



ANNUAL REPORT



for the year ended 30 June 2014

24 September 2014

The Honourable Katrina Hodgkinson, MP
Minister for Primary Industries
Level 30
Governor Macquarie Tower
1 Farrer Place
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 2014, for presentation to Parliament.

Yours sincerely,

R Clubb
(Chairman)

N.G. Graham
(Deputy Chairman)

Directory

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Bankers

Westpac Banking Corporation

Auditors

Auditor-General of New South Wales

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Chairman's Report

Chairman's Report

Overview

The 2014 harvest of over 837,000 tonnes, the delivery of an export price premium of over \$95 million, and the launch of Topaz, a new fragrant rice variety, were highlights of the past twelve months for the NSW rice industry and its growers. The RMB Board congratulates the industry on its 100th anniversary of growing rice in Australia.

Review of Vesting 2017

Vesting is scheduled for renewal from June 2017, subject to a Government review to assess whether export price premiums, and other benefits to NSW rice growers continue to be achieved.

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

Third Annual Report to NSW Rice Growers

This Annual Report incorporates the third 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 on Holder of Sole and Exclusive Export Licence

The RMB monitors the performance of the SEEL holder throughout the year, using a number of indicators to measure financial and market performance. In addition, the RMB commissions an independent report to verify the published export price premium and review the data and methodology employed by the SEEL holder in their reporting to the Board.

Grant Thornton (an internationally established business and financial services firm) undertook the 2014 review. Their assessment concluded that Ricegrowers Limited ("RL"), as the holder of the SEEL, and the related single desk arrangements, continue to provide substantial benefits to NSW rice growers. The report also noted the continuing improvement in data collection and reporting by RL, resulting in further enhancement of the verification process.

In addition to the independent assessment undertaken by Grant Thornton, the Board initiated a program of visits to RL's key overseas markets. The objective of these visits is to substantiate stated price premiums and the market presence of RL, as the Sole & Exclusive Export Licence Holder.

In late July 2014, at the invitation of the Chairman of the SunRice Board, John Culleton and I visited Papua New Guinea to gain an appreciation of the operations of Trukai Industries Ltd. We visited the Trukai milling operations and distribution centre in Lae, and 15 supermarkets in Port Moresby, Lae, Kianantu and Goroka. The significant market share held by Trukai in supermarkets was evident in all stores visited. The Trukai brand is considered one of the most trusted and supported brands in PNG. Within the PNG market, the decided preference for medium grain rice over long grain continues but with some

emerging price pressures in certain product lines from the current oversupply of Thai long grain. The favourable price differential for Trukai rice in retail product lines was observed in all supermarkets visited.

Authorised Buyers

There are currently nine Authorised Buyers Licence holders. Further details of the Authorised 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 2013/14 financial year was \$10.328 million. Equity payments from the crop year 2003, totalling \$2.336 million were repaid in July 2013.

The balance owing to growers under the scheme as at 30 June 2014 was \$8.249 million. After the 2004 crop rollover payment of \$2.784 million in late July 2014, the balance of the Equity scheme reduced to \$5.465 million. The final payment under the Scheme is due to occur in July 2016.

Crop Audit

Under the *Rice Marketing Act 1983*, 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. No material anomalies were identified in 2013-14.

Financial Performance

For the year ended 30 June 2014 the Board recorded a surplus of \$231,000, which reflects an ongoing commitment to building up our reserves for future periods of potential low rice production. This year's rice harvest has enabled a full cost recovery rate per tonne of \$0.62 (2013 \$0.38). 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 the term of Ms Jan McClelland, one of the four non-grower appointed Members, concluded with RMB. On behalf of the Board, I would like to thank Jan for her contribution to the Board, in particular her guidance on relations with key stakeholders and enhancement of corporate governance.

In December 2013, the Minister for Primary Industries appointed Ms Victoria Taylor as one of the four new non-grower Members. We welcome Victoria to the Board and appreciate her extensive knowledge and prior experience in the rice industry as a former Executive Officer of Ricegrowers' Association of Australia.

Appreciation

The Board appreciates the support of the NSW Minister for Primary Industries, 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 her ongoing support of the NSW rice industry.

Thank you also to Dr Scott Hansen (Director General, Primary Industries) and his team, and the Department of Trade & Investment, who have continued to provide support to the RMB, and the rice industry.

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.

RMB Members were saddened by the passing of Ms Jan Cathcart, who was a long-standing employee in Grower Services at Ricegrowers Ltd. Jan was also an employee of the RMB in the early part of her career, and provided outstanding and invaluable assistance to the Board over many years.

I thank my fellow board members, and in particular the Deputy Chairman, Noel Graham, for their support, contributions, and ongoing commitment to the RMB. I would also acknowledge on behalf of the Board the excellent work undertaken by our Secretary, Mr Tony Roddy.

I wish all NSW rice growers the best for crop 2015. The RMB now looks forward with confidence and will continue to represent the best interests of Australian rice growers.

Robyn Clubb
Chairman

Board Members



G.F. Lawson
AM LDA
MAICD

G.L. Kirkup
MAICD

D.F. Hocking
HDA GDE

R Clubb
BEc CA
F.Fin
MAICD

N.G. Graham
FAICD

V.L. Taylor
MAICD.

J.J. Culleton
csc, BA,
pcfsc, GAICD

CHAIRMAN **DEPUTY CHAIRMAN**

BOARD MEMBERS MEETINGS

Members	RMB Board		ABL Committee		Audit & Risk Committee	
	Possible	Attended	Possible	Attended	Possible	Attended
R. Clubb	14	12	6	5	1	1
N.G. Graham	14	12			1	1
G.F. Lawson	14	11			1	1
G.L. Kirkup	14	13				
D.F. Hocking	14	11	6	5		
J.B. McClelland	7	7	2	2		
J.J. Culleton	14	13	6	6	1	0
V.L. Taylor	7	7	4	4		

BOARD STRUCTURE

The Board consists of seven members, three of whom are elected by growers, and four who are nominated by the NSW Minister for Primary Industries. An election was held in 2013 and Messrs Graham and Lawson and Mrs Kirkup, who were the elected members sitting on the Board prior to the election, were re-elected for a further 4 year term. Two of the four nominated member's terms expire in 2015, with the other two in 2017.

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

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

The Board is committed to the Principles of Multiculturalism.

Statutory Reporting Requirements (continued)

FINANCIAL MANAGEMENT

Investment Performance

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

Liability Management Performance

The Board manages the Capital Equity Rollover Scheme which at 30 June 2014 had a nominal balance of \$8,517,246. The Scheme is managed in accordance with its rules which have been approved by the Minister for Primary Industries.

Payment of Accounts

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

Charter

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

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

Objectives

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

Governance

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

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

BUSINESS PLAN AND BOARD SUB-COMMITTEES

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

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

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

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

The Sub-Committees comprise:

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

The Authorised Buyer Licence Committee's responsibilities include:

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

The Governance and Nominations Committee's responsibilities include:

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

Governance (continued)

The Audit and Risk Committee's responsibilities include:

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

The Capital Equity Rollover Scheme Committee's responsibilities include:

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

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

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

BOARD PROCESS

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

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 was held in 2013. Four Board Members are nominated by the Minister for Primary Industries and appointed by the Governor of NSW, usually for a term of four years. The nominated Members are from outside the rice industry and bring additional expertise in agriculture, business administration, communications, corporate governance and finance to the Board. The Board Members elect the Chairman and Deputy Chairman annually after the Annual Meeting.

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 risk management and has implemented procedures covering financial reporting, insurance and crop audit to reduce these risks.

ETHICAL STANDARDS

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

Statement by Members of the Board

Under section 41C of the *Public Finance and Audit Act, 1983*, we state that, in our opinion, the accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Rice Marketing Board for the State of New South Wales at 30 June 2014 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 24 September 2014

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$ 000's	2013 \$ 000's
REVENUE			
Authorised Buyer's Licences	2	512	446
Sole and Exclusive Export Agreement	2	200	200
		<u>712</u>	<u>646</u>
EXPENSES			
Audit Fees		(16)	(15)
Legal and Consultancy Fees	3	(41)	(38)
Depreciation		(12)	(1)
Members' Fees		(146)	(138)
Members' Superannuation		(14)	(12)
Employee Expenses	4	(154)	(126)
Insurance		(21)	(14)
Rent		(36)	(36)
Travel		(28)	(32)
Sundry Charges		<u>(55)</u>	<u>(48)</u>
		<u>(523)</u>	<u>(460)</u>
Finance Income	5	42	48
Net Surplus for the Year		<u>231</u>	<u>234</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>231</u>	<u>234</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 2014

	Notes	2014 \$ 000's	2013 \$ 000's
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	888	980
Trade and Other Receivables	7	570	507
Other Assets	8	2,784	2,336
Total Current Assets		4,242	3,823
Non-Current Assets			
Other Assets	8	5,465	7,992
Property, Plant and Equipment	9	47	51
Total Non-Current Assets		5,512	8,043
Total Assets		9,754	11,866
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	228	291
Prepaid Sole and Exclusive Export Agreement	11	200	200
Growers' Equity Loans	12	2,784	2,336
Provisions	13	1	2
Total Current Liabilities		3,213	2,829
Non-Current Liabilities			
Prepaid Sole and Exclusive Export Agreement	11	200	400
Growers' Equity Loans	12	5,465	7,992
Total Non-Current Liabilities		5,665	8,392
Total Liabilities		8,878	11,221
NET ASSETS		876	645
EQUITY			
Retained Earnings		876	645
TOTAL EQUITY		876	645

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 2014

	Notes	2014 \$ 000's	2013 \$ 000's
		<hr/>	<hr/>
Equity at the beginning of the financial year		645	411
Net surplus for the year		231	234
Other comprehensive income		-	-
		<hr/>	<hr/>
Equity at the end of the financial year		876	645
		<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 2014

	Notes	2014 \$ 000's	2013 \$ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from operations		449	331
Interest received		42	48
Payments			
Cash payments to creditors and suppliers		(531)	(402)
Net cash provided by operating activities	17(b)	<u>(40)</u>	<u>(23)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(8)	(13)
Net cash used in investing activities		<u>(8)</u>	<u>(13)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Equity rollover and redemptions		(2,396)	(7,890)
Receipt of equity contributions		2,352	7,981
Net cash used In financing activities		<u>(44)</u>	<u>91</u>
Net increase/(decrease) in cash and cash equivalents		(92)	55
Cash and cash equivalents at the beginning of the year		980	925
Cash and cash equivalents at the end of the year	17(a)	<u><u>888</u></u>	<u><u>980</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 2014

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 24 September 2014.

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.

Changes in Accounting Policies

Subsequent to the 2012-13 reporting period, the following new and revised Standards have been adopted in the current period:

- AASB 13 Fair Value Measurement
- AASB 119 Employee benefits

These new and revised Standards have not had a significant financial impact. There have been no other changes in accounting policies during the financial period.

(c) REVENUE

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

Authorised Buyers Licence

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

Sole and Exclusive Export Agreement

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

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2014

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(c) REVENUE (continued)

Interest

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

(d) BORROWING COSTS

The Board has no borrowings that incur interest.

(e) INCOME TAX

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

(f) CASH AND CASH EQUIVALENTS

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

(g) TRADE AND OTHER RECEIVABLES

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

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

(h) PREPAYMENTS

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

(i) PROPERTY PLANT AND EQUIPMENT

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

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

Assets are depreciated at the following rates per annum:-

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

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

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2014

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(k) TRADE AND OTHER PAYABLES

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

(l) EMPLOYEE PROVISIONS

Employee Benefits

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

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

Superannuation

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

(m) FINANCIAL INSTRUMENTS

Recognition

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

Loan Receivables

Loan Receivables from Australian Grain Storage Pty Ltd are non-derivative financial assets with determinable payments that are carried at fair value. Fair value is the present value of all future cash payments discounted using the BBSW rate applicable to the Board's long term loan (Note 12), being 2.74% (2013 3.05%). Any increase or decrease in the present value of the interest free loans is recognised in the Statement of Comprehensive Income.

Borrowings

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

Grower Equity Loans

Interest Free Grower equity loans are initially recognised and subsequently carried at fair value. Fair value is the present value of all future cash payments discounted using the BBSW rate applicable to the Board's long term loan (Note 12), being 2.74% (2013 3.05%).

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 2014

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(n) FAIR VALUE

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

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

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

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

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

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

(o) GOODS AND SERVICES TAX

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

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

(p) COMPARATIVE FIGURES

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

(q) 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.

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 2014

NOTE 2 AUTHORITY LICENCES AND SOLE AND EXCLUSIVE EXPORT AGREEMENT

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

Authority 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 Authority Buyers with the balance of its operating shortfall (if any) for the period based on the percentage of the total rice crop each Authority Buyer has procured.

The amount recognised as income for year ended 30 June 2014 was \$712,401 (\$646,220 in 2013).

NOTE 3 LEGAL AND CONSULTANCY FEES

	2014 \$000's	2013 \$000's
Legal Fees & Expense Incurred	23	15
Independent Experts Report	18	23
	41	38

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

NOTE 4 EMPLOYEE EXPENSES

	2014 \$000's	2013 \$000's
Wages & Salary	121	97
Annual Leave	(1)	4
Long Service Leave	-	(7)
Superannuation	29	24
Training	5	2
Recruitment Costs	-	6
	154	126

NOTE 5 FINANCE INCOME

	2014 \$000's	2013 \$000's
Bank Interest	42	48

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 2014

NOTE 6 CASH AND CASH EQUIVALENTS

	2014 \$000's	2013 \$000's
Cash at Bank	138	20
Cash on Deposit	750	960
	888	980

NOTE 7 TRADE AND OTHER RECEIVABLES

	2014 \$000's	2013 \$000's
Current		
Authorised Buyers	560	497
Other	10	10
	570	507

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

NOTE 8 OTHER ASSETS

	2014 \$000's	2013 \$000's
Current		
Australian Grain Storage Pty Ltd	2,784	2,336
Non-Current		
Australian Grain Storage Pty Ltd	5,465	7,992
	8,249	10,328

The Australian Grain Storage loan is a level 2 asset for fair value measurement purposes. The fair value of this loan is estimated using discounted cash flow analysis, based on the BBSW rate of (2.74% (2013: 3.05%).

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 2014

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	2014 \$000's	2013 \$000's
OFFICE & COMPUTER EQUIPMENT		
At Cost	66	22
Accumulated Depreciation	(19)	(22)
Capital Work In Process	-	51
	<u>47</u>	<u>51</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>47</u>	<u>51</u>

Description	Year ended 30 June 2014	Year ended 30 June 2013
	Office, Computer Equipment & WIP \$000's	Office, Computer Equipment & WIP \$000's
Opening WDV 1 July 2013	51	39
Additions	8	13
Disposals	-	-
Depreciation	(12)	(1)
Closing WDV 30 June 2014	<u>47</u>	<u>51</u>

NOTE 10 TRADE AND OTHER PAYABLES

	2014 \$000's	2013 \$000's
Payables	74	93
Unclaimed grower equity repayments	154	198
	<u>228</u>	<u>291</u>

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

NOTE 11 PREPAID SOLE AND EXCLUSIVE EXPORT AGREEMENT FEE

	2014 \$000's	2013 \$000's
Prepaid Sole and Exclusive Export Agreement Fee (Current)	200	200
Prepaid Sole and Exclusive Export Agreement Fee (Non Current)	200	400
Total Prepaid Sole and Exclusive Export Agreement Fee	<u>400</u>	<u>600</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 2014

NOTE 12 GROWERS' EQUITY LOANS

	2014 \$000's	2013 \$000's
Equity Roll Over Loan Fund (Current)	2,784	2,336
Equity Roll Over Loan Fund (Non-Current)	5,465	7,992
Total Growers Equity Loans	8,249	10,328

Grower equity loans are level 2 liabilities for fair value measurement purposes. The nominal value of the interest free grower equity loans at 30 June 2014 was \$8,517,247 (2013: \$10,869,026). The nominal value represents the actual amounts which have been collected from and which are due to be repaid to growers. The present value represents the result of discounting the nominal value under Australian Accounting Standards using the BBSW rate applicable to the Board's long term loan which is 2.74% (2013: 3.05%).

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.

	2014 \$000's	2013 \$000's
Opening Balance of Fund	10,328	17,859
Less Redemptions	(16)	(21)
Less Roll Over Payment	(2,336)	(7,869)
Add Movement in fair value of loans	273	359
Closing Balance of Fund	8,249	10,328

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

	2014 \$000's	2013 \$000's
Less than one year	2,784	2,336
One year to five years	5,465	7,992
Total	8,249	10,328

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 2014 the agreed maximum was \$225,000 (2013 \$340,000). The agreed yearly amount reduces each year until 2016, where it is \$110,000.

NOTE 13 PROVISIONS

	2014 \$000's	2013 \$000's
Annual Leave (Current)	1	2
	1	2

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

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2014

NOTE 14 FINANCING ARRANGEMENTS

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

	2014 \$000's	2013 \$000's
Bank overdrafts	2,500	2,500
Interest bearing loans	-	-
Total	2,500	2,500
Facilities utilised at reporting date		
Bank overdrafts	-	-
Interest bearing loans	-	-
Total	-	-
Facilities not utilised at reporting date		
Bank overdrafts	2,500	2,500
Interest bearing loans	-	-
Total	2,500	2,500

NOTE 15 FINANCIAL INSTRUMENTS

15(a) Interest rate risk exposures

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

2014	Floating Interest Rate	Fixed Interest Rate Maturing in		Non- Interest Bearing	Total Carried As per Statement of Financial Position	Weighted Average Effective Interest Rate
		1 Year or less	1 to 5 years			
	\$000's	\$000's	\$000's	\$000's	\$000's	%
Financial Assets						
Cash and cash equivalents	138	750	-	-	888	3.52%
Trade and other receivables	-	-	-	8,819	8,819	n/a
Total financial assets	138	750	-	8,819	9,707	
Financial Liabilities						
Trade and other payables	-	-	-	228	228	n/a
Growers' equity loans	-	-	-	8,249	8,249	n/a
Interest bearing loans	-	-	-	-	-	n/a
Other liabilities	-	-	-	400	400	n/a
Total financial liabilities	-	-	-	8,877	8,877	

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 2014

NOTE 15 FINANCIAL INSTRUMENTS (continued)

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			
	\$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	

15(b) Credit risk exposures

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

15(c) Net fair values

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

15(d) Financial Risk Management

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

a) Credit risk

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

b) Liquidity risk

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

c) Interest rate risk

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

Cash flow sensitivity analysis for variable rate financial instruments

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

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2014

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:

	2014 \$000's	2013 \$000's
Short-term employee benefits	214	214
Post-employment benefits	33	33
	<u>247</u>	<u>247</u>

16(b) Transactions with Related Parties

The Board did not have any related party transaction for the year ending 30 June 2014 (2013 \$0).

NOTE 17 NOTES TO THE STATEMENT OF CASHFLOWS

17(a) Reconciliation of Cash at End of Year

	2014 \$000's	2013 \$000's
Cash at bank and on deposit	888	980
Cash at end of year	<u>888</u>	<u>980</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

	2014 \$000's	2013 \$000's
<u>Net surplus for the year</u>	231	234
<u>Non cash recognition of provisions in the statement of financial position</u>		
Depreciation	12	1
<u>Asset and Liabilities Movements:</u>		
(Increase)/Decrease in Trade and other receivables	(63)	(115)
Increase/(Decrease) in Trade and other payables	(19)	67
Increase/(Decrease) in Other liabilities	(200)	(200)
Increase/(Decrease) in Provisions	(1)	(10)
Net cash provided by operating activities	<u>(40)</u>	<u>(23)</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 2014

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

Rice Marketing Board

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Rice Marketing Board (The Board), which comprise the statement of financial position as at 30 June 2014, 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 2014, 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 entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

David Nolan
Director, Financial Audit Services

13 October 2014
SYDNEY

Budget:

Actual 2013/2014 \$000's	Budget 2013/2014 \$000's		Budget 2014/2015 \$000's
INCOME			
509	515	Authorised Buyers' Licence Fees	517
203	200	Sole & Exclusive Export Licence Fee	200
42	47	Interest Received	49
-		Miscellaneous Income	
754	762		766
EXPENDITURE			
(-)	(2)	Advertising	(2)
(16)	(16)	Audit Fees	(16)
(2)	(2)	Bank Charges	(2)
(41)	(38)	Legal & Consultancy Fees	(48)
(12)	(9)	Depreciation	(12)
(6)	(10)	Information Systems	(8)
(20)	(24)	Insurances	(24)
(146)	(160)	Members' Fees	(160)
(13)	(15)	Members' Superannuation	(15)
(4)	(3)	Postage & Couriers	(2)
(4)	(7)	Printing & Stationery	(3)
(36)	(36)	Rent of Premises	(36)
-	(10)	Crop Auditing Costs	(5)
(150)	(152)	Staff Employment Costs	(153)
(12)	(8)	Telephone	(6)
(29)	(36)	Travel - Members & Staff	(36)
(1)	(2)	Sundry Charges	(2)
(9)	(9)	Grower Relations	(9)
(17)	(18)	Members Election	(-)
(5)	(5)	Staff Training	(2)
(-)	(-)	Market Research Expenses	(25)
(523)	(562)		(566)
231	200	Operating Surplus/(Deficit)	200
(3)	(10)	Capital Expenditure	(5)

Statistical Summary

New South Wales Only

		2014 Crop	2013 Crop	2012 Crop	2011 Crop	2010 Crop
Number of farms producing rice	MIA	338	448	423	421	172
	CIA	209	279	270	256	97
	MV	746	898	844	694	135
	Nth NSW	4	6	8	3	10
	TOTAL	1,297	1,631	1,545	1,374	414

Production (tonnes)	MIA	233,760	377,850	315,868	300,167	109,262
	CIA	115,466	190,540	154,431	146,218	45,652
	MV	476,647	589,668	486,201	350,214	49,171
	Nth NSW	193	282	471	497	1593
	TOTAL	826,066	1,158,340	956,971	797,096	205,678

Harvested Area (hectares)	MIA	20,944	33,077	31,572	28,975	9,434
	CIA	11,347	18,922	17,302	14,786	4,231
	MV	46,229	60,795	53,947	39,624	4,868
	Nth NSW	87	116	98	149	384
	TOTAL	78,607	112,910	102,811	83,534	18,920

Average Yield (Tonnes/Hectare)	MIA	11.2	11.4	10.0	10.4	11.6
	CIA	10.2	10.1	8.9	9.9	10.8
	MV	10.3	9.7	9.0	8.9	10.1
	Nth NSW	2.2	2.4	4.8	3.3	4.2
	AVERAGE	10.5	10.3	9.3	9.5	10.9



The Rice Marketing Board

FOR THE STATE OF
NEW SOUTH WALES

**3rd Annual Report to NSW Rice Growers
October 2014**

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 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.

This report covers the period from October 2013 (the date of the previous report) to October 2014.

Section A

RMB Performance Measured Against Stated Objectives

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

- I. There are currently 9 licensed Authorised Buyers.
- II. 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' Licence Agreement.
- III. The RMB recently redrafted, thereby streamlining its annual Authorised Buyer's licence renewal forms.

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

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



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

- a. Attendance at the Ricegrowers' Association of Australia (RGA) branch meetings.
- b. Sponsorship of, and attendance at, the RGA Annual Conference.
- c. Provision of the RMB Annual Report and its availability on the website.
- d. Communication with the President and Executive Director of the RGA on issues relevant to the industry.
- e. Being available to all growers, through its sole employee, the Board Secretary.

Section B

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

Independent Verification Report of the 2013-14 Export Price Premium

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

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

Assessment Period:

- I. Rice sales 2013-14;
- II. Financial reporting of RL for the period 1 May 2013 to 30 April 2014

Findings

- Export price premium delivered to growers of \$95.2 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 three crop years (see graph on page 5).
- Positive trends generally in key markets and market share
- Paddy price premium includes efficiency scale advantage
- Freight scale advantage of \$18.5 million delivered to growers, in addition to the export price premium.
- RL delivers other substantial benefits to growers e.g. ability to respond to changes in market conditions, product research and development, buyer of



last resort, history of reliable sales and payments, crop finance, rice crop insurance, and provision of storage and purity of seed.

- Sound financial performance of RL, including:
 - o Revenues of \$1.15 billion (up 7.7% on 2013)
 - o NPAT (Net Profit After Tax) of \$33.5 million (down 6.4% on 2013)
 - o Debt to equity 42.6% (down from 61% in 2013)

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 2013-14 year.

Ricegrowers Limited (RL), as the current holder of the SEEL, reported the delivery of an **export price premium of \$95.2 million** for the 2013/2014 year.

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

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

The reported 2013-14 export price premium has increased significantly from the 2012/13 premium of \$65.9 million, and equates to a premium of \$82 per tonne based on 2012/13 rice crop production of 1,161,000 tonnes. Grant Thornton stated in its verification report of 1 August 2014 that the increase:

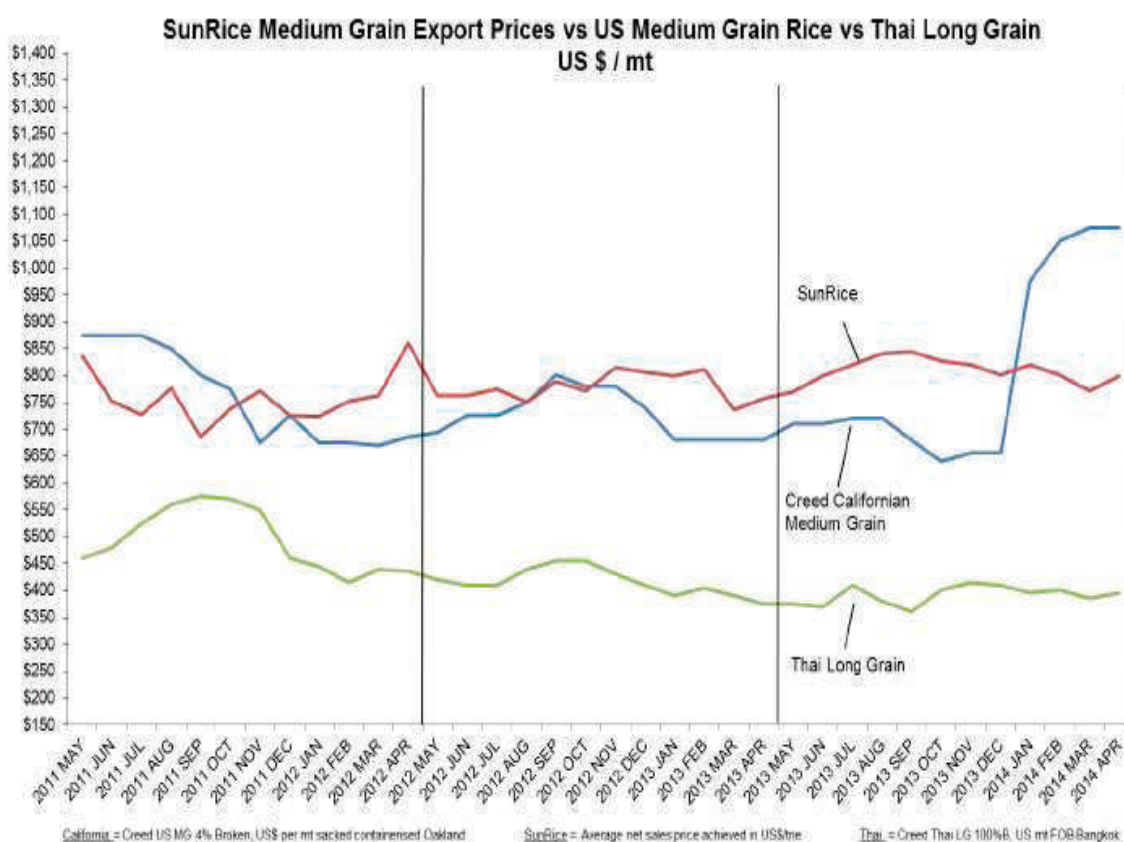
“was due in part to an oversupply of Thai Long Grain rice, reducing competitor price benchmark in the Pacific Majors market by approximately \$32.5 million. This is expected to be a temporary price differential which will reverse over the short to medium term. We note that this premium is only due to the fall in competitor pricing rather than an increase in prices.”¹

The RMB agrees with Grant Thornton’s assessment that the oversupply situation in Thailand may be temporary and may therefore reverse in the short to medium term. However, the remaining premium, after subtracting this abnormal benefit, is still \$62.7 million (\$54 per tonne).

(pg 8, Grant Thornton Australia, 2014 Verification Report, Commercial in Confidence)



- ii. The following graph displays the three year trend of the average FOB (Free on Board) price achieved by RL in export markets (for AU Rice exported) compared to the average FOB Creed price.



Note:

- the recent period where the Californian price exceeds RL's price reflects the sharp increase in US medium grain asking prices as a result of the Californian drought and the anticipated restricted future paddy supply.

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

Rice sales into key export markets during the 2013-14 year have continued to consolidate RL's market position. In the Pacific, due to its historical strength, RL continues to be the dominant market player, and holds a large share of the market. It competes against Chinese and Vietnamese short grain varieties.

Unfortunately, due to quality issues brought about by seasonal conditions in 2013, RL was unable to fully participate in some global tenders and Country Specific Quotas.



iv. Demonstration of Freight Scale Advantage to Rice Growers

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

RL has provided a summary² of freight scale by region, detailing a total freight scale advantage of \$18.5 million. If volumes by RL (or other exporters) were lowered as a result of other exporter participation, the scale advantage that is passed back to growers would be significantly reduced.

The calculation by RL of the freight scale advantage is based on informal and indicative high level estimates of the volume discounts provided by 3 shipping companies, and is not based on a specific analysis of actual discounts received. Grant Thornton stated in its verification report of 1 August 2014 that:

“this is the only practical way of estimating the savings given smaller scale competitor rates are confidential³”.

v. Demonstration of the Advantages of Scale to Rice Growers

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

The 2013 crop of 1,161,000 tonnes would have utilized 99% of RL’s milling capacity if all milled in the 2013-14 year. However, because of the smaller crop in 2014 of 825,000 tonnes, RL has carried 2013 crop over into the 2014-15 year. As a result milling capacity utilization over the 2 years is 85%. .

² (pg 16, Table 1 , Ricegrowers Ltd, SEEL Annual Review Response, Sept.2014, Commercial in Confidence)

³ (pg9, Grant Thornton Australia, 2014 Verification Report, Commercial in Confidence)



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

- 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, ensuring processing capacity was available to meet increased production post drought.
 - 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 and 1.16 million tonnes in crop year 2013.
 - 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 and RIRDC, 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
- Being the 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 in the retail channel, RL is able to compete against private labels and command a substantial shelf premium.
- RL continued its track record of good returns and certainty of sale
 - It operates a transparent pool and regularly updates growers on price trends and payment dates.
 - It drove improved grower outcomes even though the 2013 crop resulted in dramatically lower milling yields.



- RL provided financing of crops at competitive interest rates
 - RL does not profit from forward finance arrangements as happens in other industries and it currently underwrites these financial arrangements.
- Provision of rice storage.
 - Paddy storage is provided by RL through its subsidiary, Australian Grain Storage Ltd
- Pure Seed production and supply to rice growers.
 - RL operates a quality assured Pure Seed Program (reviewed by RMB in 2011/12) to supply registered seed for all commercial rice varieties to growers.
 - Its subsidiary, Rice Research Australia Pty Ltd produces breeder's seed of all varieties for the Pure Seed Program.
- Strength of products and related brands to drive ongoing demand
 - RL provides consistent above and below-the-line support to its branded products to command the premiums achieved in the market. All RL's consumer sales are branded.

3. Impact of changes in the availability of water

- a. As a result of water entitlement purchases under the Murray Darling Basin Plan, 27 percent of entitlement in the rice growing region serviced by Murray Irrigation Limited is, at the date of this report held by the Commonwealth Water Entitlement Holder. Lower but significant purchases of entitlement have been acquired in the rice growing regions serviced by Murrumbidgee Irrigation Limited and Coleambally Irrigation Cooperative Limited. While the focus of the Murray Darling Basin Plan has now switched to acquiring water through investment in water savings on-farm and in-system, further water entitlement purchases will be made by the Commonwealth.
- b. RL has stated that reduced water availability is having an impact on rice production, and is therefore focusing on a range of initiatives to make rice production as competitive as possible and encourage Riverina irrigators to make rice their first choice summer crop.



- c. RL analysis indicates average crop size should remain at the long term average production of 800,000 tonnes. RL has demand across the market segments for 950,000 tonnes of paddy production and has encouraged growers to make rice their first choice crop when deciding how to use their available water.

4. Market Position of SEEL holder

- a. RL's market share in its key markets continued to consolidate in 2013/14
- b. Investment in brands and product innovation continues, evident in their presence at major supermarkets and other retail outlets, with such brands as SunRice, Riviana, Always Fresh, and Coprice.

5. Financial Performance and Reporting of RL⁴

Overall, the RL financial statements reflect a continued strengthening in financial position over the 12 month period to 30 April 2014. It had a strong trading year, milling and marketing the 2013 crop of 1,161,000 tonnes. Growers received \$293.61 per tonne for medium grain Reiziq (\$317.34 in the previous year) with overall consolidated profit falling 6.4% to \$33.5 million.

Income Statement

- a. Revenue from continuing operations totalled \$1.15 billion this year, an increase of 7.7% on 2013 reflecting increased growth in RL's value added product ranges and continuing growth by CopRice and its global rice milling and marketing businesses.
- b. Expenses increased reflecting greater activity associated with increased volumes.
- c. NPAT of \$33.5 million (\$35.8 million in 2013) with EPS (B class shareholders) of 53.3 cents per share (57.9 cents per share in 2013).
- d. Results by segment indicate all segments were profitable in 2014.
- e. Interest Cover fell to 4.5 times (5.8 times in 2013).
- f. Dividend Payout Ratio (dividends as a % of profit attributed to RL Shareholders) increased to 43% (40% in 2013).

Balance Sheet

- a. Net Assets of \$324 million, an increase of \$9.7 million.
- b. Retained earnings increased to \$191 million from \$174 million in 2013.
- c. Liquidity Ratio (current ratio + available debt) increased to 2.3 (1.8 in 2013).

⁴ Detailed information is contained in SunRice Annual Report April 2014 including audited Financial Statements



- d. Acid Ratio (cash + receivables + investments, divided by current liabilities) reduced to 0.2 (0.3 in 2013).
- e. Current Ratio (current assets to current liabilities) remained at 1.7 (1.7 in 2013).
- f. Debt to Equity (external financing to all sources of capital) 42.6%, down from 61% in 2013.
- g. Return on Average Equity (NOPAT to average total equity) 41%, down from 43% in 2013.
- h. Return on Average Assets (EBIT to average total assets) 8%, (8% in 2013).

Cash Flow

RL's net cash reduced by \$72 million during the year to 30 April 2014. This was, however, after repayment of net debt of \$119 million.

Other relevant financial matters for the year to 30 April 2014

- a. RL's currency exposures are managed under its Treasury policy. The company is compliant with the requirements of the policy.
- b. During the 2014 financial year RL renegotiated its seasonal syndicated banking facility, increasing the seasonal debt facility by \$10 million. As an integral part of the annual facility negotiations with the banks, RL's ability to meet its obligations is tested rigorously and is reviewed every six months. All bank loan covenants have been met by RL.
- 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 of RL to meet financial commitments is tested six monthly. As noted above, all bank loan covenants have been met.
- e. Interest rate exposures are managed under RL's Treasury policy. RL is compliant with the requirements of the policy.
- f. Capital Raisings. RL has not undertaken a capital raising during the year to 30 April 2014, and no capital raisings are planned for the immediate future.
- g. Fixed Asset Management. Capital investments by RL during 2013-14 totalled \$32 million. The following capital projects are currently underway:
 - 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 of Directors since the last report to rice growers.

John Brennan, the new Chief Finance Officer commenced in September 2014. He replaced Brad Hingle who resigned effective in December 2013. Emmanuel Zammit was interim CFO.

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

RL monitors competition from other summer and winter crops on an annual basis. It recently engaged agricultural consultants to carry out a financial analysis of southern NSW irrigated crop options. The analysis showed that the rice farming system generates higher profit and return on capital than other options for the majority of southern NSW irrigators.

RL believes that rice production will continue to receive support from producers in southern NSW.

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 both export price premiums and substantial secondary benefits to rice growers.

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



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