+200bps Equity \$000's
2012				
Interest bearing loans	-	-	-	-
	-	-	-	-
2011				
Interest bearing loans	(10)	(10)	(20)	(20)
	(10)	(10)	(20)	(20)

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 2012

NOTE 17 RELATED PARTY TRANSACTIONS

17(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:

	2012 \$000's	2011 \$000's
Short-term employee benefits	236	234
Post-employment benefits	32	31
	268	265

17(b) Transactions with Related Parties

The Board did not have any related party transaction for the year ending 30 June 2012. (2011 \$30,000).

NOTE 18 NOTES TO THE STATEMENT OF CASHFLOWS

18(a) Reconciliation of Cash at End of Year

	2012 \$000's	2011 \$000's
Cash at bank and on deposit	925	817
Cash at end of year	925	817

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

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

	2012 \$000's	2011 \$000's
<u>Net surplus for the year</u>	225	182
<u>Non cash recognition of provisions in the statement of financial position</u>		
Depreciation	2	4
Loss on Sale of Property Plant and Equipment	-	-
<u>Asset and Liabilities Movements:</u>		
Increase/(Decrease) in Borrowings	(1,000)	-
(Increase)/Decrease in Trade and other receivables	119	(262)
Increase/(Decrease) in Trade and other payables	(94)	28
Increase/(Decrease) in Other liabilities	800	(200)
Increase/(Decrease) in Provisions	-	1
Net cash provided by operating activities	52	(247)

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 2012

NOTE 19 CONTINGENT LIABILITIES

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

NOTE 20 EVENTS OCCURRING AFTER REPORTING DATE

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

NOTE 21 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 22 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



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 comprise the statement of financial position as at 30 June 2012, 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 2012, 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* (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 of the 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 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 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 control relevant to the Board'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 Board's internal control. 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 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 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 or 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.

S Bond.

Sally Bond
Director, Financial Audit Services

26 September 2012
SYDNEY

2011/2012 Budget

Actual 2011/2012 \$000's	Budget 2011/2012 \$000's		Budget 2012/2013 \$000's
		INCOME	
386	479	Authorised Buyers' Licence Fees	457
200	200	Sole & Exclusive Export Licence Fee	200
65	58	Interest Received	43
4		Miscellaneous Income	
655	737		700
		EXPENDITURE	
(1)	(2)	Advertising	(2)
(15)	(19)	Audit Fees	(16)
(1)	(2)	Bank Charges	(2)
(4)	(20)	Legal & Consultancy Fees	(20)
(2)	(11)	Depreciation	(12)
(5)	(6)	Inform Systems - maint & consumables	(7)
(24)	(25)	Insurances	(24)
(145)	(145)	Members' Fees	(145)
(13)	(13)	Members' Superannuation	(13)
(6)	(6)	Postage & Couriers	(7)
(3)	(7)	Printing & Stationery	(5)
(36)	(36)	Rent of Premises	(36)
-	(24)	Satellite Imagery & Telemetry	(24)
(116)	(118)	Staff Employment Costs	(121)
(13)	(10)	Telephone	(8)
(31)	(37)	Travel - Members & Staff	(37)
(6)	(15)	Sundry Charges	(12)
(9)	(9)	Grower Relations	(9)
(430)	(505)		(500)
225	232	Operating Surplus/(Deficit)	200
(14)	(32)	Capital Expenditure	(43)

Statistical Summary

New South Wales Only

		2012 Crop	2011 Crop	2010 Crop	2009 Crop	2008 Crop
Number of farms producing rice	MIA	422	421	172	89	11
	CIA	270	256	97	49	14
	MV	844	694	135	54	13
	Other NSW	8	3	10	11	
	TOTAL	1,544	1,374	414	203	38

Production (tonnes)	MIA	315,768	300,167	109,262	34,690	6,970
	CIA	154,431	146,218	45,652	17,680	5,448
	MV	486,201	350,214	49,171	12,459	6,879
	Other NSW	324	497	1593	403	
	TOTAL	956,724	797,096	205,678	65,232	19,297

Harvested Area (hectares)	MIA	31,562	28,975	9,434	3,937	710
	CIA	17,302	14,786	4,231	2,188	602
	MV	53,947	39,624	4,868	1,751	848
	Other NSW	98	149	384	100	
	TOTAL	102,909	83,534	18,920	7,948	2,160

Average Yield (Tonnes/Hectare)	MIA	10.0	10.4	11.6	9	10
	CIA	8.9	9.9	10.8	8	9
	MV	9.0	8.9	10.1	7	8
	Other NSW	4.8	3.3	4.2	4	
	OVERALL	9.3	9.5	10.9	8	9

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