

25 September 2013



**The Rice
Marketing
Board**

FOR THE STATE OF
NEW SOUTH WALES

The Honourable Katrina Hodgkinson, MP
Minister for Primary Industries, and
Minister for Small Business
Level 30
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

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 2013, for presentation to Parliament.

Yours sincerely,

R Clubb
(Chairman)

N.G. Graham
(Deputy Chairman)

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Annual Report

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

Chairman's Report

Overview

The Crop 13 harvest of 1,158,340 tonnes, the extension of vesting, and the delivery of an export price premium of over \$65 million were highlights of the past twelve months for the NSW rice industry and its growers.

Extension of Vesting to 2017

The Rice Marketing Board for the State of NSW (RMB) in January 2013 welcomed the announcement by the NSW Government to renew rice vesting to 2017 because it considers the arrangement continues to facilitate the ongoing delivery of an export premium price to rice growers and assists Australian growers to compete in a global market where over 98% of world production is subsidised. As such, vesting remains a critical part of enabling our rice growers access into one of the most distorted markets in the world, without imposing any import barriers to foreign rice or costs to the Australian consumer.

Vesting has been extended to June 2017 at which time Government will undertake another review to assess whether export price premiums continue to be achieved and that performance data and planning information is submitted to Government.

The RMB will continue to work with government and industry to provide and verify data related to the export price premiums that vesting delivers.

Second Annual Report to NSW Rice Growers

This Annual Report incorporates the second RMB report to NSW rice growers on its performance against its objectives, which are to ensure the development of a competitive domestic market for rice; to ensure the best possible returns from rice sold outside Australia based on the quality differentials or attributes of Australian rice; and to liaise with and represent the interests of all NSW rice growers in relation to the Board's functions and objects.

Monitoring and Report of Holder of Sole and Exclusive Export Licence

The RMB after detailed evaluation, which included commissioning and receiving a report from Grant Thornton (an internationally established business and financial services firm) independently verifying the published export price premium, has concluded Ricegrowers Limited ("RL"), as the holder of the SEEL, and the related single desk arrangements, continue to provide substantial benefits to NSW rice growers.

Authorised Buyers

There are currently eight Authorised Buyers Licences. Further details of the Buyers are available on the RMB website or from the Secretary of RMB.

Grower Equity Rollover Scheme

The balance of the Grower Equity Loans at the commencement of the 2012/13 financial year was \$18.785 million. Equity payments from the crop year 2002, totalling \$7.890 million were repaid in July 2012.

The balance owing to growers under the scheme as at 30 June 2013 was \$10.328 million. After the 2003 crop rollover payment of \$2.336 million in late July 2013, the balance of the

Equity scheme reduced to \$7.992 million. The final payment under the Scheme is due to occur in July 2016.

Crop Audit

Under the Rice Marketing Act, all rice grown in NSW is vested in the RMB. It is a responsibility of the Board to audit each year's crop to ensure delivery is to Authorised Buyers only. Analysis of seed purchases, rice delivered to Authorised Buyers and Customs Export Reports from the Federal Government, are tools utilised by the Board in the audit process. Current developments within the industry associated with ground imaging systems will provide further information on rice grown and delivered.

Governance

Further improvements to the conduct and operation of the RMB were instigated during 2013. These enhancements include a new business plan, together with formalisation of a sub-committee structure. Further information is provided in the Governance section of this Annual Report.

Financial Performance

This year the Board recorded a surplus of \$234,000, which reflects a commitment to building up our reserves for future periods of potential low rice production. This year's larger rice harvest has enabled a full cost recovery rate per tonne of \$0.38 (2012 \$0.40). The average cost of the Board over the past four years has remained relatively unchanged averaging around \$500,000 per year.

Changes in Board membership

During the year Nicholas Papallo retired from the Board. On behalf of the Board, I would like to thank Nicholas for his contribution to the Board, including his term as Chairman.

I welcome the re-appointment of Doug Hocking as a member, and the appointment of John Culleton as a member. Non-grower directors are appointed by the Minister for Primary Industries.

Appreciation

The Board appreciates the support of the Minister for Primary Industries and Minister for Small Business, The Hon. Katrina Hodgkinson MP, and her staff; State members Adrian Piccoli MP, Minister for Education; John Williamson MP, Member for Murray, and Federal Members, Michael McCormack MP, Member for Riverina and Sussan Ley MP, Member for Farrer.

In particular, the Board thanks Minister Hodgkinson for renewing the vesting arrangements. The RMB now looks forward with confidence and will continue to represent the best interests of Australian rice growers.

Thank you also to Dr Richard Sheldrake (Director General, Primary Industries) and his team, who have continued to provide support to the RMB.

I would also like to acknowledge Les Gordon (President), Ruth Wade (Executive Director), and the RGA Central Executive for their extensive advocacy work on behalf of the rice industry.

The Board appointed a new Secretary in October 2012. Tony Roddy, a qualified CPA, has brought to the role of Secretary, strong financial and business skills, in addition to prior knowledge of the rice industry.

I thank my fellow board members, and in particular the Deputy Chairman, Noel Graham, for their support, contributions, and ongoing commitment to the RMB.

In conclusion, I wish all NSW rice growers the best for crop 2014.

Robyn Clubb
Chairman

Board Structure & Management



N.G. Graham
FAICD

D.F. Hocking
HDA GDE

G.L.
Kirkup
MAICD

R Clubb
BEc CA
F.Fin
MAICD

J.B.
McClelland
B A (Hons)
B Leg S,
FAIM, FAICD

G.F. Lawson
AM
LDA (Dip Ag)
MAICD

J.J. Culleton
CSC, BA,
psc, pcpsc
GAIDC

**DEPUTY
CHAIRMAN**

CHAIRMAN

BOARD MEMBERS

	<i>Date First Appointed to Board</i>	<i>Meetings Attended During the Year</i> ATTENDED	POSSIBLE
Members			
R. Clubb	1-Aug-04	16	17
N.G. Graham	9-Nov-01	14	15
G.F. Lawson AM	1-May-85	14	15
G.L. Kirkup	9-Nov-05	14	15
D.F. Hocking	22-Apr-09	12	12
J.B. McClelland	3-Mar-10	17	17
J.J. Culleton	29-May-13	1	1
N.J. Papallo (Retired 25-Mar-13)	22-Apr-09	9	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. An election will be held this year to fill the three grower positions on the Board, and two nominated member's terms expire in December 2013. The other two nominated members are appointed until 2017.

Board members have attended various industry meetings and have represented the Board at Government, industry and other delegations.

MANAGEMENT

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



A.J. Roddy
B. Bus (Accounting),
CPA
BOARD 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 2013 had a nominal balance of \$10,869,026. The Scheme is managed in accordance with its rules which have been approved by the Minister for Primary Industries.

Payment of Accounts

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

Charter

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

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

Objectives

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

Governance

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

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

BUSINESS PLAN AND BOARD SUB-COMMITTEES

During the year the Board took the opportunity to strengthen its corporate governance framework by developing a Business Plan and establishing a number of Sub-committees.

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

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

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

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

The Sub-Committees include:

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

The Authorised Buyer Licence Committee's responsibilities include:

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

The Governance and Nominations Committee's responsibilities include:

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

Governance (continued)

The Audit and Risk Committee's responsibilities include:

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

The Capital Equity Rollover Scheme Committee's responsibilities include:

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

The role of each subcommittee is to provide advice to the Board. The subcommittees will be reviewed periodically to ensure they continue to address key legislative and governance requirements.

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

BOARD PROCESS

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

Governance (continued)

COMPOSITION OF THE BOARD

Three Board Members are elected for a four year term by rice growers who are eligible and choose to vote. An election is to be held in 2013. Four Board Members are nominated by the Minister for Primary Industries and appointed by the Governor of NSW, usually for a term of four years. The nominated Members are from outside the rice industry and bring 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 the remuneration of its employee. The Board recommends the remuneration of its Members to the Minister for approval. All necessary expenses incurred by Board Members whilst attending to Board business are paid by the Board. Funding of the Board is met by the industry.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO BOARD INFORMATION

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

AUDIT

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

RISK MANAGEMENT

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

ETHICAL STANDARDS

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

Statement by Members of the Board

Under section 41C of the *Public Finance and Audit Act, 1983*, we state that, in our opinion, the accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Rice Marketing Board for the State of New South Wales at 30 June 2013 and its performance for the year then ended.

We further state:

- (a) that the financial statements and notes thereto comply with applicable Australian Accounting Standards, the *Public Finance and Audit Act, 1983*, the Public Finance and Audit Regulation 2010 and the Treasurer's Directions.
- (b) that we are not aware of any circumstances which would make any details in the financial statements misleading or inaccurate.



R Clubb
(Chairman)



N.G. Graham
(Deputy Chairman)

Dated 25 September 2013

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2013

	Notes	2013 \$ 000's	2012 \$ 000's
REVENUE			
Authorised Buyer's Licences	2	446	386
Sole and Exclusive Export Agreement	2	200	200
Other		-	4
		<u>646</u>	<u>590</u>
EXPENSES			
Audit Fees		(15)	(15)
Legal and Consultancy Fees	3	(38)	(4)
Depreciation		(1)	(2)
Members' Fees		(138)	(145)
Members' Superannuation		(12)	(13)
Employee Expenses	4	(126)	(116)
Insurance		(14)	(24)
Rent		(36)	(36)
Travel		(32)	(31)
Sundry Charges		(48)	(44)
		<u>(460)</u>	<u>(430)</u>
Finance Income	5	48	65
Net Surplus for the Year		<u>234</u>	<u>225</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u><u>234</u></u>	<u><u>225</u></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 2013

	Notes	2013 \$ 000's	2012 \$ 000's
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	980	925
Trade and Other Receivables	7	507	392
Other Assets	8	2,336	7,873
Total Current Assets		3,823	9,190
Non-Current Assets			
Other Assets	8	7,992	9,986
Property, Plant and Equipment	9	51	39
Total Non-Current Assets		8,043	10,025
Total Assets		11,866	19,215
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	291	133
Prepaid Sole and Exclusive Export Agreement	11	200	200
Growers' Equity Loans	12	2,336	7,873
Provisions	13	2	5
Total Current Liabilities		2,829	8,211
Non-Current Liabilities			
Prepaid Sole and Exclusive Export Agreement	11	400	600
Growers' Equity Loans	12	7,992	9,986
Provisions	13	-	7
Total Non-Current Liabilities		8,392	10,593
Total Liabilities		11,221	18,804
NET ASSETS		645	411
EQUITY			
Retained Earnings		645	411
TOTAL EQUITY		645	411

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 2013**

Notes	2013 \$ 000's	2012 \$ 000's
	<hr/>	<hr/>
Equity at the beginning of the financial year	411	186
Net surplus for the year	234	225
Other comprehensive income	-	-
	<hr/>	<hr/>
Equity at the end of the financial year	645	411
	<hr/> <hr/>	<hr/> <hr/>

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 2013

	Notes	2013 \$ 000's	2012 \$ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from operations		331	510
Interest received		48	65
Payments			
Cash payments to creditors and suppliers		(402)	(523)
Net cash provided by operating activities	17(b)	<u>(23)</u>	<u>52</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(13)	(14)
Net cash used in investing activities		<u>(13)</u>	<u>(14)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Equity rollover and redemptions		(7,890)	(11,809)
Receipt of equity contributions		7,981	11,879
Net cash used In financing activities		<u>91</u>	<u>70</u>
Net increase in cash and cash equivalents		55	108
Cash and cash equivalents at the beginning of the year		925	817
Cash and cash equivalents at the end of the year	17(a)	<u>980</u>	<u>925</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 2013

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 25 September 2013.

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 Prepaid Sole and Exclusive Export Agreement Fee. (Note 11).

Interest

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

(d) BORROWING COSTS

The Board has no borrowings that incur interest.

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 2013

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 2013

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 12), being 3.05% (2012 3.25%). Any increase or decrease in the present value of the interest free loans is recognised in the Statement of Comprehensive Income.

Borrowings

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

Grower Equity Loans

Interest Free Grower equity loans are initially recognised and subsequently carried at fair value. Fair value is the present value of all future cash payments discounted using the BBSW rate applicable to the Board's long term loan (Note 12), being 3.05% (2012 3.25%).

(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 2013

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

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

Authorised Buyers pay a fixed annual fee of \$500 per year. The Sole and Exclusive Export Agreement has been paid in advance until 30 June 2016 and will be amortised as income over the term of the licence. The Board has recognised it requires operating capital and has retained the prepaid Sole and Exclusive Export Agreement fee as its operating capital. The Board has therefore adopted a full cost recovery policy for the term of the current Sole and Exclusive Export Agreement. After accounting for this combined income the Board levies Authorised Buyers with the balance of its operating shortfall (if any) for the period based on the percentage of the total rice crop each Authorised Buyer has procured.

The amount recognised as income for year ended 30 June 2013 was \$646,220 (\$586,251 in 2012).

NOTE 3 LEGAL AND CONSULTANCY FEES

	2013 \$000's	2012 \$000's
Legal Fees & Expense Incurred	15	4
Independent Experts Report	23	-
	38	4

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 2013

NOTE 4 EMPLOYEE EXPENSES

	2013 \$000's	2012 \$000's
Wages & Salary	97	91
Annual Leave	4	8
Long Service Leave	(7)	2
Superannuation	24	9
Training	2	6
Recruitment Costs	6	-
	<u>126</u>	<u>116</u>

NOTE 5 FINANCE INCOME

	2013 \$000's	2012 \$000's
Bank Interest	48	65

NOTE 6 CASH AND CASH EQUIVALENTS

	2013 \$000's	2012 \$000's
Cash at Bank	20	24
Cash on Deposit	960	901
	<u>980</u>	<u>925</u>

NOTE 7 TRADE AND OTHER RECEIVABLES

	2013 \$000's	2012 \$000's
Current		
Authorised Buyers	497	390
Other	10	2
	<u>507</u>	<u>392</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 2013

NOTE 8 OTHER ASSETS

	2013 \$000's	2012 \$000's
Current		
Australian Grain Storage Pty Ltd	2,336	7,873
Non-Current		
Australian Grain Storage Pty Ltd	7,992	9,986
	<u>10,328</u>	<u>17,859</u>

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	2013 \$000's	2012 \$000's
OFFICE & COMPUTER EQUIPMENT		
At Cost	22	22
Accumulated Depreciation	(22)	(21)
Capital Work In Process	51	38
	<u>51</u>	<u>39</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>51</u>	<u>39</u>

	Year ended 30 June 2013	Year ended 30 June 2012
Description	Office, Computer Equipment & WIP \$000's	Office, Computer Equipment & WIP \$000's
Opening WDV 1 July 2012	39	27
Additions	13	14
Disposals	-	-
Depreciation	(1)	(2)
Closing WDV 30 June 2013	<u>51</u>	<u>39</u>

NOTE 10 TRADE AND OTHER PAYABLES

	2013 \$000's	2012 \$000's
Payables	93	25
Unclaimed grower equity repayments	198	108
	<u>291</u>	<u>133</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 2013

NOTE 11 PREPAID SOLE AND EXCLUSIVE EXPORT AGREEMENT FEE

	2013	2012
	<u>\$000's</u>	<u>\$000's</u>
Prepaid Sole and Exclusive Export Agreement Fee (Current)	200	200
Prepaid Sole and Exclusive Export Agreement Fee (Non Current)	400	600
Total Prepaid Sole and Exclusive Export Agreement Fee	<u>600</u>	<u>800</u>

NOTE 12 GROWERS' EQUITY LOANS

	2013	2012
	<u>\$000's</u>	<u>\$000's</u>
Equity Roll Over Loan Fund (Current)	2,336	7,873
Equity Roll Over Loan Fund (Non-Current)	7,992	9,986
Total Growers Equity Loans	<u>10,328</u>	<u>17,859</u>

The nominal value of the interest free grower equity loans at 30 June 2013 was \$10,869,026 (2012: \$18,758,857). 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 3.05% (2012: 3.25%).

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.

	2013	2012
	<u>\$000's</u>	<u>\$000's</u>
Opening Balance of Fund	17,859	28,249
Less Redemptions	(21)	(54)
Less Roll Over Payment	(7,869)	(11,755)
Add Movement in fair value of loans	359	1,419
Closing Balance of Fund	<u>10,328</u>	<u>17,859</u>

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

	2013	2012
	<u>\$000's</u>	<u>\$000's</u>
Less than one year	2,336	7,873
One year to five years	7,992	9,986
Total	<u>10,328</u>	<u>17,859</u>

Growers can apply to redeem their equity loan if they meet the rules of the scheme. However, the total value of redemptions in any one year is capped by an agreement with AGS. For the year ending 30 June 2013 the agreed maximum was \$340,000 (2012 \$395,000). The agreed yearly amount reduces each year until 2016, where it 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 2013

NOTE 13 PROVISIONS

	2013 \$000's	2012 \$000's
Annual Leave (Current)	2	5
Long Service Leave (Non-Current)	-	7
	<u>2</u>	<u>12</u>

NOTE 14 FINANCING ARRANGEMENTS

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

	2013 \$000's	2012 \$000's
Bank overdrafts	2,500	2,500
Interest bearing loans	-	-
Total	<u>2,500</u>	<u>2,500</u>
Facilities utilised at reporting date		
Bank overdrafts	-	-
Interest bearing loans	-	-
Total	<u>-</u>	<u>-</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 2013

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:

2013	Floating Interest Rate	Fixed Interest Rate Maturing in		Non- Interest Bearing	Total Carried As per Statement of Financial Position	Weighted Average Effective Interest Rate
		1 Year or less	1 to 5 years		of Financial Position	
	\$000's	\$000's	\$000's	\$000's	\$000's	%
Financial Assets						
Cash and cash equivalents	20	960	-	-	980	4.16%
Trade and other receivables	-	-	-	10,835	10,835	n/a
Total financial assets	20	960	-	10,835	11,815	
Financial Liabilities						
Trade and other payables	-	-	-	291	291	n/a
Growers' equity loans	-	-	-	10,328	10,328	n/a
Interest bearing loans	-	-	-	-	-	n/a
Other liabilities	-	-	-	600	600	n/a
Total financial liabilities	-	-	-	11,219	11,219	

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		of Financial Position	
	\$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	

15(b) Credit risk exposures

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

15(c) Net fair values

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

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 2013

NOTE 15 FINANCIAL INSTRUMENTS (continued)

15(d) Financial Risk Management

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

- a) Credit risk
Credit risk arises from cash and cash equivalents, deposits and bills with banks as well as credit exposures including outstanding receivables. The maximum exposure to credit risk at balance date is the carrying amount of financial assets as summarised in Note 15(a). Refer to Note 21 for details regarding the capital equity rollover scheme. To manage its credit risk the entity invests in term deposits to maximise its return on surplus funds while reducing the potential effect of the short term unpredictability of financial markets and the effect this may have on its return on surplus funds. Due to the size and fixed nature of the term deposits at balance date the entity's exposure to credit risk is considered immaterial to the overall profitability of the entity.
- b) Liquidity risk
Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. The maximum exposure to liquidity risk at balance date is the carrying amount of financial liabilities as summarised in Note 15(a). To manage its liquidity risk the entity monitors its cash flow requirements on a monthly basis to maintain sufficient cash to pay its debts as and when they fall due.
- c) Interest rate risk
Interest rate risk is the risk that changes in interest rates will affect the Board's income or the value of its obligations, and arises on floating rate debt.

Cash flow sensitivity analysis for variable rate financial instruments

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

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2013

NOTE 16 RELATED PARTY TRANSACTIONS

16(a) Transactions with Management

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

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

	2013 \$000's	2012 \$000's
Short-term employee benefits	214	236
Post-employment benefits	33	32
	<u>247</u>	<u>268</u>

16(b) Transactions with Related Parties

The Board did not have any related party transaction for the year ending 30 June 2013 (2012 \$0).

NOTE 17 NOTES TO THE STATEMENT OF CASHFLOWS

17(a) Reconciliation of Cash at End of Year

	2013 \$000's	2012 \$000's
Cash at bank and on deposit	980	925
Cash at end of year	<u>980</u>	<u>925</u>

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

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

	2013 \$000's	2012 \$000's
<u>Net surplus for the year</u>	234	225
<u>Non cash recognition of provisions in the statement of financial position</u>		
Depreciation	1	2
<u>Asset and Liabilities Movements:</u>		
Increase/(Decrease) in Borrowings	-	(1,000)
(Increase)/Decrease in Trade and other receivables	(115)	119
Increase/(Decrease) in Trade and other payables	67	(94)
Increase/(Decrease) in Other liabilities	(200)	800
Increase/(Decrease) in Provisions	(10)	-
Net cash provided by operating activities	<u>(23)</u>	<u>52</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 2013

NOTE 18 CONTINGENT LIABILITIES

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

NOTE 19 EVENTS OCCURRING AFTER REPORTING DATE

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

NOTE 20 SEGMENT REPORTING

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

NOTE 21 CAPITAL EQUITY ROLL OVER SCHEME

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

The Board's obligation to growers under the scheme is secured via 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 2013, 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 2013, 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 give a true and fair view and 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

27 September 2012
SYDNEY

Budget:

Actual 2012/2013 \$000's	Budget 2012/2013 \$000's		Budget 2013/2014 \$000's
		INCOME	
446	457	Authorised Buyers' Licence Fees	515
200	200	Sole & Exclusive Export Licence Fee	200
48	43	Interest Received	47
-		Miscellaneous Income	
694	700		762
		EXPENDITURE	
(2)	(2)	Advertising	(2)
(-)	(16)	Audit Fees	(16)
(2)	(2)	Bank Charges	(2)
(38)	(20)	Legal & Consultancy Fees	(38)
(1)	(12)	Depreciation	(9)
(8)	(7)	Inform Systems - maint & consumables	(10)
(14)	(24)	Insurances	(24)
(138)	(145)	Members' Fees	(160)
(12)	(13)	Members' Superannuation	(15)
(3)	(7)	Postage & Couriers	(3)
(6)	(5)	Printing & Stationery	(7)
(36)	(36)	Rent of Premises	(36)
-	(24)	Crop Auditing Costs	(10)
(127)	(121)	Staff Employment Costs	(152)
(10)	(8)	Telephone	(8)
(32)	(37)	Travel - Members & Staff	(36)
(3)	(12)	Sundry Charges	(25)
(14)	(9)	Grower Relations	(9)
(446)	(500)		(562)
248	200	Operating Surplus/(Deficit)	200
(13)	(43)	Capital Expenditure	(10)

Statistical Summary

New South Wales Only

		2013 Crop	2012 Crop	2011 Crop	2010 Crop	2009 Crop
Number of farms producing rice	MIA	448	423	421	172	89
	CIA	279	270	256	97	49
	MV	898	844	694	135	54
	Nth NSW	6	8	3	10	11
	TOTAL	1631	1,545	1,374	414	203

Production (tonnes)	MIA	377,850	315,868	300,167	109,262	34,690
	CIA	190,540	154,431	146,218	45,652	17,680
	MV	589,668	486,201	350,214	49,171	12,459
	Nth NSW	282	471	497	1593	403
	TOTAL	1,158,340	956,971	797,096	205,678	65,232

Harvested Area (hectares)	MIA	33,077	31,572	28,975	9,434	3,937
	CIA	18,922	17,302	14,786	4,231	2,188
	MV	60,795	53,947	39,624	4,868	1,751
	Nth NSW	116	98	149	384	100
	TOTAL	112,910	102,811	83,534	18,920	7,948

Average Yield (Tonnes/Hectare)	MIA	11.4	10.0	10.4	11.6	9
	CIA	10.1	8.9	9.9	10.8	8
	MV	9.7	9.0	8.9	10.1	7
	Nth NSW	2.4	4.8	3.3	4.2	4
	OVERALL	10.3	9.3	9.5	10.9	8



The Rice Marketing Board

FOR THE STATE OF
NEW SOUTH WALES

**2nd Annual Report to NSW Rice Growers
October 2013**

Introduction

The *Rice Marketing Act 1983* (the Act) directs that all rice produced in NSW be vested in the Rice Marketing Board for the State of NSW (RMB).

The Act outlines the objectives of the RMB as being to:

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

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

Section A

RMB Performance Against Stated Objectives

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

- I. There are currently 8 licensed Authorised Buyers.
- II. The RMB recently visited rice growers in Northern NSW to explore opportunities to develop a small but sustainable rice industry in this area.
- III. The Board has issued licences to all parties who have applied for an Authorised Buyer's licence, have met the required conditions, and have signed the Authorised Buyers' Agreement.

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

The continued strong performance of the holder of the Sole and Exclusive Export Licence ("SEEL") is fundamental to achieving this objective.

The RMB has, after rigorous evaluation which included commissioning and receiving a report independently verifying the published export price premium, concluded Ricegrowers Limited ("RL"), as the holder of the SEEL, and the single desk arrangements themselves, continues to provide substantial benefits to NSW rice growers.



It is noted the average annual running costs of \$500,000 to \$600,000 for the Rice Marketing Board do not materially diminish this return to rice growers.

(c) The members of the Board liaised with NSW rice growers over the past 12 months, in relation to its objects and activities through the following means:

- a. Attendance at the Ricegrowers' Association of Australia (RGA) half yearly branch meetings
- b. Sponsorship of, and attendance at, the RGA Annual Conference
- c. Attendance at the NSW Trade and Investment public meetings held in relation to the Review of the Rice Vesting Proclamation
- d. Distribution of the RMB Annual Report and its availability on the website
- e. Communication with the President and Executive Director of the RGA on issues relevant to the industry
- f. Making itself available to all growers, through the Secretary, at other times

Section B

Summary of Ricegrowers Ltd's (RL) Performance as SEEL Holder

Independent Verification Report

An independent review was undertaken by Grant Thornton Corporate Finance Limited of the Export Price Premium methodology, calculations and source information. Based on this review, and its own monthly review of RL's position, RMB finds that RL continued to deliver an export price premium to growers.

RMB also confirms the existence of other substantial benefits to growers, such as freight scale advantage, as a result of RL holding the Sole and Exclusive Export Licence.

Assessment Period:

- I. Rice sales 2012-13;
- II. Financial reporting of Sole and Exclusive Export Licence ('SEEL') Holder from 1 May 2012 to 30 April 2013

Findings

- Export price premium delivered to growers of \$65.9 million
- The average medium grain export prices achieved by RL have been greater than those achieved by Californian exporters for the majority of the past four crop years (see graph on page 5).
- Positive trend in key markets and market share
- Paddy price premium includes efficiency scale advantage



- Freight scale advantage of \$13.5 million delivered to growers, in addition to the export price premium.
- SEEL holder delivers other benefits to growers e.g. ability to respond to changes in market conditions, product research and development, buyer of last resort, certainty of sale and payment, crop finance, rice crop insurance, and provision of storage and purity of seed.
- Strengthening financial performance of SEEL holder, including:
 - o Revenues of 1.07 billion (up 6.8% on 2012)
 - o NPAT (Net Profit After Tax) of \$35.8 million (up 5.5% on 2012)
 - o Debt to equity 61% (down from 65.9% in 2012)

Assessment of Ricegrowers Ltd in relation to stated objectives

1. Delivery of Export Price Premium to NSW rice growers

- i. Amount of export price premium for 2012-13 rice crop.

Ricegrowers Limited (RL), as the current holder of the SEEL, reported the delivery of a total **export price premium of \$65.9 million** for the 2012/2013 crop year.

This total premium is the accumulation of premiums achieved in varying amounts, across the five major export regions in which RL markets rice. These markets comprise Pacific (Major Market), Middle East, WTO (World Trade Organisation) Markets, New Zealand and Pacific Islands.

The premium achieved in each market region is the difference between the RL price per tonne and the benchmark of competitor price per tonne.

Noting that price verification or benchmarking in a global context is limited, given rice is a narrowly traded commodity and unlike other grains has no futures market, an independent review of benchmarks was undertaken by Grant Thornton Corporate Finance Limited for the reported regions.

Grant Thornton concluded in its report of September 2013:

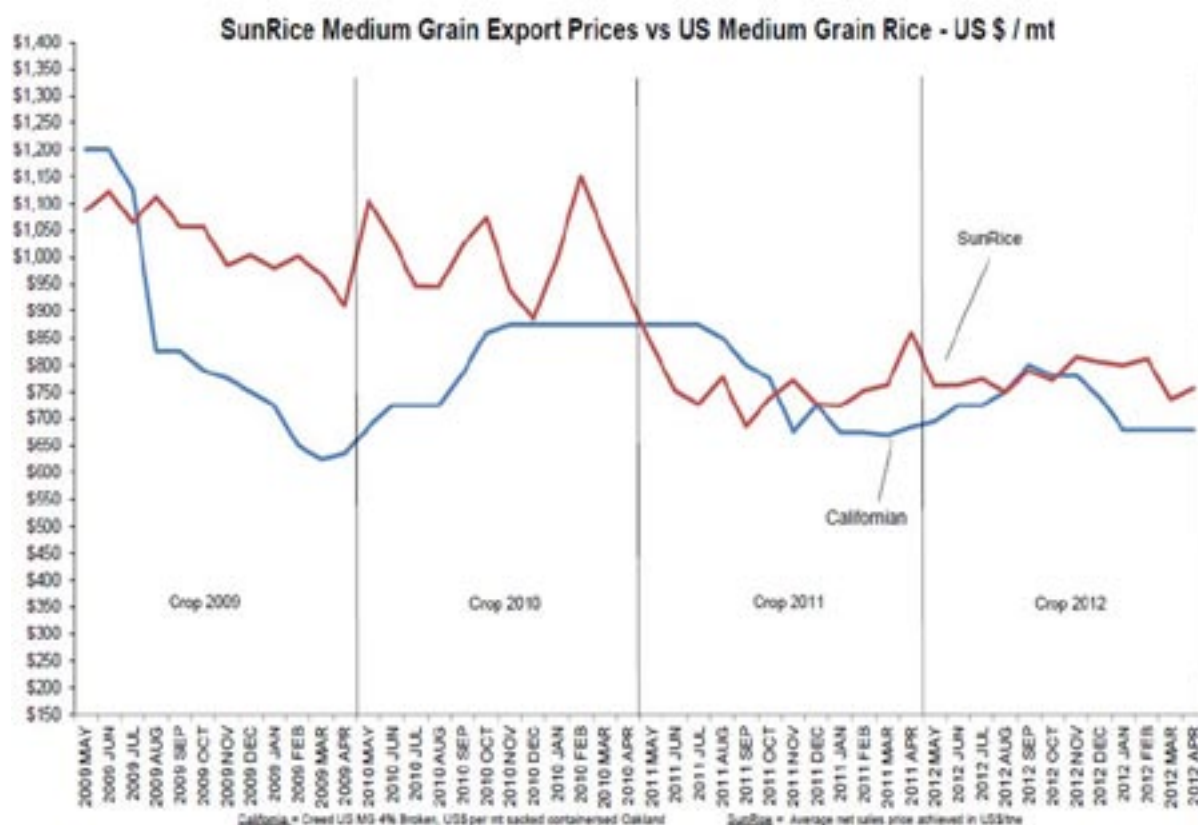
“The methodology adopted by SunRice to calculate the Export Price Premium is sound and the mathematical calculations are in all material respects appropriate.

However, given the subjectivity of the assessment, Management were required to use judgements and estimates, particularly with reference to picking suitable benchmarks in each market.”

This opinion concurs with the statements by RL on the difficulty in obtaining competitor pricing in certain markets. RMB is satisfied RL has demonstrated ‘best efforts’ in obtaining data.



- ii. The following graph displays the four year trend of the average FOB (Free on Board) price achieved by RL to relevant export markets (for AU finished product Rice exported) compared to the average FOB Creed price for the same period.



Note:

- the year refers to crop years IE 2009, 2010, 2011 & 2012 crops.
- the periods where Californian price exceeds RL's price reflect the drought-impacted supply of rice out of Australia.

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

As was stated in the previous report, the restoration of market share in key markets continues as a result of production returning to pre-drought levels. A potential threat of note is the volatile political and security situation in the Middle East, and if the war in Syria affects neighbouring countries it poses a major risk factor to RL markets there. Also, Egyptian exports are forecast to continue in the Middle East, given a 4% increase in production over the previous year.



iv. Demonstration of Freight Scale Advantage to Rice Growers

An important additional benefit to the paddy price premium to growers is in the freight scale advantage obtained by RL through the operation of the SEEL. According to RL,

*"freight scale advantages arise due to the benefit of delivering scale volumes into export markets and therefore lower delivered costs for NSW rice into export markets."*¹

RL has provided a summary² of freight scale by region, detailing Total Ocean Freight Scale Advantage. Without the benefits of scale, this freight advantage would be significantly diluted or eliminated.

RL reported that a material freight scale benefit was achieved for the 2012/2013 financial year, based on the amount of finished product rice exported.

The RMB was provided with substantial supporting data. Given the commercial sensitivity of this data, it is not included in this report. Grant Thornton Corporate Finance Limited also undertook a review of the reported freight scale advantage achieved and passed on to rice growers. Grant Thornton reported the freight scale advantage calculations are based on informal and indicative high level estimates of the volume discounts provided by three shipping companies. They added that this is the only practical way of estimating the savings given smaller scale competitors rates are confidential.

v. Demonstration of the Advantages of Scale to Rice Growers

A component of the paddy price for rice grown in NSW and purchased by RL is derived from the degree of efficiency in rice-milling. RL has reported monthly to the RMB as to its capacity management. Current milling capacity (excluding the US milling operation) on a 24/7 basis is 1,175,000 tonnes.

The 2012 crop of 963,000 tonnes utilized 82% of RL's milling capacity.

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

¹ (pg 22, SEEL Annual Review Response, Sept.2013, Commercial in Confidence)

² (pg 23, Table 1, SEEL Annual Review Response, Sept.2013, Commercial in Confidence)



- Demonstrated ability to respond to changes in conditions and continue to operate profitably.
 - RL successfully maintained business and infrastructure during the Millennium Drought, whilst remaining profitable
 - RL successfully managed extreme crop sizes, with paddy tonnes delivered ranging from 1.7 million in crop year 2001 to 19,000 in crop year 2008.
 - RL strategies enabled the successful re-commissioning of mills post drought to process larger rice crops
- Contribution to Research & Development
 - Collaboration continues with CSIRO, Universities and NSW DPI, amongst others, for product and process development research.
 - RL continues to provide significant funding for rice Research and Development and hosts a considerable part of this research, through its subsidiary, Rice Research Australia Pty Ltd
- Buyer of Last Resort continues to be a condition of the Sole and Exclusive Export Licence agreement between RL and RMB, providing certainty for growers.
- Demonstrated ability to successfully compete with imported, typically long grain rice, due to its brand strength.
- RL continued its track record of good returns and certainty of sale (compared with winter crops)
 - Operated a transparent pool and regularly updating growers on price trends and payment dates.
 - Regularly exceeds pool price predictions, which occurred again with the 2012 crop.
- RL provided financing of crops at competitive interest rates
 - RL does not profit from forward finance arrangements.
 - RL currently underwrites these financial arrangements.
- Provision of rice storage.
 - Paddy storage is provided by RL through its subsidiary, Australian Grain Storage Ltd
- Purity of seed through extensive quality assurance program.



- RL operates a quality assured Pure Seed Program (reviewed by RMB in 2011/12) to supply registered seed for all commercial rice varieties to growers.
 - Its subsidiary, Rice Research Australia Pty Ltd produces breeder's seed of all varieties for the Pure Seed Program.
- Strong brand presence
 - RL markets rice as a branded, value added product with a high level of customer service and sells into markets where RL is the sole or dominant seller, thereby commanding a premium price

3. Impact of changes in the availability of water

- a. RL's assessment, taking into account the implementation of the Murray-Darling Basin Plan (the Basin Plan), is that its current planning base of 800k tonnes can be sustained under the Basin Plan, but the matter of the timing of environmental watering flows; potential changes to water rules; and the water trading activities of the Commonwealth Environmental Water Office, remain key concerns. A welcome development however was the increasing amount of water being recovered by the Commonwealth through investment in promoting water efficiency improvements.
- b. Higher than normal water allocations saw 2012/13 rice production reached 1.16 million tonnes from 113,500 hectares.
- c. RMB will continue to monitor the roll-out of the Basin Plan and its potential impact on rice production.

4. Market Position of SEEL holder

- a. RL's market share in its key markets continued to recover in 2012/13, reflecting the increase in production after the millennium drought, and this was evidenced by increased sales volumes in all its markets.
- b. Investment in brands and product innovation continues, evident in presence at major supermarkets and other retail outlets, with such brands as SunRice, Riviana, Always Fresh, and Coprice.

5. Financial Performance and Reporting of RL³

Overall, the financial statements reflect a continued strengthening in financial position over the 12 month period to 30 April 2013. RL had a strong trading year, and with a 2012 crop of 963,000 tonnes, moved out of drought recovery

³ Detailed information is contained in SunRice Annual Report April 2013 including audited Financial Statements



mode. Growers received \$317.34 per tonne for medium grain Reiziq (\$255 in the previous year) with overall consolidated profit lifting 5.5% to \$35.8 million.

Income Statement

- a. Revenue from continuing operations again exceeded \$1billion (\$1.068bn) this year, an increase of 6.8% on 2012 reflecting increased production and sales volumes.
- b. Expenses increased reflecting greater activity associated with increased volumes but also higher costs of material inputs.
- c. NPAT of \$35.8 million (\$33.9 million in 2012) with EPS (B class shareholders) of 57.9 cents per share (57.3 cents per share in 2012).
- d. Results by segment indicate all but one segment was profitable in 2012.
- e. Interest Cover improved to 5.8 times (4.1 times in 2012).
- f. Dividend Payout Ratio (dividends as a % of profit attributed to RL Shareholders) 40% (32% in 2012).

Balance Sheet

- a. Net Assets of \$314.3 million, an increase of \$21.4million.
- b. Retained earnings increased to \$174 million from \$152 million in 2011/12.
- c. Liquidity Ratio (current ratio + available debt) 1.8 (2.7 in 2012).
- d. Acid Ratio (cash + receivables + investments) over current liabilities - 0.3 (2012 0.1).
- e. Current Ratio (current assets to current liabilities) 1.7 (2012 1.9).
- f. Debt to Equity (external financing to all sources of capital) 61.0%, down from 65.9% in 2012.
- g. Return on Average Equity (NOPAT to average total equity) of 43%, (47% in 2012).
- h. Return on Average Assets (EBIT to average total assets) 8%, (10% in 2012).

Cash Flow

The RL group generated over \$124million in positive cashflow from operating activities, whilst continuing to reduce debt exposure.

Other relevant financial matters for the year to 30 April 2013

- a. Currency management is governed by board-approved policies. A statement of compliance with this policy is provided on an annual basis (15 July).
- b. During the 2013 financial year RL renegotiated its seasonal syndicated banking facility, reducing the seasonal debt facility by \$61 million. Bank Loan Covenants are calculated and tested every



six months and are audited by RL's auditors. At 30 April 2013, RL complied with all its Bank Loan Covenants.

- c. Capacity to pay growers for paddy: syndicated seasonal borrowing facilities are negotiated on an annual basis to meet grower payments
- d. Capacity to pay debt, seasonality of debt, and interest cover: Ability to meet RL's financial commitments is tested six monthly. As noted above, all covenants met.
- e. Interest rate management: as for currency management, is governed by board policy, with statement of compliance provided annually (15 July).
- f. Capital Raisings. RL has not undertaken a capital raising during the year to 30 April 2013, and no capital raisings are planned for the immediate future.
- g. Fixed Asset Management. No capital investments greater than \$5 million were completed in the year to 30 April 2013. The following capital projects are currently underway:
 - SPP Plant Upgrade for CopRice of \$5.2 million.
 - Fumigation Infrastructure of \$9.2 million.

6. Changes in the members of the Board and senior management of RL

There have been no changes to the Board or Senior Management since the last report to rice growers.

7. Material impact or changes in competition from other agricultural products

RL monitors competition from other summer and winter crops on an annual basis and believes rice production is competitive with other crops and therefore its planning base is not jeopardized.

Conclusion

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

The RMB is confident its administration of the SEEL, and the appointment of Ricegrowers Ltd to operate this licence, results in price premiums and secondary benefits to rice growers.

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



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