



Securing our Future

Annual Report 2016





CONTENTS

SunRice Overview	02	Our Growers	18
About SunRice	04	Our Operations	22
SunRice Brands	06	Our Businesses	26
Group Highlights	08	Trukai Industries	28
Business Highlights	10	Riviana Foods	29
Chairman’s Message	12	SunFoods	30
CEO’s Message	14	CopRice	31
SunRice Around the World	16	People and Culture	32

SunRice is equipping the company for the future, enabling opportunities to invest for growth and building a global food business of significant scale to benefit all growers, shareholders and our people. SunRice is securing the future of rice for generations to come.



Community and Environment	36
Our Community.....	38
Environment and Sustainability	40
Our People	
Board of Directors	42
Corporate Management Team ...	44
Subsidiary Company Heads	46
Corporate Governance Statement	47

Directors' Report and Financial Report	57
Independent Audit Report to the Members of Ricegrowers Limited	130
Corporate Directory	132

SunRice's Annual Report covers Ricegrowers Limited ABN 55007481156 and subsidiaries. The Report can be viewed or downloaded from SunRice's website, www.sunrice.com.au. In this Report, 'the year', 'this year', 'FY16', 'crop year 2015', 'C15' all refer to the Financial Year ended 30 April 2016. The '2016 harvest' refers to the rice crop grown in FY16 and processed in the Financial Year ended 30 April 2017.

SUNRICE OVERVIEW

MISSION

With our roots in Australia's food bowl, we are trusted to transform nature's goodness into healthy, enjoyable and nutritious foods that meet the needs of discerning consumers around the world.

VALUES

Community, Dynamic, Integrity, Collaborative, Innovative.

STRATEGIC GOALS

1. Substantially increase annual revenue within the next 10 years.
2. Maximise Paddy Price by optimising market, channel and varietal mix.
3. Achieve top quartile, year-on-year profitability.
4. Grow Shareholder value and increase resilience on earnings by pursuing diversified and stable growth.
5. Maintain or improve Return on Capital Employed (ROCE).

SunRice is one of Australia's largest branded food exporters, with over 30 major recognised brands in approximately 48 countries around the world.

From its foundations as a rice processor and marketer 66 years ago, today the SunRice Group comprises 10 businesses, representing a diverse portfolio united by the Group's mission to transform nature's goodness into healthy, enjoyable and nutritious foods that meet the needs of discerning consumers around the world.

With FY16 revenue of \$1.3 billion and more than 2,100 staff, the SunRice Group has operations and assets across Australia, New Zealand, the Middle East, the United States, Papua New Guinea, the Pacific Islands (including Solomon Islands) and Asia.

This includes:

- SunRice's Riverina-based Rice Pool Business, which operates the Paddy Pool and delivers benefits to Growers and A Class Shareholders in the form of Paddy Prices; and
- SunRice's Profit Businesses, which deliver benefits to SunRice's B Class Shareholders in the form of participation in capital growth and dividends.

When combined, SunRice's Rice Pool Business and its Profit Businesses deliver complementary benefits to both sets of shareholders, which include profitable participation in and maintenance of world markets; increased business scale to maintain efficient utilisation of the business's storage and processing assets; shared investment in SunRice brands; and providing SunRice with the necessary critical mass to successfully compete in today's dynamic business environment.

SunRice has successfully transitioned from a production-led processor to a market-driven food company over the past decade. The Group has a long track record in innovation and capability; expertise in commercialising value-added products and launching them in high-growth global markets; and making strategic investments in brands, operations and relationships outside Australia.

The Company is now well-positioned to seek further growth and is focused on securing the future for SunRice for generations to come.

OUR STRATEGIC PRIORITIES



01.

Establish a Secure and Sustainable Supply Base



02.

Premiumise Commodity Markets



03.

Differentiate and Build Value in Domestic Consumer Markets



04.

Build Presence in High-Growth Consumer Markets



05.

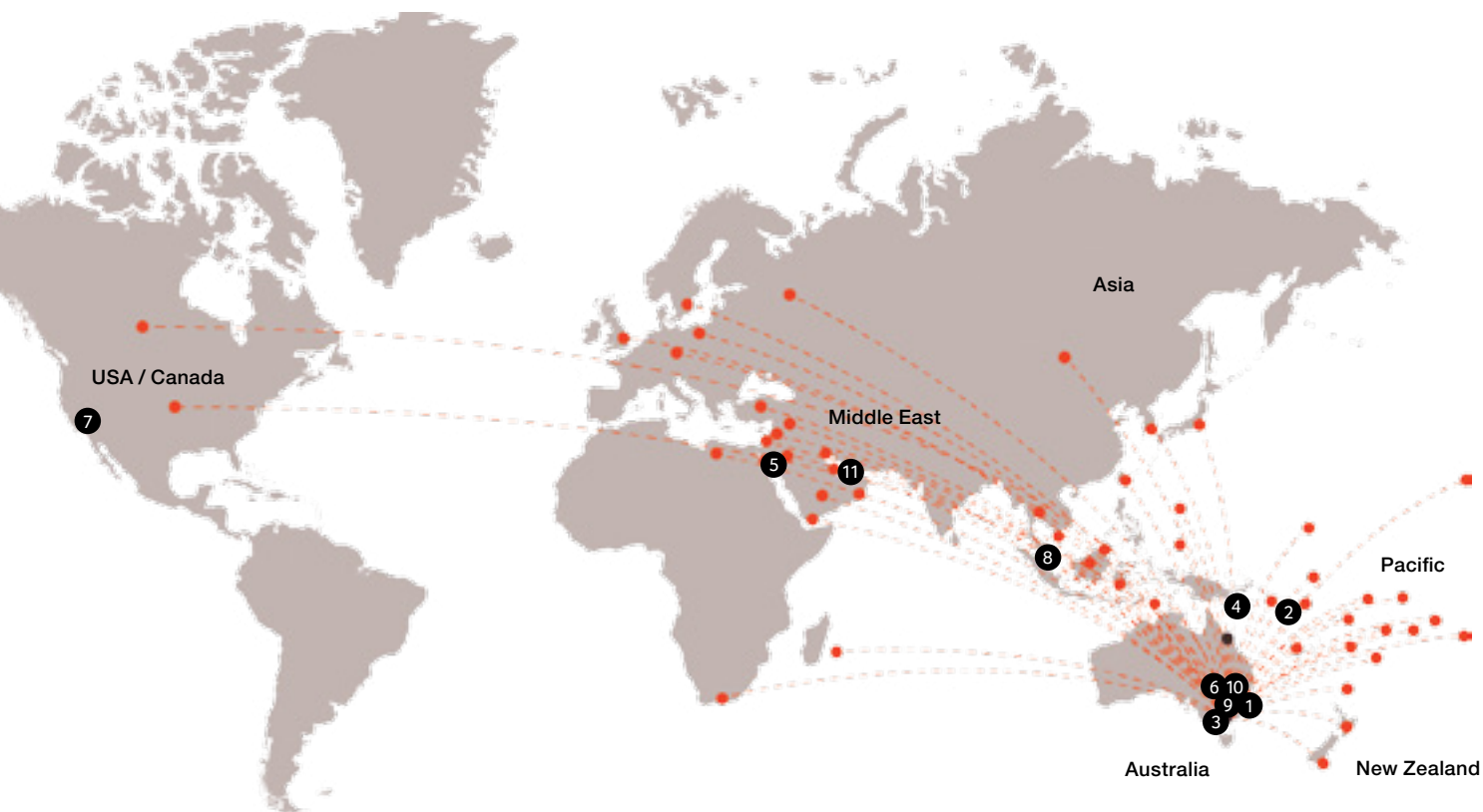
Diversify Earnings by Accelerating Growth of Complementary and Subsidiary Businesses



06.

Operational Excellence through Efficiency and Innovation

ABOUT SUNRICE



- SunRice Markets
- SunRice International Offices / Operations

1

SunRice
Registered Head Office
Leeton, NSW, Australia
Corporate Office
Sydney, NSW, Australia

2

Solrice
Solomon Islands

3

Riviana Foods
Scoresby, VIC, Australia

4

Trukai
Papua New Guinea

5

**Aqaba Processing Co.
(APC)**
Aqaba Port, Jordan

6

CopRice
NSW and VIC, Australia

7

SunFoods
California, USA

8

Ricegrowers Singapore
Singapore Office

9

**Rice Research Australia
Pty Ltd (RRAPL)**
Jerilderie, NSW Australia

10

**Australian Grain Storage
(AGS)**
NSW and VIC, Australia

11

SunRice
Dubai Office

FAST FACTS

\$1.3BN

GROUP REVENUE
(FY16)

\$892M

REVENUE

Attributable to
Profit Businesses (FY16)

\$474M*

REVENUE

Attributable to Rice
Pool Business (FY16)

4

INTERNATIONAL
OPERATIONS

10

BUSINESSES

244,184

CI6 TONNES HARVESTED

\$52M

NET PROFIT
AFTER TAX (UP 5.8%)

20%

SHARE OF THE GLOBAL
JAPONICA TRADE

37.5%

DIVIDEND PAYOUT
RATIO (FY16)

904

A CLASS SHARES ON ISSUE

55.8M

B CLASS SHARES ON ISSUE

*Rice Pool revenue includes intercompany sales

SUNRICE BRANDS

30+

MAJOR BRANDS



700+

PRODUCTS



48

EXPORT MARKETS



SunRice's diverse product portfolio includes branded gourmet food; pet food and stockfeed manufacturing; value-added products such as rice flour, rice cakes and rice meals; and sourcing and trading of non-Australian rice.

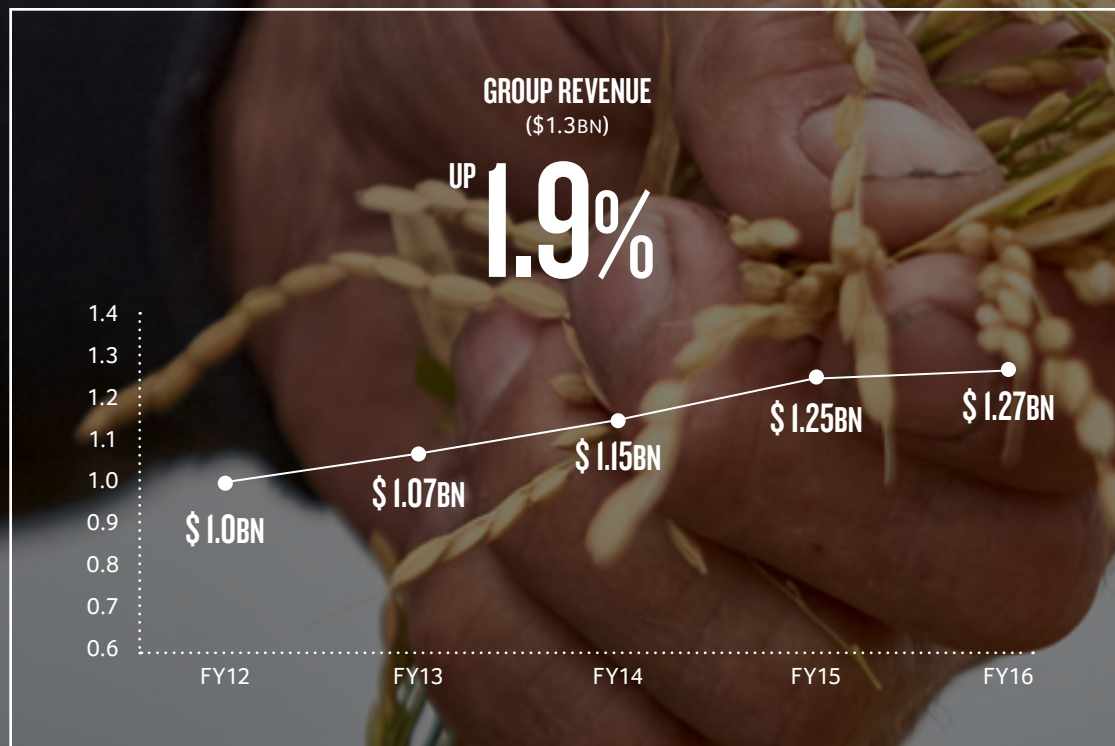
SUNRICE BRANDS



COMPANY BRANDS



GROUP HIGHLIGHTS



NET PROFIT
BEFORE TAX

\$73M

UP 3.6% ON LAST YEAR

NET PROFIT
AFTER TAX

\$52M

UP 5.8% ON LAST YEAR

DIVIDEND PER B CLASS SHARE

33 CENTS

UP 6.5% ON LAST YEAR

PADDY PRICE
(Price at 30 April)

\$533.60 KOSHIHIKARI

\$403.60 REIZIQ

CAPITAL INVESTMENT

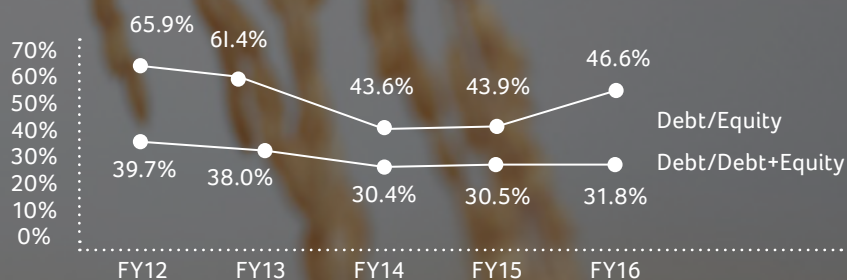
\$24m

RETURN ON CAPITAL
(Return on Capital Employed – ROCE)

15.1%

vs. 15.8% year-on-year

GEARING % (at 30 April)



2.3% UPLIFT

IN C15 PADDY PRICE
YEAR-ON-YEAR

BUSINESS HIGHLIGHTS BY SEGMENT

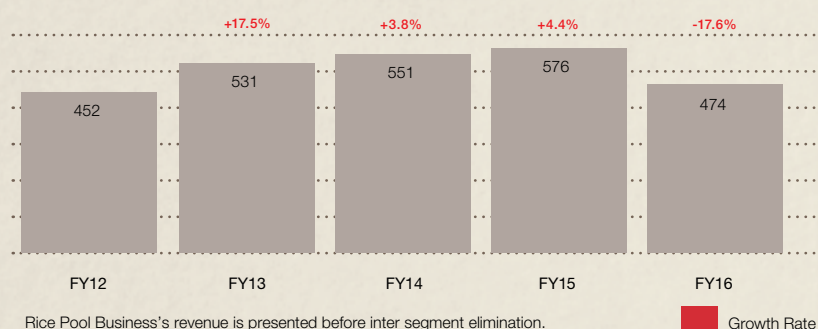
The SunRice Group includes the Rice Pool Business, the returns of which are aligned to growers and A Class Shareholders, and the Profit Businesses, which are aligned to B Class Investor Shareholders.

RICE POOL BUSINESS

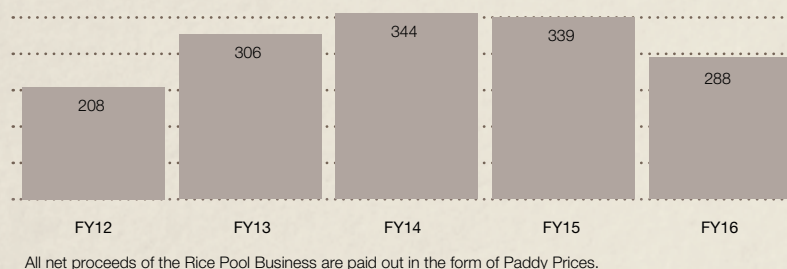
*Aligned to Growers and A Class Shareholders

The milling, marketing and distribution of Riverina Rice through intermediaries to consumers and directly to food service and processing customers, where the supply of Australian rice is a key driver of the economics of the business.

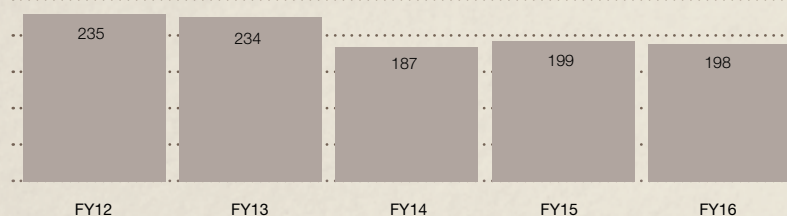
REVENUE (A\$M)



PADDY PRICE PAYMENTS (A\$M)



NET ASSETS (A\$M)²



BRANDS

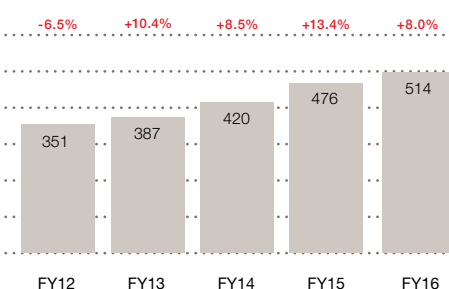


PROFIT BUSINESSES

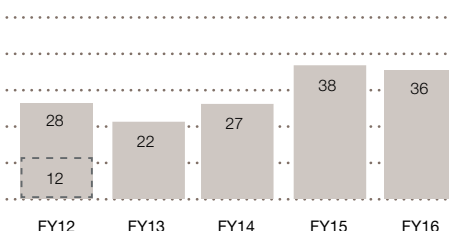
International Rice

The marketing and distribution of rice from all other sources through intermediaries to consumers, food services and processing customers, where the economics of the business reflects profit generated as a result of managing supply and demand.

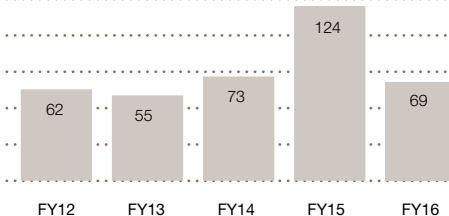
REVENUE (A\$M)



NPBT (A\$M)¹



NET ASSETS (A\$M)²



*Aligned to B Class Shareholder

Rice Food

The marketing and distribution of rice-based products which incorporate additional value in their transformation process (including rice cakes, rice flour and microwave rice, microwave meals).

Riviana Foods

The importation, manufacture, distribution and sales of consumer food products to intermediaries.

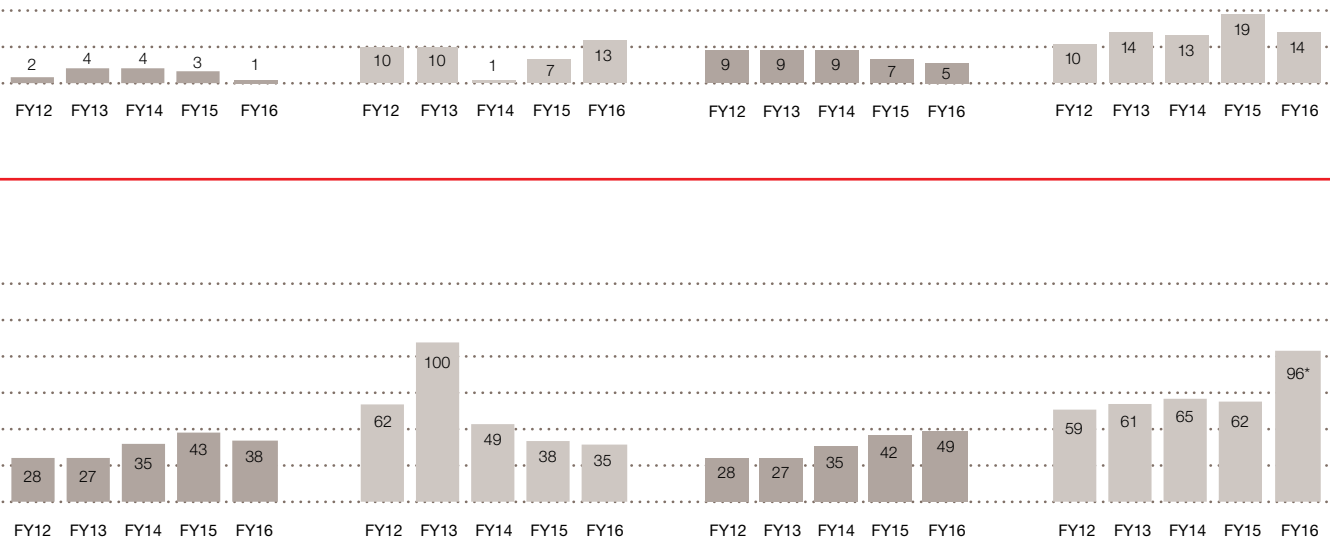
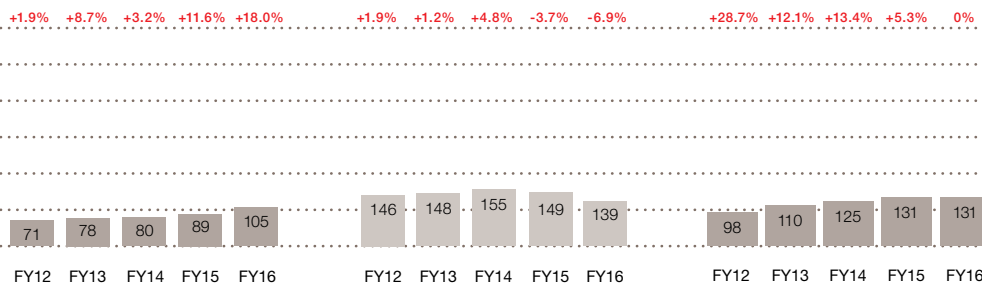
CopRice

The manufacture, distribution and sales of pet food and stock feed products through intermediaries to consumers and primary producers.

Asset Finance

Includes charges for funding, access and use of manufacturing, storage and brands, primarily by the Rice Pool Business. Also includes insurance activities.

Note:
Asset Finance does not generate revenues



*Includes SunFoods intercompany receivable previously netted off in international segment



1 The NPBT of the International Rice segment has been adjusted by the impact of the Paddy Price retention in FY12 (\$16M of NPBT increase). Excluding this adjustment the NPBT of the International Rice Segment is \$12 million for FY12 which is represented on the chart by the dotted lines.

2 Net assets exclude cash and borrowings and deferred tax, and are before eliminations of intercompany accounts. Net assets are as at year end and segmented based on usage by segment. Their volatility is largely driven by net working capital and in particular inventory levels and phasing of receipt of harvest.

CHAIRMAN'S MESSAGE

“SunRice continued its track record of balancing the interests of grower and investor shareholders in FY16, delivering excellent returns for both, while focusing positively on the future.”



PADDY PRICE
(C15)
\$403.60

UP **6.5%**
DIVIDEND APPRECIATION
YEAR-ON-YEAR

SunRice continued its track record of balancing the interests of grower and investor shareholders in FY16, delivering excellent returns for both, while focusing positively on the future.

For our growers, the Crop Year 15 (C15) Paddy Price for medium grain Reiziq was confirmed at \$403.60 per tonne and the price for Koshihikari at \$533.60 per tonne. This represents a 2.3% uplift in pricing year-on-year and a total \$288 million paid out to growers.

We have provided a fixed price for C16 of \$415 per tonne (Reiziq) in response to poor water allocations. This encouraged plantings that provided 244,184 tonnes of valuable Riverina rice for our key markets. We recently closed a limited volume fixed price contract for C17 priced at \$400 (Reiziq). This new early initiative is designed to enable our growers to better manage risk. However, while contracts provide a fixed price at a point in time, it is prudent to note that the C17 pool result will not be finalised until July 2018.

As I've shared on many occasions, Riverina Rice remains the cornerstone of our Rice Pool Business and its quality and provenance is key to access and premium pricing in many of our export markets. In line with SunRice's operating structure and strategic goals, a strong Riverina grower base remains in the best interests of SunRice and both A and B Class Shareholders.

For our SunRice B Class Shareholders, the Board was pleased to confirm a record dividend of 33 cents per B Class Share for FY16, which represented a dividend increase of 6.5% year-on-year.

Positioning the business for future growth

The Capital Restructure is designed to equip SunRice and all growers and shareholders for the future by enabling the company to invest for growth, better manage business risk and have greater resilience. Importantly, this includes creating a global business of scale that can pursue strategies to maximise the paddy price per tonne for Riverina growers and deliver dividend and capital growth for investors.

Following excellent progress in finalising documentation for the proposed Capital Restructure, the Board and I were disappointed to announce a delay in the timetable for a vote after a joint venture partner signalled its intent to review arrangements with SunRice. As a result, we are unable to finalise the Capital Restructure documentation while this review is ongoing.

Despite this delay, the Directors and I were encouraged by the support for the Capital Restructure expressed by shareholders and growers at meetings we held in June 2016, and we remain firmly focused on progressing with the Capital Restructure once the current joint venture issue is resolved and a suitable timetable can be confirmed.

The Board and I remain firm that the Capital Restructure is in the best interests of the business, growers and shareholders, and will create a strong base for decades to come, while preserving grower control. We are committed to the Restructure's success and I'm pleased that so many of you have shared similar sentiments since we announced the delay. We look forward to communicating a new timetable as soon as we are able to do so.

An industry united

Finally, the success of the Australian rice industry and the SunRice Group has many contributors. I thank the Ricegrowers' Association of Australia (RGA), in particular new President Jeremy Morton, the Rice Marketing Board (RMB) and Chair Robyn Clubb, and the many federal and state government departments who contribute to our combined strength. This includes the NSW Department of Primary Industries (DPI), which will conduct its review of rice vesting this year. I urge all growers and stakeholders to support DPI in this process, particularly given the significant financial benefits the Sole and Exclusive Export Licence (SEEL) delivers. SunRice's export price premiums, which are achievable through vesting, totalled \$243.5 million between FY13-FY15 and contribute to the paddy price per tonne achievable for Riverina growers.

I thank my fellow Directors, including new External Director Ian Glasson who we welcome, CEO Rob Gordon, the Corporate Management Team and all SunRice employees for their exceptional results in some challenging conditions. And to our growers and shareholders, thank you for your ongoing support.



Laurie Arthur
Chairman

CEO'S MESSAGE

“The SunRice Group’s position at the end of a challenging year demonstrates the strength of the company, its businesses, markets and brands.”



\$1.3BN
GROUP REVENUE

UP 5.8%
NET PROFIT
AFTER TAX

Following three years of rapid growth, in FY16 SunRice maintained its level of performance in challenging conditions, demonstrating the success of the Group Strategy and our resilience for the future.

Group consolidated revenue was a record \$1.3 billion, up 1.9% on the \$1.25 billion achieved in FY15. Revenue attributable to the Riverina Rice Pool Business was \$474.2 million*, down 17.6% on FY15, reflecting the smaller Riverina crop. Revenue attributable to SunRice's Profit Businesses was \$892.5 million, up 4.4% on the prior year, driven by strong growth in the International Rice and Rice Foods segments.

Net profit before tax for FY16 was \$73.2 million, up 3.6% on the \$70.7 million achieved in the prior year, and net profit after tax for FY16 was \$52.0 million, up 5.8% on the \$49.2 million achieved in the prior year.

\$24 million in capital investment was made in FY16, with return on capital employed (ROCE) of 15.1%, compared to 15.8% last year. The SunRice Group's year end gearing (debt to debt plus equity) was 31.8%, compared to 30.5% at year-end in FY15. The increase in gearing was due to higher net working capital, including higher international inventory levels and lower Riverina grower payables due to the smaller crop.

Global growth in challenging environments

The SunRice Group performed strongly in dynamic and challenging operating environments in FY16, which included currency fluctuations, political instability and tightening trade conditions.

The smaller crop enabled Riverina rice to be sold into higher value branded markets, with a mix of increased prices and favourable exchange rates delivering solid returns that were able to offset the higher conversion costs associated with

lower throughput. This included exceptional growth in SunRice's Middle East business in FY16, aided by continued investment in the region and the opening of an office in Dubai.

SunRice's Asian business achieved a 28% uplift in volume growth in FY16. E-commerce sales also commenced to China and an office was opened in Singapore to assist in building ongoing relationships with key stakeholders, as well as to more closely monitor Asian growth markets.

SunRice's strong presence in Pacific markets continued, however operational challenges impacted volume and profit in the Solomon Islands, adversely affecting performance. SunRice's remaining consumer brands in the Pacific performed strongly.

Trukai Industries' risk profile was again impacted in FY16 due to the illiquidity of the Papua New Guinean Kina, which unfavourably affected profits from Trukai, despite double digit revenue growth. In line with earlier guidance, a sudden devaluation of the Kina is likely to have a material impact on the SunRice Group, and we continue to closely monitor this and related issues.

Anticipated lower rice volumes in the Riverina also intensified SunRice's global sourcing initiatives in FY16, with new international supplier arrangements contributing to approximately 300,000 metric tonnes being sourced to service and maintain branded markets. In addition, SunFoods reconfigured its operations to supply medium grain to key markets usually fulfilled by Riverina rice. The resumption of this critical role is anticipated to return SunFoods to profitability in FY17, building on improvements in our U.S. subsidiary's performance in FY16.

Domestic revenue drivers and impacts


Domestically, collaboration with major retail and wholesale accounts underpinned excellent results across several Australia/New Zealand channels in FY16, delivering above category growth. Standout performances were delivered across the Australian food service and food ingredients and New Zealand retail businesses, with market share gains also recorded for core rice, microwave rice and rice snacks.

Riviana Foods increased profitability in FY16, delivering a 95.2% uplift in net profit before tax, despite an increasingly competitive retail and food service environment that contributed to a small revenue decline. The relaunch of the Always Fresh brand across 90 Australian product lines was also completed as the year closed, with related volume and profit gains anticipated for FY17.

CopRice's external revenue was flat year-on-year, with strong growth in branded products offsetting difficult trading conditions in the dairy segment, particularly in Victoria. CopRice also expanded into the premium pet food category in FY16, providing a future new driver for revenue growth.

Collaboration for the future

Overall, the SunRice Group's position at the end of a challenging year demonstrates the strength of the company, its businesses, markets and brands. Having maintained business performance following the significant growth trajectory of the past three years, we are well positioned for the future. Central to this is the vision of the Board, the commitment of our Corporate Management Team and 2,100 employees, and the support of our A and B Class Shareholders. I thank you all.



Rob Gordon
Group CEO

*Rice Pool revenue includes intercompany sales.

SUNRICE AROUND THE WORLD

Growth in Australia and New Zealand

The SunRice Group generated very positive gains in market share across consumer markets in Australia and New Zealand, delivering excellent results for FY16.

Total volume in Australian Retail was up 6%, reflecting growth in the core rice market share.

SunRice experienced exceptional gains in the Microwave Rice category, with market share up 17%. Successful results were also delivered in the Snacks category, with rice cakes and mini bites generating large market share gains in FY16. New Zealand reported a total volume growth of 13%.

Key to this growth in both Australia and New Zealand was the implementation of a tactical marketing campaign in collaboration with all of the Group's major retail and wholesale accounts, which focused on improved in-store execution, retail space and distribution. Former MasterChef contestant, Poh Ling Yeow, became SunRice's brand ambassador in FY16, gaining engagement through digital media.

Continued investment in the Middle East

The SunRice Group's Middle East business performed very strongly in FY16, delivering exceptional growth in the region, including strong market share gains in all markets across the Gulf Co-operative States and Jordan.

Saudi Arabia achieved a market share gain of 7.5% (now 57.5%) and a 6% increase in total market value. The UAE moved to a 57.7% total market share value. These results were driven by the SunRice Group's continued investment in this region, including the opening of an office in Dubai, providing dedicated representation for high potential regional areas.

Expanded markets in Asia

In order to balance the variability of Riverina Rice supply with the growing demand for SunRice products in Asia, SunRice registered a company, Ricegrowers Singapore, in October 2015. The company's presence in Singapore is intended to allow it to more efficiently build and facilitate sustainable ongoing relationships with customers, business partners, marketers and suppliers in Asia, as well as to more closely monitor Asian growth markets.

E-commerce sales also commenced to China in FY16, with a dedicated SunRice branded e-commerce site set for launch in early FY17.

Overall, the Group's Asian business delivered a strong volume growth of 28% and is forecasting an uplift in the branded sales business in FY17 in South East Asia.

In the Pacific

SunRice continued its strong presence in the Group's Pacific markets, however operational challenges impacted growth in the Solomon Islands. SunRice's Consumer brands in the other Pacific countries performed well and continued to maintain market share across the region.

Looking to Europe

In FY16, SunRice continued to focus on Europe as a new market with early indications that this will be a future premium market. The bulk of Australia's tariff reduced quota (TRQ) with the European Union was fulfilled with sushi rice at premium prices, with the balance being medium grain. For the first time in many years, European customers purchased more than the TRQ quota, paying the significant import tariff to satisfy their demand for quality rice.

Global rice sourcing

The Group's global sourcing activities intensified in FY16, in response to a smaller Australian crop. The Group sourced 300,000 tonnes of rice to fulfil branded markets with rice sourced from Asia and the US.

SunRice strengthened relationships with preferred suppliers, with strong quality and safety systems in place to ensure strict quality requirements for rice supplied into SunRice's global network.

Global sourcing will continue to be a priority for the future, given the SunRice Group's strategy to build demand beyond the Australian supply base and increasing SunRice's ability to place a larger Riverina crop, or accommodate a smaller one through trading.

SunRice repositioned the brand to be more contemporary and implemented an effective advertising campaign to distribute products through a wider range of channels across Australia and New Zealand.

“I’m thrilled to partner with SunRice. We share the same values and desire to inspire home cooks and make meal time easy and fun.”

Poh Ling Yeow
SunRice Ambassador

SunRice continues to build high-growth consumer markets with exceptional market growth for microwave rice in Australia and New Zealand.

TOTAL VOLUME IN
AUSTRALIAN RETAIL UP

6%

NET SALES VALUE
GROWTH UP

11%

MICROWAVE RICE MARKET
SHARE UP

17%

OUR GROWERS

Against the backdrop of a very tough growing season due to low water allocation and availability, SunRice remains the summer crop of choice for growers and continues to offer stable and consistent returns.

GROWERS PLANTED RICE



C16

C15

347

770

HECTARES PLANTED



22,245

66,730

SEED ORDERS



419

1,101



ORDERED SEED PLANTED



98%

97%

PADDY TONNES HARVESTED



244,184

690,272

TONNES PER HECTARE
(AVERAGE YIELD)



10.98

10.34

OUR GROWERS

In FY16, very low water allocations continued for the Murrumbidgee and Murray Valleys due to lower than average rainfall. As the financial year came to an end, this resulted in a reduced C16 harvest of 244,184 tonnes, down 65% on last year.

Despite these challenging conditions, C16 harvest yields materially out performed five-year averages across the Riverina. Yields for all regions and varieties averaged 10.98 tonnes per hectare versus a five-year average of 10.0 tonnes per hectare locally. This contrasts with an international average of approximately 7.0 tonnes per hectare in countries that grow comparative temperate varieties, further recognising Riverina rice growers as the most productive and efficient in the world.

Fixed price certainty

Of SunRice's 1,105 rice growers, only 347 were able to plant during FY16 for the C16 crop given the conditions. Approximately 98% of the seed ordered was planted, which included the following 12 varieties: Doongara, Langi, Illabong, Kyeema, Koshihikari; medium grains, Opus, Reiziq, Sherpa and Topaz; and three new experimental varieties, YRM70, YRL127 and YRK5.

SunRice provided a final C15 paddy price of \$403.60 per tonne for Reiziq and \$533.60 per tonne for Koshihikari, while also confirming a fixed price for C16 of \$415 per tonne and a fixed price fixed volume contract for C17 of \$400 per tonne, both for Reiziq.

Innovation in rice varieties

RRAPL continued its work across farming systems, bed design and nutrition management in FY16, along with research and development projects in conjunction with SunRice. Of particular note is RRAPL's direct drilling delayed water system research, which has the potential to deliver a productivity-based step change for the Australian rice industry.

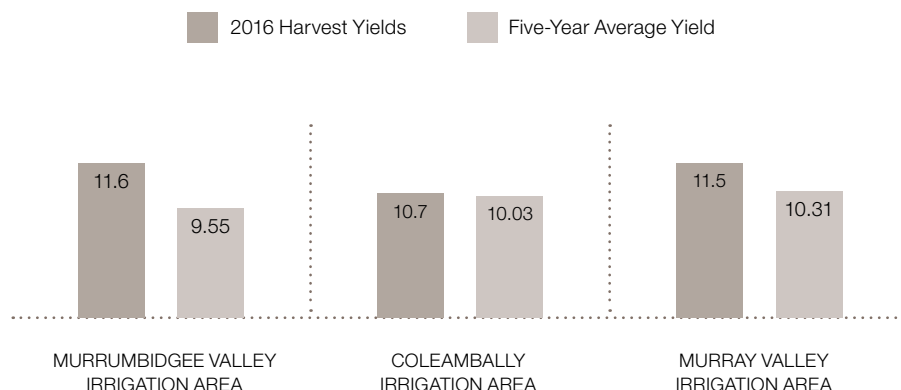
In addition, SunRice welcomes the forthcoming release of two new seed varieties, which are currently being profiled by RRAPL and tested with select growers returning very positive analysis and results. The new varieties, YRM70, YRL127 and YRK5, are expected to deliver a two-week shorter growing period, are cold tolerant and will open up opportunities for double cropping. The varieties, due for commercial release for C17, are expected to enable Riverina growers to incorporate rice into their winter program for the first time in the industry's history.

The uptake of rice in North Queensland also continued strongly in FY16, with SunRice achieving double the grower commitment for the wet season over last year, taking the total number of growers to 58.

Supporting our growers

SunRice continues to support growers across all regions, with a number of key developments planned for FY17, including expanding the service offering in the SunRice Grower's Portal and upgrading the GIS system to enable enhanced crop recording and data management. This will provide a simpler self-service portal for growers to record crop information, assisting in managing their farm business. This is also a step towards a digital environment, keeping pace with our growers' changing needs.

C16 REGIONAL YIELD COMPARISONS



“The new shorter season seed varieties gave me the opportunity to grow two crops in the one paddock this year. Depending on the season, it’s great to have crop options.”

Chris Morshead
SunRice grower
(pictured with sons James and Harry)



170kg

PER HECTARE
YRM70 SEED*



10.8

TONNE PER
HECTARE YIELD*



4

WEEK REDUCTION IN
CROP TURNAROUND*



Based on Chris Morshead's rice program. Results may differ for individual growers.

OUR OPERATIONS

11

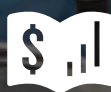
OPERATIONS AND FACILITIES



In 4 countries

\$218m

FIXED ASSETS



Book Value

600,000

TONNES OF PADDY PROCESSED



In Australian sites in FY16

700+

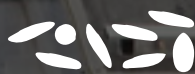
PRODUCTS MANUFACTURED



Across the SunRice Group

304M

MINI RICE CAKES



Made in FY16

23,774

TONNES OF RICE FLOUR



Processed in FY16

OUR OPERATIONS

Measuring for success

SunRice Operations delivered consistency and stability in operational performance in FY16. Flexibility in operations, supply chain and cross-functional focus was required to manage a smaller Riverina crop and respond to changing business needs.

Standout achievements in manufacturing flexibility and collaboration underpinned a year-on-year production volume growth of 8% for Rice Cakes and 24% for Rice Flour. A strong benchmark for Overall Equipment Effectiveness (OEE) was also maintained in Leeton's milling and packing plants.

This was driven by Operations Excellence, a back-to-basics program which identified areas for improvement via active involvement of the manufacturing teams and through monthly reporting against set metrics and benchmarks. The Operations Excellence program is measured against SunRice's Quality, Cost, Delivery, Safety, Moral procedure and, following a successful rollout in SunRice, will be expanded to CopRice in FY17.

Investing in the future

In FY16, \$24 million of capital expenditure was spent across SunRice plants and facilities. This investment focused on process improvements and is expected to provide a significant payback through improving production yields and quality.

Approximately \$6 million was spent upgrading milling processes, inventory and site security at the Deniliquin Mill, and a further \$6.7 million was allocated to a Leeton Mill upgrade to the core rice whitening process to improve whole grain yield in FY17.

Due to the low crop year, SunRice was faced with the need to reconfigure its Riverina milling and packaging operations in FY16. During this process, the Group remained firmly focused on ensuring the Deniliquin and Leeton sites' viability for the future, reducing redundancies wherever possible through job sharing and retraining staff in new roles.

Supply Chain flexibility

In addition to its normal work program, the Supply Chain team worked closely with Global Sourcing in FY16 to establish SunRice's new Vietnamese supply chain; and also with SunFoods, as SunRice's U.S. subsidiary, reconfigured its operations to transition to bulk rice handling.

Looking to FY17, Operations is leveraging this work as part of a cross-functional project to streamline and improve supply, quality and safety programs across SunRice, Riviana and CopRice.

\$24M

CAPITAL INVESTMENT

24%

VOLUME GROWTH IN
RICE FLOUR PRODUCTION

In FY16, \$24M of capital expenditure was approved across SunRice plants and facilities. This investment, which focused on process improvements, will deliver significant returns in production yields and quality.

“Some of the most successful organisations do not rely on technology, patents or strategic positions, but on how they manage and value their workforce.”

James Gawne
Maintenance Manager
Trukai Industries, Lae,
Papua New Guinea

James joined SunRice's AGS business as an Electrical Apprentice in 2005 and 11 years on has headed to PNG to take on the role of Maintenance Manager for Trukai Industries. James is a great example of living the company's value of being innovative.

James identified an opportunity to improve the workplace training pathway for Rice Cakes production throughput and took the initiative to develop and lead a training program. An unused amenities block was refurbished into a dedicated Rice Cakes Training Centre and in collaboration with the People and

Culture team, a suitable training and development curriculum was designed. The project took four months.

James believes the best companies are the ones that invest in their people and design processes to support them to fulfil their potential while delivering on organisational goals.

“One of my greatest passions is working with and developing people to their full potential. To successfully achieve a competitive advantage through people, managers must view the workforce differently, allowing them to create leverage and outperform the competitor,” James said.

“I believe that a passion and enthusiasm for seeing people grow and develop can, in the long-term, deliver a sustainable competitive advantage through effective training and management of SunRice's greatest asset, its people.”

James hopes that through better training and visibility of career paths that all employees will see the possibilities on offer with the SunRice Group, not just in Australia but across all businesses globally.

Always Fresh rebranded products
from Riviana Foods

OUR BUSINESSES

80%

MARKET SHARE IN
PNG FOR TRUKAI

\$2.5M

MARKET GROWTH IN COLES
PICKLED VEGETABLES FOR
ALWAYS FRESH BRAND

43%

INCREASE IN PACKAGED
SALES REVENUE FOR COPRICE



12.9%

INCREASE IN PACKAGED SALES
VOLUME FOR COPRICE PRODUCTS

WINNER

AUSTRALIAN INDEPENDENT RURAL
RETAILERS' ANIMAL FEED SUPPLIER
OF THE YEAR FOR COPRICE

90+

REBRANDED ALWAYS FRESH
PRODUCTS FOR RIVIANA FOODS



Trukai products

TRUKAI

Trukai continues to contribute to the SunRice Group through targeted marketing and efficiencies in its service mix.

Challenges for Papua New Guinea

Despite delivering a 9% increase in year-on-year revenue in FY16, ongoing Papua New Guinean Kina illiquidity issues, impacted profits for Trukai Industries.

The company focused on efficiency in operations, increased distribution and pricing to mitigate the currency impacts, which are affecting businesses generally in Papua New Guinea. SunRice continues to monitor and respond to exchange rate movements, potential government policy changes and the overall macroeconomic outlook in Papua New Guinea. In line with earlier guidance, a sudden devaluation of the Kina is likely to have a material impact on the SunRice Group, and we continue to closely monitor this and related issues.

Changing product mix

Papua New Guinea experienced its worst drought in two decades in the second half of FY16, which affected cash crops in the rural sector and related household income. Trukai responded with the launch of a new Trukai long grain rice brand, marketed at a lower price point to its other products.

This assisted with local food security, while driving sales volumes for long grain up more than 100% year-on-year, off a very small base. As a result, the Trukai brand remained stable with 80% market share, despite increased competition.

Partnering the government in food security

Leveraging the research and development expertise of SunRice business RRAPL, Trukai continued to actively invest in local rice production in FY16 through projects in Morobe, West New Britain and Central Province. This included a Public Private Partnership formed with the Morobe Government under which Trukai has provided 68 hectares for the development of a range of agricultural initiatives. Trukai continues to build the capacity of local rice growers, purchasing paddy rice from the Oro region for the first time in FY16, and investing in Rice Development and Purchasing Agreements (RDPA) with two new farming groups to supply rice to its Lae processing plant.

Future initiatives

With future projects focused on a range of agricultural initiatives, being responsive with long grain rice blend and focusing on diversification of earnings, Trukai contributes positively to the SunRice Group and to the PNG economy.

3M

HOURS ACCIDENT FREE
ACROSS TEAM OF 1,200

26%

INCREASE IN DAILY
THROUGHPUT EFFICIENCIES



Always Fresh rebranded products from Riviana Foods

RIVIANA FOODS

Riviana Foods took another step towards improved profitability, continuing to restructure its product portfolio, leveraging the strength of the Always Fresh brand.

Profit turnaround continues

In FY16, Riviana Foods' more focused product portfolio and lower cost base combined to offset currency declines. The company delivered a 95.2% year-on-year uplift in net profit despite an increasingly competitive retail and food service environment, causing overall revenue decline of 6.9%. A strong cash flow of \$23.7 million and a net working capital reduction of \$9.5 million to \$36 million was achieved through continued improvements in supply chain management.

A fresh portfolio

A renewed focus on customer management underpinned positive market share performance in Coles for Always Fresh, with the brand growing 14.1% and \$2.5 million year-on-year.

Riviana Foods relaunched the Always Fresh brand in April 2016 following a significant two-year investment in on the provenance of its products.

The rebrand incorporates redefined sales and marketing strategies, vibrant new packaging across more than 90 Stock Keeping Units (SKU's) and newly formed strategic supplier partnerships.

Competitive food service landscape

The retraction of the Australian mining industry, new competitors, increased pricing pressure and exiting non-core business, drove Riviana Foods' food service sales down 5.3% year-on-year. In April 2016, Riviana Foods commenced a strategic partnership with a privately-owned bakery company as part of its goal to build a more differentiated and solution based portfolio to ensure future success in this channel.

Managing for growth

As an importer, Riviana Foods continues to operate in a challenging foreign exchange rate environment. The company is focused on leveraging assets such as the Always Fresh brand and the company's food service business to sustainably grow sales and to be vigilant in controlling its cost base to ensure excellent returns.

+\$9.5M
NET WORKING CAPITAL
IMPROVEMENT

+95.2%
UPLIFT IN NET PROFIT



Hinode product range

SUNFOODS

SunFoods repositioned its operations to return to its role in supporting and supplying SunRice's global markets in response to lower Riverina production volumes.

Dynamic conditions

SunFoods faced a dynamic operating environment in FY16, in which revenue declined 1.8% year-on-year, net profit increased but the business operated at a small loss.

Drought conditions in western U.S. combined with unfavourable exchange rates and the availability of lower cost rice, impacted SunFoods' ability to effectively compete for export share in the first half of FY16.

The second half delivered a turnaround in business performance following the reversal of drought conditions in western U.S. Export sales commenced to South Korea and the Pacific in line with increased market liquidity and availability for lower cost Calrose in California.

Domestic sales

SunFoods secured Hinode ranging in WINCO, a major retailer in western U.S., in FY16. This is expected to build on the 40% market share growth Hinode

medium grain has achieved across all six western U.S. markets in the three years since FY13.

Despite the continued momentum domestically in the U.S., overall sales were impacted by a 12.7% year-on-year reduction in SunFoods' food service business, in line with the downsizing in the military channel.

Supporting SunRice markets

SunFoods commenced a significant operations program in FY16 to reposition the business to supply SunRice markets, following lower Riverina production. This included a transition to bulk rice handling, following the Group's initiative to globally source 300,000 metric tonnes to help augment and serve existing branded markets.

In addition to bulk supply, SunFoods will recommence its role in supplying branded products to key SunRice markets in FY17, including the Gulf states. Production volumes are anticipated to return to those achieved when SunRice first acquired the business. This increased throughput, combined with renewed focus on export and domestic sales, is expected to result in good business performance in FY17.

UP **20%**

PLANT ASSET EFFICIENCY

UP **40%**

HINODE MEDIUM
GRAIN MARKET SHARE
OVER THREE YEARS



Genesis premium dry dog food launched in FY16

COPRICE

CopRice expanded into the premium pet food category in FY16, providing a new driver for revenue growth in Australia, as well as potential export opportunities in Asia.

Changing conditions

During FY16, CopRice revenue gains in the companion animal, beef, sheep, horse and poultry segments were offset by:

- adverse trading conditions in the dairy segment;
- lower by-product sales due to the smaller rice crop;
- increased new product development investment; and
- internal restructuring.

Grocery and premium pet food innovation

Revenue increased 14.3% year-on-year across CopRice's packaged products portfolio, following sales momentum for Super Drover combined with new private label business. CopRice also leveraged the investment made in its Leeton plant to launch a new range of premium dry dog food at year end. Developed in collaboration with Australian Veterinary

and Dog Nutritional experts, Genesis has been ranged across pet specialty stores in Australia, with initial sales tracking well.

Bulk sales demand

Overall bulk sales volumes were down 3.4% year-on-year. Dry conditions across Victoria, higher operating costs and lower milk prices delivered a 9.3% reduction in dairy feed volume in FY16. However, strong red meat prices delivered feed demand growth in both the sheep and beef segment, which recorded a 13.9% uplift. Poultry volume was also up, as a result of increased exports to Papua New Guinea.

Focus on rural retail excellence

CopRice's ongoing focus on customer service was recognised again in FY16, with the company winning the Australian Independent Rural Retailers' Animal Feed Supplier of the Year Award for the second time. The business also increased its field technical nutritional support by adding a budgeting tool to help farmers maximise their return on feed investment.

14%

INCREASE IN REVENUE
IN PACKAGED PRODUCTS

2-YEAR

R&D INVESTMENT
UNDERPINNING THE
LAUNCH OF GENESIS

PEOPLE AND CULTURE

41

AVERAGE
EMPLOYEE AGE



8.2

AVERAGE EMPLOYEE
TENURE (YEARS)



97%

OF ALL EMPLOYEES
COMPLETED SAFESTART



Australian employee statistics

“Our people continued to deliver standout ideas, innovations, projects and programs over the past 12 months, which sets SunRice up for future success, not only in Australia but across Asia, the Middle East and other key growth markets.”

Allison Salmon

General Manager, Human Resources

Diversity Inclusion Strategy

The SunRice Diversity Inclusion Strategy was endorsed by the Board in late FY16. As the Group's licence to operate with suppliers, customers and governments requires evidence of its commitment to diversity, the development and execution of this strategy was embraced.

The baseline metrics demonstrated that SunRice was below its peers and a dedicated focus was given to create a culture of diversity and inclusion. In FY16, SunRice partnered with the National Association of Women in Operations and continues to offer opportunities around mentoring, networking and development for women across all roles within the business.

In SunRice's Australian businesses, women in senior management increased to 24% in FY16, compared to 20% in FY15.

Indigenous Employment Program

SunRice continued its strategy of active community engagement in the Riverina, with sustained levels of employment from the indigenous communities. In FY16, the proportion of employees who identify as being indigenous was 2.9% of all employees in the Riverina. This proportion is comparable to the indigenous population in NSW compared to all people, which is also at 2.9%.

SAFESTART for all employees

In FY16, SunRice implemented a new company-wide safety program called SAFESTART, with 97% of all employees receiving training to year-end. SAFESTART sets a process to reduce the level of risk employees are exposed to by observing their own behaviours and identifying risks, both in the workplace and outside of work, which may result in an incident, accident or fatality.

Paid Parental Leave

As the year ended, SunRice endorsed a paid parental leave policy providing 12 weeks' paid leave. This includes employees currently on parental leave and is in addition to any entitlement to Government *Paid Parental Leave* and *Dad and Partner Pay*. The policy was implemented in May 2016.

High Performing Teams (HPT) development

In FY16, 70 of the SunRice Group's leadership team underwent extensive leadership development, which included Influencing and Conflict Management Skills and Developing High Performing Leaders. The Corporate Management Team (CMT) also completed individual assessments.

A HPT Committee was created, made up of senior leaders in the business. The purpose of the committee is to:

- track function-to-function and level-to-level agreements;
- identify ways to keep HPT visible throughout the multi-tier population; and
- act as the liaison to CMT and the Senior Leadership Team for any related requests and issues.

Courses delivered in FY16

Outline

Team Members Making a Difference	A foundation leadership course on communicating with impact, navigating beyond conflict, valuing differences and embracing change
Business Simulation Training	Game-based program to teach the fundamentals of FMCG P&L management
Effective Negotiation Skills	Enabling leaders to assess, strategise and execute negotiation tactics
Leaders Making a Difference	Communication for leadership success, coaching for peak performance, influential leadership and embracing change
7 Habits of Highly Effective People	Develop skills to increase productivity, reduce conflict and enable influence
Accelerating Executive Presence	Developing leaders into Executives
Senior Leaders Making a Difference	Develop an engaging organisational climate, refine coaching skills and learn to coach for performance

EMPLOYEE BENEFITS

In line with our employee value proposition and drive to become an employer of choice, the SunRice Group offers a number of benefits to our people under our remuneration and benefits policies and programs. Some of these include:



EMPLOYEE FOOD PROGRAM



**PROFESSIONAL DEVELOPMENT
AND STUDY SUPPORT**



**PERFORMANCE-BASED
INCENTIVES**



**MAKE A DIFFERENCE SERVICE
AND RECOGNITION**



FLEXIBLE WORK PRACTICES



**HOUSING BENEFITS FOR
EMPLOYEES IN REMOTE AREAS**



WELLBEING PROGRAM



RELOCATION ASSISTANCE



SALARY PACKAGING



**EMPLOYEE ASSISTANCE
PROGRAM**



**SALARY CONTINUANCE, LIFE AND
DISABILITY INSURANCE COVER
THROUGH SUPERANNUATION**



**PROVISION OF LIMITED PRIVATE
USE OF MOTOR VEHICLES**



PAID PARENTAL LEAVE



“The SunRice business is continually evolving, presenting great opportunities to get involved and make a difference, while in return providing me with support in my own career aspirations.”

Rachel Westbrook
Head of Finance

Rachel has had the opportunity to work on several business improvement initiatives since joining SunRice 18 months ago. As SunRice faced the impact of a lower than expected crop year, Rachel worked as part of a team to understand and recommend an outcome that would deliver the best result for the SunRice Group.

In addition, she worked on several initiatives within the business including simplifying and futureproofing several policies; increasing transparency and insight around business performance

and streamlining year-end financial reporting. Most recently Rachel implemented a new travel and expense system using the latest technology to deliver efficiency and accuracy and enabling employees to access everything online.

“I work with a fantastic team and together we have challenged the way the finance function has historically worked to deliver new processes that meet the changing needs of SunRice,” said Rachel.

“Since joining SunRice I have participated in a talent program designed to develop leaders and have also been part of the new High Performing Teams initiative.”

When asked what she loved most about working with SunRice, Rachel replied, “Working with an Australian company allows me to work closely with senior leaders and decision makers on a regular basis, which has really accelerated my learning curve and created incredible opportunities for me.”

COMMUNITY AND ENVIRONMENT

1.37M

SERVES OF RICE DONATED
TO THOSE IN NEED
VIA FOODBANK



7

NUMBER OF COUNTRIES
IN WHICH WE PROVIDE
DIRECT EMPLOYMENT



10,000

NUMBER OF PEOPLE
WHO ATTENDED LEETON
SUNRICE FESTIVAL



60,000

NUMBER OF PEOPLE
WHO PARTICIPATED
IN TRUKAI FUN RUN



150

TONNES OF
PACKAGING RECYCLED



100

TONNES OF LANDFILL
WASTE OFFSET



OUR COMMUNITY

SunRice continued to support a range of initiatives and programs aligned to the Group's values and connection to community in FY16.



24

YEARS OF THE
LEETON SUNRICE FESTIVAL

124

VOLUNTEERING HOURS
BY RIVIANA FOR FOODBANK

National RIRDC Rural Women's Award

SunRice was the Silver Sponsor for the 2015 Rural Industries Research and Development Corporation (RIRDC) Rural Women's Awards Gala Dinner, marking three years of supporting this prestigious awards ceremony. The event aligns with SunRice's community values to identify and celebrate women who demonstrate leadership within primary industries and rural communities.

Leeton SunRice Festival

In March 2016, SunRice celebrated the sponsorship of its 24th Leeton SunRice Festival. The biennial event recognises and celebrates the important role the rice industry plays in the region and brings a vibrant celebration to the town, along with large tourism numbers. This year's SunRice Festival Ambassador Program raised more than \$55,000 for local charities, including Leeton's Breast Cancer Support Group and SteppinOut4Youth.

Jan Cathcart Memorial Scholarship

The SunRice Jan Cathcart scholarship, valued at \$30,000, was created to support talented women who demonstrate a passion and commitment to the rice industry and who contribute and play a critical part in shaping a positive future. In FY16, the scholarship was awarded to joint recipients Millie Mertz and Elise Wilson to support their respective studies in business and international consumer market research and development.

SunFoods support

In FY16, SunFoods continued to support local charities and non-profit youth organisations, including the local Little Leagues, Pioneer High School, Sacramento Loaves and Fishes Foundation, Portland Food Bank, Yolo Country Food Bank and Aloha Harvest in Hawaii.

In FY16, SunFoods also won the Silver Ad Award in Sacramento for the Hinode Planting Rice social video in the category Branded Content and Entertainment for Online Film, Video and Sound Single Entry: 60 or less.

Above Left Hot air balloons at sunrise, Leeton SunRice Festival.

Above Right Laurie Arthur (SunRice Chairman), joint winners Millie Mertz and Elise Wilson, Judy Johnston (Jan Cathcart's sister), Rob Gordon (SunRice CEO).



TruCare in Papua New Guinea

In FY16, Trukai officially launched its TruCare program under a registered trademark. Focusing on health and strength within Papua New Guinea, TruCare incorporates both urban and rural sectors, with Trukai's existing framework forming the foundation of the company's Corporate Social Responsibility structure.

Trukai's ongoing commitment to healthy eating, and the role of rice in improving the immune system, forms an integral part of TruCare's purpose. In FY16, Trukai donated 200 bags of 10kg rice to four main hospitals and a tonne of rice was donated to the Youth with a Mission medical ship, ahead of its journey to the Southern Region and Huon Gulf.

In addition, rice is supplied monthly to feed orphaned children at the Life PNG Care Centre, unemployed youth at the PNG City Mission in Port Moresby and Lae, and people living with disabilities at the Cheshire Homes.

Above Left Agriculture Minister Tommy Tomscoll receives a 10kg bag of rice in Trukai's Roots Rice package from Oro Rice.

Above Centre Competing CopRice sponsored riders at the Tamworth World Cup.

Above Right: (left to right): Helping unload 96 tonnes of rice are members of SunRice's Melbourne Logistics team Phil Smith, Logistics Operations Coordinator; Amanda Hewetson, Logistics Freight Coordinator; Athan Dalamagas, Logistics Coordinator; Derek McCarthy, Finance Manager Supply Chain; Wendy Power, Operations Project Manager; and Jim Alateras, Logistics Coordinator.



Tamworth World Cup Showjumping

In FY16, CopRice was the major sponsor of the Tamworth World Cup Showjumping event. Attracting elite horse and rider combinations from across the nation and Pacific region, the 2016 Tamworth World Cup is a highlight event on the Australian equestrian calendar, at which many CopRice sponsored riders compete.

The North & North West Show Jumping Club (NNWSJC) is the regional organising club of the four-day event, which is held at the elite Australian Equine and Livestock Event Centre (AELEC). Known as one of Australia's premier equestrian venues, facilities include two outdoor competition arenas, one 80m x 40m indoor arena, three warmup arenas and stabling for 478 horses.

CopRice drought relief

In FY16, CopRice provided its support to RSPCA Australia through the supply of cat litter to all RSPCA rescue shelters across Australia, and donated a proportion of the sales from two of their product lines, Max's Cat Litter and Lucky Layer Poultry Feed. Financial donations were also made to the Immune Deficiency Foundation; the Rotary Club of Wagga Wagga; and the Queensland and North NSW Farmer's Drought Relief by providing dog and horse food supplies.



Riviana and Foodbank Victoria

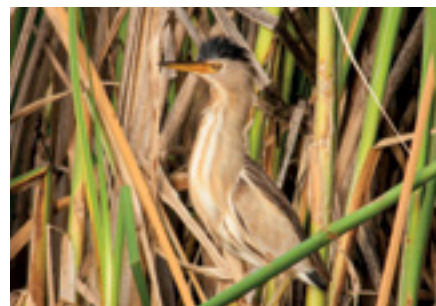
Foodbank Victoria is the state's leading food relief organisation and distributed more than 17 million meals to people in need last year. Riviana supported Foodbank Victoria through staff volunteering, food drives and fundraising initiatives. Across FY16, Riviana provided a total of 124 volunteering hours, raised \$2,100 through staff fundraisers and donated 46,321kg of food equating to 92,722 meals.

SunRice and Foodbank

For the third year running, SunRice teamed up with Riverina rice growers and Deniliquin Freighters to bring hunger relief to thousands of Australians during the summer holiday season. SunRice engaged the entire rice industry supply chain to donate 96 tonnes of Australian medium grain rice, or the equivalent of 1.37 million serves of rice, valued at more than \$180,000 including freight, to Foodbank. Foodbank is the largest non-profit hunger relief organisation in Australia, coordinating emergency food supplies across a range of charities and community groups. The rice donation makes a significant impact on the food available to the half a million people who are assisted by Foodbank's agencies each month.

ENVIRONMENT AND SUSTAINABILITY

In FY17, SunRice will implement a comprehensive sustainability strategy developed as part of SunRice's involvement in the NSW Government's Office of Environment and Heritage (OEH) Sustainability Advantage Program.



2.8%

REDUCTION IN GAS AND
ENERGY EMISSIONS

UP 22%

PACKAGE RECYCLING

FY16 Environmental Report

SunRice is subject to significant environmental regulation spanning its land development, construction and manufacturing activities, including:

- Land development planning approvals under the New South Wales Environmental Planning and Assessment Act 1979 and Victorian Environmental Protection Act 1970; and
- Compliance with Protection of the Environment Operations Act 1997, the Environmentally Hazardous Chemicals Act 1985, the Waste Avoidance and Resource Recovery Act 2001 and QLD Environmental Protection Act 1994.

SunRice has 18 registered EPA licences in NSW and one Development Approval in Queensland. During the year, all sites completed their annual returns and all NSW sites were successfully audited by the EPA.

Recycling and Packaging

SunRice continued to implement packaging and recycling initiatives in FY16. The company is a signatory to the Australian Packaging Covenant, which requires a commitment to packaging stewardship through the supply chain. SunRice's focus on reducing the volume of packaging waste sent to landfill continues, with cardboard and bulk plastic recycling at SunRice's Australian sites offsetting approximately 100 tonnes of landfill waste.

Retail core rice packs have also been updated to include consumer information for recycling of flexible packaging, with RED Cycle reporting approximately 150 tonnes of packaging has been returned in FY16, up 22% year-on-year.

Trade Waste

SunRice's Specialty Rice Food Plant's water treatment facility continued to operate well, with outgoing water quality monitored regularly by SunRice as well as Leeton Shire Council personnel. An Effluent Management Plan was implemented in FY16, which resulted in a 70% reduction in the operational cost of trade waste.

Above Left Harry Morshead
and granddaughter.

Above Right Young bittern in rice.



Greenhouse Gas and Energy

The SunRice Group is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007.

SunRice assessed its energy usage and submitted its National Greenhouse and Energy Report to the Clean Energy Regulator during FY16, reporting direct and indirect emissions within Australian Operations. The consumption of 543,266 gigajoules of energy and calculated emissions of 99,274 tonnes of CO₂ were noted for the reporting period.

The Group is working with the NSW OEH Energy Efficient Businesses to identify and implement energy savings opportunities for the future.

FY17 Sustainability Strategy

In FY17, a range of environment and sustainability initiatives will be introduced across the SunRice Group. These include:

Corporate Sustainability Reporting

A comprehensive sustainability reporting framework is being developed in accordance with the Global Reporting Initiative for implementation in FY17.

OEH Sustainability Advantage Program

This program is designed to help SunRice achieve 'Environmental Performance' improvements through the provision of resources, networking and funding. SunRice's sustainability strategy was developed with input from OEH and representatives from SunRice, CopRice, AGS and RRAPL, and builds on the work already conducted by Grower Services on water savings; the Engineering team on energy savings initiatives; and SunRice's packaging management projects under the Australian Packaging Covenant.

The strategy includes the following initiatives:

- Conducting waste audits in Leeton to reduce costs;
- Identifying areas for waste reduction and increased recycling across all businesses; and
- Collaborating with SunRice's Business Development Team and CopRice to identify areas for future projects, including hull management and value-adding.

In recognition of SunRice's sustainability work to date, the Group is applying to be an OEH Sustainability Advantage Bronze Partner under the program's recognition scheme.

The strategy is currently focused on Australian operations, however there is the potential for learnings to be applied across the Group's off-shore and subsidiary businesses.

Ethical Sourcing

SunRice is expanding the remit of its ethical sourcing program in FY17.

The company uses Sedex* to verify Safety, Environmental and Labour relations for customers considering ethical sourcing in their portfolio of requirements. Sedex currently verifies Leeton Manufacturing, with Deniliquin Mill to be added in FY17.

ARC Industrial Transformation Partnership

SunRice is one of several FMCG companies collaborating with the Australian Government's Australian Research Council (ARC) Industrial Transformations Training Centre, the University of Sydney and the University of Newcastle to investigate the effects of supply chain decisions on waste generation. The FY17 project is expected to combine research activities with real business experiences to deliver a clearer understanding of the impacts on waste generation from business decisions.

SunRice is also supporting the development of young academics through this partnership, with a PhD candidate working with both SunRice and the OEH Sustainability team on the Leeton waste audit, which will form part of his thesis on how to manage and reduce supply chain waste.

Above Left Griffith rice grower Kevin Cauduro and sons.

Above Centre Bittern in rice.

Above Right Riverina rice.

*Sedex is a not-for-profit membership organisation dedicated to driving improvements in ethical and responsible business practice in global supply chains.

BOARD OF DIRECTORS



Laurie Arthur

BAGSc FAICD

Chairman

Non-executive Director

Grower

Moulamein and Barham Grower. Director since 2007. Chairman since 2014. Directors' Committees: Chairman, Remuneration and Nomination; Director, SunRice Fund Limited; SunFoods LLC (USA); Aqaba Processing Company Ltd (Jordan). Former President of the Ricegrowers' Association of Australia Inc and National Water Commissioner.



Glen Andreazza

AdvDipAgr FAICD

Non-executive Director

Grower

Willbriggie Grower. Director since 2011. Directors' Committees: Member, Grower Services and Safety Health and Environment. Director, Rice Research Australia Pty Ltd and SunRice Fund Limited. Mirrool Branch Alternate Delegate, Ricegrowers' Association of Australia Inc. Senior Deputy Captain, Kooba Rural Fire Service. Representative Irrigation Research Extension Committee.



Noel Graham

MBA FAICD

Non-executive Director

Grower (Elected RMB Member)

Caldwell Grower. Director since 2001. Directors' Committees: Chairman, Grower Services; Member, Finance and Audit, Remuneration and Nomination. Chairman, SunFoods LLC (USA). Director, SunRice Fund Limited. Deputy Chairman, Rice Marketing Board for the State of NSW. Rice Marketing Board representative to Ricegrowers' Association of Australia Inc. Former: Deputy Chairman, SunRice. Chairman, Solrice (Solomon Islands); Rice Marketing Board for the State of NSW; Murray Irrigation Limited. Director, Trukai Industries Ltd (PNG).



Gillian Kirkup

MAICD

Non-executive Director

Grower (Elected RMB Member)

Yanco Grower. Director since 2005. Directors' Committees: Chairman, Safety Health and Environment; Member, Finance and Audit. Director, Rice Research Australia Pty Ltd and SunRice Fund Limited. Member, Rice Marketing Board for the State of NSW. Observer, RIRDC Rice Research and Development Committee. Member, NSW Agricultural Consultative Committee to the Bureau of Meteorology; Local Lands & Service NSW (LLS) Riverina Community Advisory Group - Irrigation. Named as one of the Top 100 Women in AustralianAgribusiness (2014). Former: Chairman, Murrumbidgee Irrigation Limited. Member, Reference panel for the Prime Minister's Working Group on Soil, Water and Food; Basin Community Association. Delegate, National Irrigators Council; NSW Irrigators Council.



John Bradford

MAICD

Non-executive Director

Grower (Elected RMB Member)

Mayrung Grower. Director since 2015. Directors' Committees: Member, Grower Services. Director, SunRice Fund Limited and Trukai Industries Ltd (PNG). Director, Murray Irrigation Limited. Member, Rice Marketing Board for the State of NSW. Delegate, National Irrigators' Council and Deniliquin Branch Ricegrowers' Association of Australia Inc. Former Chairman, Southern Riverina Irrigators and Delegate, West Berriquin Landholders Association.



Ian Glasson

BEng (Hons) MIE Aust

Non-executive Independent Director

Director since 2016. Directors' Committees: Finance and Audit. Director, SunRice Fund Limited. CEO of Gold Coin Group/Zeulling Agriculture. Former CEO, Sucrogen; Managing Director of Gresham Rabo Food & Agribusiness PE Fund; Managing Director, Goodman Fielder's International Ingredients division; various management and engineering positions in ESSO Australia and its parent Exxon.



Rob Gordon

BSc (Hons) CEng

Executive Director

(Chief Executive Officer)

Director since 2012. Director, Riviana Foods Pty Ltd; SunRice Fund Limited; Aqaba Processing Company Ltd (Jordan); Sunshine Rice Inc. (USA); Trukai Industries Ltd (PNG); Solomon Rice Company Ltd (Solomon Islands); SunFoods LLC (USA); Australian Grain Storage Pty Ltd; SunRice Australia Pty Ltd; Silica Resources Pty Ltd; Ricegrowers Singapore; SunArise Insurance Company Ltd. Member, Agribusiness Advisory Board, Rabobank. Former: Director and Deputy Chair, Australian Food and Grocery Council; Director, Dairy Farmers Ltd; Managing Director, Goodman Fielder, Consumer Foods; various senior executive positions, Unilever in Europe and Australia; Director, Bread Research Institute of Australia Ltd; Advisory Board Member, Gresham Private Equity.



Grant F Latta AM

MBA BBus FAICD

FAIM FAMI CPA

Non-executive Independent Director

Director since 1999. Directors' Committees: Chairman, Finance and Audit; Member, Remuneration and Nomination, Grower Services, Safety Health and Environment. Executive Chairman, GCM Corp Pty Ltd. Director, SunRice Fund Limited; Coleambally Irrigation Co-operative Limited; Sealy Australia. Member, Australian Competition Tribunal (Federal Court). Former: Chairman, Vision Systems Ltd; TP Health Limited; Bennelong Funds Management; Europcar Asia Pacific; Optiscan Imaging Limited; Kailis and France Foods; Grains Research and Development Corporation (GRDC). Deputy Chairman, Food Science Australia; Export Finance and Insurance Corporation (EFIC). Director, Austrade. Chief Executive Officer, Camerlin Group. Managing Director, Pacific Brands Food Group; Pacific Dunlop's Industrial Group.



Mark Robertson

MAICD

Non-executive Director

Grower

Berriquin Grower. Director since 1996. Directors' Committees: Member, Safety Health and Environment. Chairman, Trukai Industries Limited (PNG) and Murray Irrigation Ltd. Director, SunRice Fund Limited; Rice Industries Ltd.



Leigh Vial

B.Agr.Sci., M.Ec., PhD in Agronomy

Non-executive Director

Grower

Moulamein Grower. Director since 2015. Directors' Committees: Member, Finance and Audit. Director, Rice Research Australia Pty Ltd, SunRice Fund Limited. Member, RIRDC Rice Research and Development Committee. Adjunct Fellow, University of Queensland. Previous head of International Rice Research Institute's Experiment Station (Philippines).

CORPORATE MANAGEMENT TEAM



Rob Gordon

BSc (Hons) CEng
Chief Executive Officer

Rob joined SunRice in February 2012 as CEO. Rob has more than 30 years of senior strategic experience, including as President South-East Asia and Senior Vice President of Viterro Inc; CEO and Managing Director of Dairy Farmers Ltd; Managing Director of Goodman Fielder, Consumer Foods; and has held various senior executive positions at Unilever. He is also a Director of Riviana Foods Pty Ltd; Trukai Industries Ltd (PNG); Aqaba Processing Company Ltd (Jordan); SunFoods LLC (USA); Ricegrowers Singapore; and a Member of the Agribusiness Advisory Board, Rabobank.



Mandy Del Gigante

BComm CPA AGIA ACIS GAICD
Company Secretary

Mandy first joined SunRice in 1990 as a Financial Accountant and held a range of positions within the business, including Financial Controller and Company Secretary. Following three years as Secretary of the Rice Marketing Board for the State of New South Wales, Mandy returned to SunRice in 2005. Prior to working in the rice industry, she worked in the commercial and chartered accounting fields for international firms.



John Brennan

BComm, MBA, FCA (Ireland), ACA
(Australia), AICD, AGIA, ACIS
Group Chief Financial Officer

John joined SunRice in September 2014 as Group Chief Financial Officer (CFO). He has held senior management roles across a number of industries and countries in the finance function, including financial management, M&A, business integration, strategy and planning. Prior to joining SunRice, John was employed at Reckitt Benckiser where he held senior roles in the USA, Europe and Australia/New Zealand over a 13 year period, most recently as Vice President Finance and Regional Finance Director North America. Previously, John held finance management positions at Dairy Farmers, Digital Equipment Corporation, Wellcome Pharmaceuticals and KPMG.



Tom Howard

BAgrEC, MBA
General Manager Grower Services
and Agronomic Development

Tom joined SunRice in November 2015 as General Manager, Grower Services and Agronomic Development and is responsible for agronomic development in the Riverina, North Queensland, and Asia. In 2016 Tom also assumed responsibility for the AGS Network. Tom is a highly experienced agribusiness manager with a deep knowledge of the domestic and international grains industry. Tom's prior experience includes working with European pharmaceutical company, UniPhar, where he helped expand the business to become one of Ireland's top 50 companies. Prior to joining SunRice, Tom was with Emerald Grain where he held the positions of Group General Manager Commercial, and Group General Manager Trading and Marketing.



Simone Anderson

DipFoodSc&Tech
General Manager, Operations

Simone joined SunRice in December 2014 as General Manager, Operations and is responsible for driving best practice in safety, manufacturing, supply chain and quality across the Group. Simone has more than 25 years' operations management, supply chain and strategy experience, including senior appointments in Cadbury, Kraft and Arla Food Group across Australia, New Zealand and the UK. Before joining SunRice, Simone was Head of Operations – Snacking at Mondelez, with responsibility for manufacturing excellence, strategy and the innovation agenda.



Milton Bazley

BAppSc BBus DipExMan
General Manager, International
Commodity

Milton joined SunRice in 1994 as Regional Export Manager and became General Manager, Global Commodity in 2002. Milton is responsible for sales to unbranded markets including Japan, South Korea, Taiwan, Papua New Guinea, the Solomon Islands and Turkey, as well as SunRice's foreign rice trading operations. He has over 20 years' experience in bulk commodity-type sales, and has previously held marketing management roles with CSR Ltd and P&O Container Lines. He is a Director of Solomons Rice Company Ltd.



David Keldie

BA
General Manager, Consumer Markets

David joined SunRice in 2001 and was appointed General Manager, Consumer Markets in 2005. David is responsible for the Middle East, Asia, the Pacific, and Australia and New Zealand, as well as New Product Development and the Aqaba processing facility in Jordan. David is Director, SunRice Singapore and is involved with the Sales and Marketing teams at SunFoods (USA) and Trukai (PNG), assisting with their growth strategies and providing business development support. David has 25 years' experience in the fast-moving consumer goods industry. He is a Director of Aqaba Processing Company Ltd and Trukai Industries Ltd (PNG). Director of Sunshine Rice Pty Ltd.



Allison Salmon

BA-Psych
General Manager Human Resources

Allison joined SunRice in December 2015 as General Manager, Human Resources. Allison has an extensive background in people management, talent development, leadership and culture, as well as organisation design to ensure sustainable business models. Before joining SunRice, Allison held a number of senior roles with Kimberly-Clark over the past 11 years, most recently as Director, Human Resources, Australia and New Zealand.

SUBSIDIARY COMPANY HEADS

SunRice Annual Report 2016
Our People



Matt Alonso

BSc (AgEngr), MBA

Chief Executive Officer, SunFoods LLC

Matt joined SunFoods LLC in 2010 as Chief Operating Officer and was appointed CEO in 2011. Matt is responsible for all aspects of the U.S. business, from raw material procurement and plant operations, to domestic sales and marketing. Matt has over 20 years' experience in the U.S. agriculture and rice industries. Before joining the SunRice Group, Matt was previously employed by Pacific International Rice Mills, an agricultural subsidiary of Anheuser-Busch InBev. He is a Board member of the California Rice Commission and the USA Rice Federation.



Stephen Forde

Chief Executive Officer, Riviana Foods Pty Ltd

Stephen joined Riviana Foods in October 2013 as CEO. He has more than 24 years of strategic experience across sales, marketing and general management. In a 20 year career with Reckitt Benckiser, Stephen held senior roles across the sales and marketing functions before being appointed Global Customer Director, U.K. and then General Manager, New Zealand. More recently, Stephen was in the role of General Manager, New Zealand for Campbell Arnott's. Stephen has an established track record of success in the FMCG industry.



Greg Worthington-Eyre

MBA

Chief Executive Officer,
Trukai Industries Limited

Greg joined Trukai in 2013 as Chief Executive Officer. Prior to joining Trukai, Greg was the Managing Director at Pink Hygiene Solutions and Ambius Australia, after time in Singapore as Senior Vice-president for Initial Asia Pacific. Greg started his career at Unilever and over the course of 30 years held numerous positions across Australia and Asia, including Vice President of Modern Trade – Asia Pacific, and Customer Development Director, Unilever China. Greg's country experience also includes Taiwan, Philippines and South Korea, where he was also involved in the Asia Pacific agenda for sales capability and customer management.

CORPORATE GOVERNANCE STATEMENT

Corporate governance is of vital importance to the company and is undertaken with due regard to all the company's stakeholders. Although the company is not listed on the ASX, the Board has taken the view that the company should, to the extent possible, comply with the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (Recommendations).

This Corporate Governance Statement summarises the main corporate governance policies of the company and outlines the extent to which the company's corporate governance policies and practices are consistent with the Recommendations.

The Board does not consider that all of the Recommendations are appropriate for the company given the related provisions in its constitution regarding the composition of the Board and shareholding requirements. However, where the company has not followed a Recommendation, this has been identified together with the reasons why it has not been followed.

Copies of all the company's key policies and practices and the charters for the Board and its current Board Committees referred to in this statement are available in the corporate governance section of the company's website at www.sunrice.com.au.

Principle 1 – Lay solid foundations for management and oversight

Role of the Board (Recommendations 1.1, 1.2, 1.3 and 1.4)

The Board is responsible for the governance of the company and oversees its operational and financial performance. It sets strategic direction, establishes goals for management and assesses the achievement of those goals, determines the appropriate risk profile and monitors compliance, in terms of regulatory and ethical standards.

The Board has adopted formal written charters detailing the roles and responsibilities of the Board, and each Committee, and management through the Chief Executive Officer, to ensure these roles are clearly defined, separated and enable an effective process of evaluation.

The roles and responsibilities of the Board and Committees are defined in the Board Charter and the written charters of the Finance and Audit Committee, the Nomination Committee, the Remuneration Committee, the Grower Services Committee and the Safety Health and Environment Committee.

Prior to the election of any Director, candidate information, with all material information to support an informed decision, is provided to shareholders. The company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a Director.

SunRice Group has written agreements with all Directors (as well as senior executives) setting out the key terms of their appointment.

The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Diversity Policy (Recommendation 1.5)

The Group's diversity and inclusion policy provides a framework for SunRice to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours, and improved employment and career development opportunities for women.

SunRice's diversity strategies include:

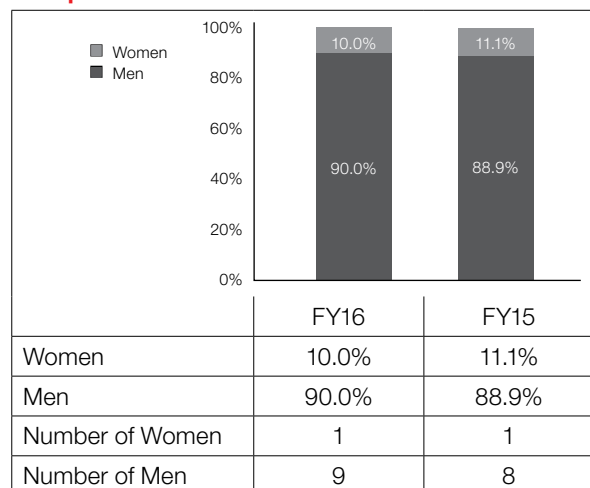
- recruiting from a diverse pool of candidates, including senior management and the Board;
- establishing programs to develop a broader pool of skilled and experienced senior management and Board candidates;
- identifying specific factors to take into account during recruitment and selection processes to encourage diversity; and
- reviewing succession plans to ensure an appropriate focus on diversity.

Across the Group, the respective proportions of men and women employees on the Board, in senior executive positions and across the broader group, are illustrated in the table on page 48. Key highlights include:

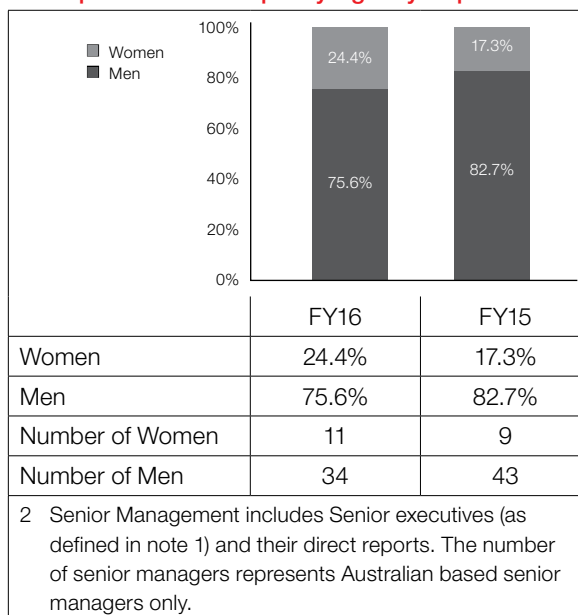
1. The number of women on the SunRice Board remains unchanged.
2. During FY16, the proportion of female senior executives remains unchanged.
3. The proportion of women in senior management positions across the Group increased from 17.3% (April 2015) to 24.44% (April 2016). This 7.14% increase in female representation in senior management positions reflects a number of appointments of females into business critical roles within the Operations, Group Finance, Consumer Markets and Legal functions within the group.
4. The benefit of the Group's enhanced recruitment practices has contributed to the female employee representation increasing by 1.7% from 30.2% (April 2015) to 31.9% (April 2016) across the Australian employee population.
5. More broadly across the Group, the proportion of female employees to male employees increased by 1.3% to 23.3%.

CORPORATE GOVERNANCE STATEMENT continued

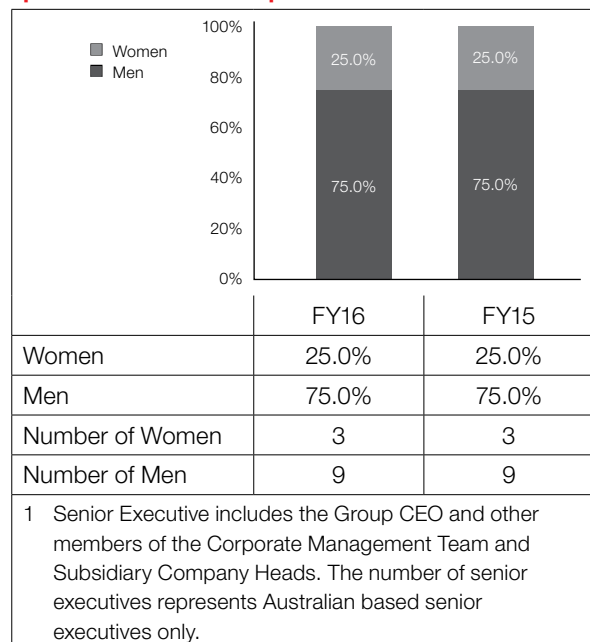
Proportion of women on the Board



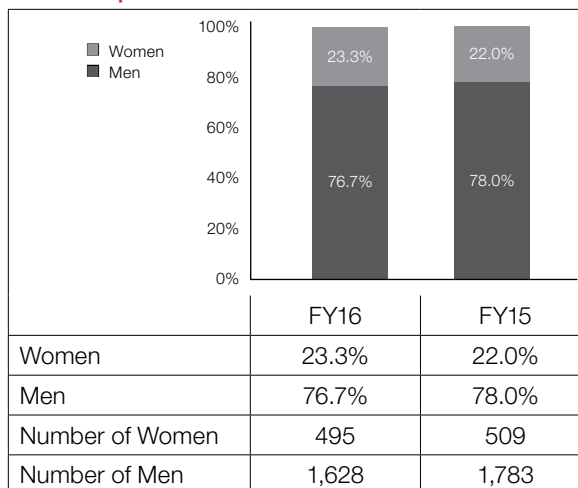
Proportion of women in senior management positions in Australia as reported in the Workplace Gender Equality Agency Report²



Proportion of women in senior executive positions in the Group¹



Proportion of women employees across the Group



The following assessment of achievements to date against the measurable objectives in FY16 demonstrates our ongoing commitment to diversity and inclusion.

FY16 Objective	Initiatives and Outcome
Increase the representation of women in senior management positions to 20% by 2016	<p>During FY16, the proportion of women in senior management positions across Australia increased from 17.3% in April 2015 to 24.4% by April 2016.</p> <ul style="list-style-type: none"> Although SunRice has achieved the target of 20% the company is tracking below the peer group benchmark of 26.4% for the senior management group. The proportion of female senior executives remains unchanged currently tracking at 25%. The SunRice Australian businesses reported a much higher proportion of women to males; 31.9% compared to 23.3% across the broader SunRice group.
Cascade Inclusive Leadership Program across the senior leadership team to foster and harness diversity of thinking	<p>Inclusive Leadership</p> <p>Cascaded a two-hour interactive workshop on Inclusive Leadership for senior leaders with a focus on challenging unconscious bias and building understanding to enable our leadership to:</p> <ul style="list-style-type: none"> Recognise ways in which unconscious bias affects decision making; Develop or modify existing processes and practices to reduce unconscious biases in recruitment and talent management generally; Challenge their own biases and behaviours and identify opportunities for workplace change.
Make a difference in our local communities by attracting, developing and retaining a diverse workforce	<p>The Indigenous Employment Strategy</p> <ul style="list-style-type: none"> Ongoing commitment to supporting local indigenous populations through long-term sustainable employment opportunities, community engagement, cultural awareness and supportive workplace arrangements. In partnership with Leeton and Districts Lands Council, participation in the National Aborigines and Islanders Day Observance Committee (NAIDOC) week celebrations. <p>Jan Cathcart Scholarship Program</p> <ul style="list-style-type: none"> Launched the 2016 Jan Cathcart Scholarship Award designed to support talented women who demonstrate a passion and commitment to the rice industry and who can contribute and play a critical part in shaping a positive future. Completed corporate induction for 2015 Jan Cathcart Scholarship cadet intake gaining experience in retail sales, marketing and innovation, CopRice, Riviana and Operations, including Mill tours. <p>National Disability Recruitment Coordinator</p> <ul style="list-style-type: none"> Completed 12-month partnering with the National Disability Recruitment Coordinator working together on provision of advice on inclusive recruitment practices and rolling out a 'train the trainer' disability awareness training program for HR managers.

CORPORATE GOVERNANCE STATEMENT continued

FY16 Objective	Initiatives and Outcome
Make a difference in our local communities by attracting, developing and retaining a diverse workforce (<i>continued</i>)	<p>Valuing our Differences</p> <ul style="list-style-type: none"> – Introduced a new training module on <i>Valuing Differences</i> to our <i>Team Members Making a Difference – Personal Leadership</i> program to enable team members to encourage others to contribute their unique styles, abilities and motivations; work more collaboratively and productively with colleagues who have a variety of styles, abilities and motivations; and to leverage the talents of their co-workers to achieve better results and contribute to a climate in which people's differences are respected and utilised.
Raise awareness of diversity and inclusion for Senior Leaders by providing specific development programs to Senior Leaders across the organisation	<p>Business Mentoring and Business Networking Groups</p> <p>Participation in a number of business networking events to promote cultural diversity awareness for our females and males. Some of these events include:</p> <ul style="list-style-type: none"> – Ongoing sponsorship of the Rural Industries Research and Development Corporation Rural Women's Award Celebratory Dinner in Canberra in September, hosted by our Chairman Laurie Arthur and nine senior SunRice women. – Participation in an evening hosted by the Diversity Council of Australia's Annual Diversity Debate. This year's debated topic was <i>'Is there too much talk and not enough action on diversity?'</i> – Attendance at a farewell function for Liz Broderick, Australia's Sex Discrimination Commissioner, where she shared what she's learned about addressing injustice, initiating proactive change and rewriting the rules on gender equality. – Hosted several morning teas around Australia as part of <i>'A Taste of Harmony'</i> to celebrate diversity in Australian workplaces by encouraging colleagues to share food and stories from different cultural backgrounds from across the globe.
Enhanced monitoring and reporting of gender metrics across the group	<ul style="list-style-type: none"> – Collecting diversity information about our workforce provides a better understanding of the current state of diversity across the Group. Our current diverse population includes: American, Belgian, British, Canadian, Chinese, Fijian, French, German, Indian, Irish, Italian, Lebanese, Malaysian, New Zealander, Pakistani, Papua New Guinean, Philippine, Samoan, South African, Sri Lankan, Venezuelan and Vietnamese.

Building on our desire to create an inclusive work environment for all our people, we are aware that the benchmark keeps rising and we must not stand still if we are to continue to attract and retain the best talent. We have set ourselves the following measurable objectives for FY17.

FY17 Measurable Objectives

- Increase the representation of women in senior management positions to 30% by FY18.
- Increase the representation of women in Operations by partnering with the National Association of Women in Operations through individual development plans and sponsoring programs.
- Conduct an engagement survey to assess sentiment on a qualitative basis e.g. asking our people 'Are we inclusive?' to understand how well we cater for other diversity dimensions e.g. generational, cultural, gender, religion and sexual preferences.
- Cascade Inclusive Leadership Program across the Group to foster and harness diversity of thinking.
- Introduction of a Diversity Working Group to monitor Diversity and Inclusion (D&I) program/initiative outcomes, set measurable objectives, and examine metrics to measure progress of D&I programs and strategies.
- Educate our leaders on the benefits of flexibility and why it needs fair application. Demonstrate more opportunities to say 'yes' to flexibility.

Board Performance Evaluation (Recommendation 1.6)

An evaluation of the performance of the Board, its Committees and individual Directors is undertaken each year either by self-evaluation or by independent review. An independent review is conducted every second year, under the direction of the Chairman.

Matters covered in the evaluation include the role and performance of the Board and its Committees, SunRice's long-term objectives and key risks to the business and achievement of those objectives, succession planning and the effectiveness of the Chairman in leading the Board, along with a skills assessment of each Director and the Board as a whole.

Following the review in FY15, action plans were developed which included the Board committing to a program of ongoing development. With the exception of Ian Glasson, who commenced in February 2016, all Directors have completed the Company Directors Course run by the Australian Institute of Company Directors and, where relevant, have either undertaken, or committed to undertake, the Company Directors Course Update. Programs have been implemented to ensure Directors are provided with updates on corporate governance, Directors' duties, workplace health and safety and other relevant regulatory requirements. The Board also received presentations from specialists to build and enhance its knowledge in areas such as diversity and inclusion, financial skills, customer management as well as branding and marketing.

During the reporting period a self-evaluation was conducted by the Board. Directors are satisfied with the role and performance of the Board, and with the program of ongoing development.

Management Performance Evaluation (Recommendation 1.7)

The company has established processes for evaluating the performance of its senior executives. In summary, each senior executive is evaluated against the achievement of pre-agreed performance objectives. The evaluation process is conducted annually and is followed by the determination of appropriate remuneration of the relevant senior executive.

Detailed information regarding the company's remuneration practices is provided in the Remuneration Report. An evaluation of senior executives has taken place during the reporting period in accordance with the processes described above.

Principle 2 – Structure the Board to add value

Nomination Committee (Recommendation 2.1)

The role of the Nomination Committee is to identify the attributes that are required by the Board and to enhance those attributes, both on an ongoing basis and in the circumstances that candidates are recommended to shareholders for election to the Board.

The conduct, objectives and proceedings of this Committee are governed by a charter, approved by the Board. All members of the Committee are non-executive Directors.

Currently, the membership of the Committee is comprised of one independent Director and two non-independent Directors. The Chairman of the Board is the Chairman of the Committee.

The composition of the Nomination Committee does not comply with Recommendation 2.1 of the ASX Principles to the extent that it recommends that a nomination committee consists of a majority of

independent Directors and is chaired by an Independent Director. However, the Board believes that in the context of the current make-up and size of the Board, the perspective and expertise that the current members bring to the Committee is appropriate.

The Committee charter is available on the company's website at www.sunrice.com.au.

The names, qualifications and experience of the Committee members and their attendance at the meetings of the Committee are included in the Directors' Report of the company's Annual Report.

Details of Directors (Recommendation 2.2)

The Board's composition is determined by the company's constitution and has been established to comprise of up to four Directors who are A Class Shareholders, up to three elected members of the Rice Marketing Board (who are also A Class Shareholders), and up to three Directors who are persons with appropriate experience to be appointed as a Director (one of whom may be an employee of the company).

Within the constraints of the company's constitution, the company aims to achieve a mix of rice industry, finance and business skills among the Directors.

Elections are held for the four Directors, who are A Class Shareholders, every four years (or such other period as the A Class Shareholders may determine concluding at the end of the annual general meeting in the last year of their term of office). A retiring Director is eligible for re-election.

The three elected members of the Rice Marketing Board are appointed to the Board on their election to the Rice Marketing Board. This appointment is confirmed by shareholders at the next Annual General Meeting of the company for the period of their term on the Rice

Marketing Board, which is currently four years.

The procedure for the selection and appointment of new Directors and the re-election of incumbent Directors, and the Board's policy for the nomination and appointment of Directors, is set out in the Nomination Committee Charter.

Independence of Directors (Recommendations 2.3, 2.4 and 2.5)

The independence, relevant skills, experience and expertise held by each Director in office at the date of the Annual Report are provided in the Annual Report.

The company's independent Directors are Grant F Latta and Ian D Glasson.

The Board considers a Director to be independent only where they are free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence in a material respect, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the company and its shareholders generally.

In accordance with the commentary to the ASX Principles, a Director who is employed in an executive capacity by the company or any of its subsidiaries will not be an independent Director. In other respects, the Board has not set materiality thresholds, considering it more effective to assess relationships on the individual circumstances applicable on a case-by-case basis, and where appropriate with the assistance of external advice.

The Board regularly reviews the independence of each non-executive Director. Each non-executive Director is required to provide to the Board all information that may be relevant to this assessment. In addition, all Directors are required to disclose to the Board any conflicts of interest or duty and any

material personal interest in any matter that relates to the affairs of the company.

Directors who are A Class Shareholders supply rice to the company on the same terms as other rice suppliers, and the company's procedures and systems ensure that the Paddy Price is set according to the commercial interests and needs of the company.

However, the Board recognises that there may be a perception that the rice supply relationship between the company and these Directors may influence the decision-making of these Directors.

Accordingly, while they are able to bring an independent judgement to bear on Board decisions, the seven Directors who are A Class Shareholders have not been characterised as independent due to this potential perception concern. This means that contrary to Recommendation 2.4 and 2.5 of the ASX Principles, the Board does not have a majority of independent Directors nor an independent Chairman. However, the company complies with Recommendation 2.5 to the extent that it requires the Chairman of the Board not to be the same person as the CEO.

Induction for new Directors (Recommendation 2.6)

The company has a program in place for inducting new Directors and providing appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Access to information

The Board's policy is to enable Directors to seek independent professional advice at the company's expense, after first discussing such intentions with the Chairman. The Chairman determines if the estimated cost is reasonable, but without impeding the seeking of advice. In the case of Chairman related issues, reference is made to the Chairman of the Finance and Audit Committee.

Principle 3 – Act ethically and responsibly

All Directors, senior management and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the company.

The Board has approved Codes of Conduct for Directors and employees and a Share Trading Policy.

Code of Conduct (Recommendation 3.1)

The Board recognises the company's legal and commercial obligations to all legitimate stakeholders, and this is formally recognised in the company's Code of Conduct which addresses its commitment to compliance with its legal obligations to stakeholders.

The company has established a Group Code of Conduct which applies to all Board members, officers, employees and contractors of the company. All Directors also need to comply with the Directors' Code of Conduct.

Share Trading Policy

The Share Trading Policy applies to all Directors, executives, employees, consultants and professional advisers of the company. The policy specifies the periods during which the Directors and executives of the company may purchase and sell the company's securities, and sets out a notification procedure concerning trading by Directors.

Copies of the Directors' Code of Conduct, Group Code of Conduct and Share Trading Policy are available on the company's website at www.sunrice.com.au.

Principle 4 – Safeguard integrity in corporate reporting

Finance and Audit Committee (Recommendation 4.1)

The role of the Finance and Audit Committee is to provide the Board with additional assurance regarding

the quality and reliability of both the financial information prepared for the Board, and the internal control and risk management systems of the company.

The conduct, objectives and proceedings of this Committee are governed by a Charter approved by the Board. All members of the Committee must be non-executive Directors and the Chairman of the Board cannot be the Chairman of the Committee. The Chief Executive Officer, the Chief Financial Officer and representatives of the internal auditor and external auditor are invited to attend the meetings.

The Committee meets regularly with the internal and external auditors, without senior management, to review the scope and adequacy of their work and to consider the implementation of recommendations from the audit processes.

The Committee conducts a formal assessment of the external auditor's performance annually and reports the outcome to the Board. The Committee also meets with the external auditor to discuss audit planning matters, statutory reporting and, as required, for any special reviews or investigations deemed necessary by the Board.

The Board has resolved that it is appropriate for the audit firm to provide ongoing taxation compliance and advisory services in addition to its normal audit function. However, as a broad guideline it is considered inappropriate for the audit firm to be involved in any assignment which would impair its professional independence.

A comprehensive policy dealing with this area is in place and approved by the Board. Adherence to the policy is closely monitored by the Finance and Audit Committee. A copy of the company's Corporate Policy on Audit Services by the External Audit Firm is available on the company's website.

The Committee is also responsible for the internal audit program of the company, which is totally independent of the external audit function. The Committee reviews and monitors the program and reviews internal audit reports. The internal audit function has been outsourced to KPMG.

Currently, the membership of the Committee is comprised of two independent Directors and three non-independent Directors. An independent Director is the Chairman of the Committee.

The composition of the Finance and Audit Committee does not comply with Recommendation 4.1 of the ASX Principles to the extent that it recommends that an audit committee consists of a majority of independent Directors. However, the Board believes that, in the context of the current make-up and size of the Board, the perspective and expertise that the current members bring to the Committee is appropriate.

The names, qualifications and experience of the Committee members and their attendance at the meetings of the Committee are included in the Directors' Report of the company's Annual Report.

In accordance with the *Corporations Act 2001*, the lead partner and the review partner of the external auditor will be rotated at least every five years.

The Committee charter is available on the company's website at www.sunrice.com.au

Financial records (Recommendation 4.2)

Before approving the company's financial statements for a financial period, the Board receives a declaration from the Chief Executive Officer and the Chief Financial Officer that in their opinion, the financial records of the entity have been properly maintained, and that the financial statements

comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External auditor's attendance at the Annual General Meeting (Recommendation 4.3)

The external auditor attends the company's Annual General Meeting to be available to answer questions from shareholders relevant to the audit.

Principle 5 – Make timely and balanced disclosure

Continuous disclosure (Recommendation 5.1)

As the company's B Class Shares are quoted on the National Stock Exchange (NSX), the company complies with the continuous disclosure requirements of the NSX Listing Rules.

In particular, the NSX Listing Rules oblige the company to disclose any information that is necessary to enable an appraisal of SunRice's financial position and information that a reasonable person would expect to have a material effect on the price or value of the company's securities.

The Board has established policies and procedures that are overseen by a Disclosure Committee established to ensure that the company complies with its continuous disclosure obligations. The company's continuous disclosure policy is consistent with the ASX Principles, except that the company is obliged to comply with the disclosure provisions of the NSX Listing Rules rather than the ASX Listing Rules.

The Continuous Disclosure Policy is available on the company's website at www.sunrice.com.au.

Principle 6 – Respect the rights of security holders

Communications with Shareholders Policy (Recommendations 6.1, 6.2, 6.3 and 6.4)

The company has a communication policy to promote effective communication with all stakeholders, including shareholders, to assist them in making informed decisions and to encourage effective participation. Communication initiatives undertaken by the company include regular business updates, grower and shareholder briefings, media announcements, and the company website at www.sunrice.com.au.

When any stakeholders are updated on material aspects of the company's operations, the information is provided to shareholders and posted on the company's website, and disclosed to the NSX. All recent company announcements, media releases, details of company meetings and annual reports are also available on the company's website.

Any other information disclosed to the NSX is posted on the company's website as soon as it is disclosed to the NSX.

All Board members attend the Annual General Meeting (AGM) and are available to answer questions.

Notice of the AGM, and related papers, are sent to all shareholders at least 28 days before the meeting. Resolutions are proposed on each substantially separate issue, including in relation to the Annual Accounts and the Remuneration Report.

Shareholders of the company have the option to receive communications from, and send communications to, the company and its security registry electronically.

The Communication with Shareholders Policy is available on the company's website at www.sunrice.com.au.

Principle 7 – Recognise and manage risk

Risk management oversight (Recommendations 7.1 and 7.2)

The Board oversees the establishment, implementation and review of the company's risk management framework, which has been established to identify, assess, monitor and manage operational, financial and compliance risks.

The responsibility for ongoing review of risk management has been delegated to the Finance and Audit Committee who conduct formal reviews at least twice a year. While the Chairman of the Finance and Audit Committee is an independent Director, the membership of the Committee does not comprise of a majority of independent Directors and, accordingly, does not comply with Recommendation 7.1 of the ASX Principles. However, the Board believes that the composition of the Finance and Audit Committee is appropriate in the context of the current make-up and size of the Board and brings the expertise required in order to oversee the company's risk management framework.

The Finance and Audit Committee has conducted a review of the company's risk management framework during the reporting period to satisfy itself that the risk management framework continues to be sound.

The Board's risk strategy is to minimise risk so as to ensure that it does not inhibit the company from operating its business and pursuing its goals and objectives. The Chief Executive Officer has responsibility for the establishment and maintenance of effective risk management strategies and for the reinforcement of a risk management culture throughout the company.

Management has reported to the Finance and Audit Committee and the Board on the effectiveness of the risk management and internal control system during the year, and of the company's management of its material business risks.

The company has established a well documented system of internal controls that take account of key business exposures. The system is designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is timely and reliable.

Internal audit function (Recommendation 7.3)

The internal audit function plays a key role in providing an objective and continuing assessment of the effectiveness of the company's internal control systems. It ensures information is reliable and has integrity, operations are efficient and effective, and policies and regulations are adhered to.

The internal auditor has direct access to the Finance and Audit Committee and to the Board.

The company has implemented insurance arrangements and constantly evaluates the economic balance between self insurance of risks and risk transfer.

Economic, environmental and social sustainability risks (Recommendation 7.4)

The Board and management have identified that the company has material exposure to the following economic sustainability risks, which are now managed in the following segments. The company has not identified any material exposure to environmental or social sustainability risks.

It is intended that a sustainability report will be developed over the next year and will also be made available on the company's website at www.sunrice.com.au.

Work Health and Safety Risk

The company operates a number of manufacturing sites and is exposed to the risk of injury to its employees or contractors. If a workplace injury occurs and the company is found to have breached its obligations under work health and safety laws, it may be subject to prosecution and incur significant financial penalties. It may also be required to pay compensation and may suffer reputational damage and loss of production. The company has work, health and safety policies and programs in place to address this risk.

Workplace health and safety is a key priority for the company, with substantial investment across many years in safety systems, training and equipment, as well as ongoing work underpinning the maintenance of relevant Occupational Health and Safety Management System Certification at all sites.

Foreign Currency Risk

The Group is exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency, that is not the entity's functional currency.

The Group's risk management policy is to hedge, where possible, its foreign currency exposure. The carrying value of the Group's assets and liabilities denominated in foreign currency and the translation of overseas businesses' results for the reporting period, would be impacted by any movement in exchange rates.

Sovereign Risk

The company conducts business with and in a number of foreign countries. Any political, legal, economic or social change in these countries has the potential to impact its operational returns and the value of its investment in these countries. Whilst some of the countries the company operates in are regarded as having high sovereign risk, the company closely monitors changes in those countries and takes pro-active steps to mitigate its exposure

Supply of Rice

The company is exposed to fluctuations in the volume and quality of rice supplied by its growers. Fluctuations in supply may, when in surplus, result in greater volumes being sold on the world market at prevailing commodity prices, or, when in short supply, endanger market relationships and/or result in under-recovery of overheads. The company closely monitors the anticipated level of production by Australian rice growers and the extent to which rice needs to be sourced from overseas suppliers.

When necessary, the company will source rice from overseas locations to satisfy its market requirements. The success of this strategy is dependent upon acquiring regular supplies of high quality rice at a competitive price. The company closely monitors the level of production of rice overseas.

Regulatory Risk

The *Rice Marketing Act 1983* (NSW) (the Act) sets out the regime under which the company operates as an Authorised Buyer appointed by the Rice Marketing Board for the State of NSW (RMB) to provide a single export desk for NSW grown rice. A proclamation vesting all NSW grown rice in RMB has effect until June 2017. RMB can appoint additional Authorised Buyers which has the potential to affect the company's market share of domestic rice sales. RMB has appointed the company as the exclusive

exporter of NSW grown rice under the Sole and Exclusive Export Agreement. This agreement can be terminated by RMB giving at least five years' notice. This appointment also falls away if vesting proclamation is not renewed in 2017.

The company continues to assess and record the economic benefits of vesting and, when required, provides evidence of this to the NSW Government to support the continuation of vesting and the single export desk enjoyed by it.

Safety, Health and Environment Committee

The Safety Health and Environment Committee has been established to support the provision of robust systems to ensure that the company achieves and maintains its objectives in relation to safety, health and environment, including all relevant legislation, policies and targets. The Committee reviews and makes recommendations to the Board on policies in relation to Safety, Health and Environment policies, priorities and targets.

The conduct, objectives and proceedings of this Committee are governed by a charter approved by the Board. A Non-Executive Director is Chairman of the Committee.

The names and qualifications of the Committee members and their attendance at the meetings of the Committee are included in the Directors' Report of the company's Annual Report.

The Committee charter is available on the company's website at www.sunrice.com.au.

Grower Services Committee

The role of the Grower Services Committee is to optimise the interdependent relationship between the company and rice growers to achieve alignment and integration of activities and business plans.

The Committee reviews and makes recommendations to the Board on policies in relation to on-farm production of rice and services to growers.

The conduct, objectives and proceedings of this Committee are governed by a charter approved by the Board. All members of the Committee are non-executive Directors.

The names and qualifications of the Committee members and their attendance at the meetings of the Committee are included in the Directors' Report of the company's Annual Report.

The Committee charter is available on the company's website at www.sunrice.com.au.

Principle 8 – Remunerate fairly and responsibly

Remuneration Committee (Recommendation 8.1, 8.2 and 8.3)

The role of the Remuneration Committee is to review and make recommendations to the Board on the company's approach to remuneration and related matters to recognise and reward performance. The Committee also specifically considers the packages and policies applicable to Directors, the Chief Executive Officer and senior management, and serves a role in the evaluation of the performance of the Chief Executive Officer.

Remuneration policies are competitively set to attract and retain qualified and experienced employees. The Committee obtains independent advice on remuneration packages and trends in comparative companies.

The conduct, objectives and proceedings of this Committee are governed by a charter approved by the Board. All members of the Committee are non-executive Directors.

Currently, the membership of the Committee is comprised of one independent Director and two non-independent Directors. The Chairman of the Board is the Chairman of the Committee.

The composition of the Remuneration Committee does not comply with Recommendation 8.1 of the ASX Principles to the extent that it recommends that a remuneration committee consists of a majority of independent Directors and is chaired by an independent Director. However, the Board believes that, in the context of the current make-up and size of the Board, the perspective and expertise that the current members bring to the Committee is appropriate.

The Committee charter is available on the company's website at www.sunrice.com.au.

The names, qualifications and experience of the Committee members and their attendance at the meetings of the Committee are included in the Directors' Report of the company's Annual Report.

The company does not have an equity-based remuneration scheme and therefore Recommendation 8.3 is not applicable.

FINANCIAL REPORT

This financial report covers the consolidated entity consisting of Ricegrowers Limited and its controlled entities. The financial report is presented in Australian currency.

Ricegrowers Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Ricegrowers Limited
NIP 37 Yanco Avenue
LEETON NSW 2705

A description of the nature of the consolidated entity's operations and its principal activities is included within the annual report and in the directors' report, which is not part of the financial report.

The financial report was authorised for issue by the directors on 21 June 2016.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Ricegrowers Limited and the entities it controlled at the end of, or during the year ended, 30 April 2016.

1. Directors

The following persons were Directors of Ricegrowers Limited during the financial period and up to the date of this report, unless otherwise stated:

LJ Arthur
NG Graham
G Andreazza
R Gordon
GL Kirkup
GF Latta AM
DM Robertson
LK Vial (appointed 21 August 2015)
J Bradford (appointed 26 August 2015)
I Glasson (appointed 25 February 2016)
AD Walsh (cessation of officeholder 21 August 2015)
PM Margin (cessation of officeholder 21 August 2015)

2. Company Secretary

Mandy Del Gigante

3. Principal activities

The principal activities of Ricegrowers Limited and its controlled entities consist of receival and storage of paddy rice, milling of rice, manufacture of rice based products, marketing and selling of rice and grocery products and research and development into the growing of rice.

4. Consolidated entity result

The net profit of the Group for the period after income tax and after non-controlling interests was \$49,077,000 (2015: \$43,425,000).

5. Review of operations

Group consolidated revenue was \$1,270 million, up 1.9% on the \$1,246 million achieved in FY15. Revenue attributable to the Riverina Rice Pool business (including intercompany sales) was \$474.2 million, down 17.6% on FY15, reflecting the smaller Riverina crop. Revenue attributable to SunRice's Profit businesses was 892.4 million, up 4.4% on the prior year, driven by strong growth in the International Rice and Rice Foods segments.

Net profit before tax for FY16 was \$73.2 million, up 3.6% on the \$70.7 million achieved in the prior year, and net profit after tax for FY16 was \$52.0 million, up 5.8% on the \$49.2 million achieved in the prior year.

More than \$24 million in capital investment was made in FY16. This investment, which focused on safety and process improvements, is expected to provide a significant payback through improving production yields and quality. The total return on capital employed (ROCE)* of 15.1%, compared to 15.8% last year.

The SunRice Group's year end gearing (net debt to net debt plus equity ratio) was 31.8%, compared to 30.5% last year. The increase in gearing was due to higher net working capital, driven by higher international inventory levels and lower Riverina grower payables as a result of a smaller crop.

For our A Class grower shareholders, the Crop Year 15 (C15) Paddy Price for medium grain Reiziq was confirmed at \$403.60 per tonne and the price for Koshihikari at \$533.60 per tonne. This represents a 2.3% uplift in pricing year-on-year and a total return to growers of \$278.6 million (based on Reiziq price).

Growth in challenging environments

The SunRice Group performed strongly in dynamic and challenging operating environments in FY16, which included currency fluctuations, political instability and tightening trade conditions.

The smaller crop of Riverina rice was sold into higher value branded markets, with a mix of increased prices and favourable exchange rates delivering returns that were able to offset the higher conversion costs associated with lower throughput (**Rice Pool**). This included exceptional growth in SunRice's Middle East business in FY16, aided by continued investment in the region and the opening of a Dubai office.

In the **International Rice** segment, SunRice's strong presence in Pacific markets continued, however operational challenges impacted volume and profit in the Solomon Islands. SunRice's remaining consumer brands in the Pacific performed strongly.

Trukai Industries' achieved double digit revenue growth however profit was unfavourably impacted by the devaluation and illiquidity of the Papua New Guinean Kina.

SunRice's Asian business achieved a 28% uplift in volume growth in FY16. E-commerce sales commenced to China and an office was opened in Singapore to assist in building ongoing relationships with key stakeholders, as well as to more closely monitor Asian growth markets.

Domestically, collaboration with major retail and wholesale accounts underpinned strong performances across several Australia New Zealand channels in FY16, delivering above category growth. Strong performances were delivered across the Australian food service and food ingredients and New Zealand retail businesses, with market share gains also recorded for core rice, microwave and rice snacks. Strong achievements in manufacturing flexibility and collaboration also underpinned a year-on-year volume growth of 8% for Rice Cakes and 24% for Rice Flour (**Rice Food segment**).

Riviana Foods increased profitability in FY16, delivering a 95.6% uplift in net profit before tax, despite an increasingly competitive retail and food service environment that resulted in a small revenue decline. The relaunch of the Always Fresh brand across 90 Australian product lines was completed as the year closed, with related volume and profit gains anticipated for FY17.

CopRice's external revenue was flat year-on-year, with strong growth in branded products offsetting difficult trading conditions in the dairy segment, particularly in Victoria. CopRice also expanded into the premium pet food category in FY16, providing a future new driver for revenue growth in Australia, as well as potential export opportunities in Asia for the future.

**ROCE is measured as the ratio of Profit Before Income Tax and Interest to Net Assets excluding Cash and Borrowings.*

6. Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial period under review, not otherwise disclosed in the Annual Report.

7. Events subsequent to the balance sheet date

On 21 June 2016 the Directors have declared the payment of a fully franked final dividend of 33 cents per share. The aggregated amount of the proposed dividend expected to be paid out of retained earnings at 30 April 2016, but not recognised as a liability at year end is \$18,401,812.

The Directors are not aware of any other matter or circumstance, since the end of the financial year, not otherwise dealt with in the report that has significantly, or may significantly, affect the operations of the Group, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.

8. Likely developments and expected results of operations

Lower volumes from the recently completed harvest in the Riverina for C16 produced approximately 242,538 tonnes largely in line with expectations. This crop has a guaranteed price of \$415 per tonne for Reiziq. As previously announced this will require a paddy price supplement which is likely to be offset from increased profits of our global trading activities. To service and maintain branded markets, new international supplier arrangements have or are in the process of being concluded contributing to approximately 400,000 metric tonnes. In addition, SunFoods reconfigured its operations to recommence supplying medium grain to key markets usually fulfilled by Riverina rice. The resumption of this critical role is anticipated to return SunFoods to profitability in FY17, building on improvements in our U.S. subsidiary's performance in FY16.

The Group's performance, in particular Rice Pool, International Rice, Rice Food and Riviana segments is subject to currency fluctuations due to the significant import/export component of its operations. More specifically Trukai, part of the International Rice segment, is potentially impacted by the availability of USD in PNG and fluctuation in USD/Kina exchange rate for which hedging opportunities are limited. In line with earlier guidance, a sudden devaluation of the Kina would have a material impact on SunRice Group, and we continue to closely monitor this and related issues.

The board have offered a fixed volume contract for the financial year ending 30 April 2018 priced at \$400 per tonnes for Reiziq. This decision was taken to provide greater certainty for our growers when making planting decisions.

The completion of the capital restructure has been delayed due to issues with a joint venture partner. The board remains committed to achieve this transformation which is in the best interests of the business, growers and shareholders.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report as the Directors believe it is likely to result in unreasonable prejudice to the Group.

9. Environmental regulation

The Group is subject to significant environmental regulation in respect of its land development, construction and manufacturing activities, including:

- Land development planning approvals under the *New South Wales Environmental Planning and Assessment Act 1979* and *Victorian Environmental Protection Act 1970*; and
- Compliance with *Protection of the Environment Operations Act 1997*, the *Environmentally Hazardous Chemicals Act 1985* and the *Waste Avoidance, Resource Recovery Act 2001* and *QLD Environmental Protection Act 1994*.

SunRice has 18 registered EPA licences in NSW and one Development Approval in Queensland. All sites completed and submitted their annual returns in FY15, and all NSW sites were successfully audited by the EPA during the year.

Any complaints received in relation to environmental issues are investigated and action plans implemented to reduce the impact of Ricegrowers Limited's activities.

Greenhouse gas and energy data reporting requirements

The group is subject to the reporting requirements of the *National Greenhouse and Energy Reporting (NGER) Act 2007*.

SunRice assessed its energy usage and submitted its National Greenhouse and Energy Report to the Clean Energy Regulator during FY16, reporting of direct and indirect emissions within Australian Operations. The consumption of 543,266 gigajoules of energy and calculated emissions of 99,274 tonnes of CO₂ were reported for the reporting period against 547,003 gigajoules and 102,165 tonnes of CO₂ respectively in FY15.

The Group is working with the NSW OEH Energy Efficient Businesses to identify and implement energy savings opportunities for the future.

10. Paddy supply

The paddy supply for FY17 from Riverina ricegrowers is expected to be approximately 242,538 tonnes (FY16 690,272 tonnes).

11. Top Ten Shareholders

The following table represents the top ten shareholders as at 30th April 2016.

Rank	Shareholder	No. of B Class Shares
1	Menegazzo Enterprises Pty Ltd	2,787,748
2	Australian Food & Agriculture Company Limited	2,365,086
3	Germanico Super Pty Ltd	810,625
4	Dellapool Nominees Pty Ltd	807,809
5	Indara Holdings Pty Ltd	622,526
6	Mr Alan David Walsh	492,285
7	Industry Designs Pty Ltd	467,290
8	Taurian Pty Ltd	402,529
9	Ambo Farms Pty Ltd	351,479
10	GF & SB Lawson Pty Ltd	330,139

The above table reflects the shareholdings of individual entities in their own right.

12. Directors' and company secretary qualifications

Refer to the Annual Report for details.

13. Directors' interests in shares

Director	Directors' interests in A and B Class shares of Ricegrowers Limited			
	2016		2015	
	A Class Shares	B Class Shares	A Class Shares	B Class Shares
LJ Arthur	1	233,818	1	233,818
NG Graham	1	100,897	1	100,897
GA Andreazza	1	80,279	1	80,279
GL Kirkup	1	67,424	1	67,424
GF Latta AM	–	29,838	–	29,838
DM Robertson	1	224,539	1	224,539
LK Vial	2	104,570	–	–
J Bradford	2	30,663	–	–

R Gordon and I Glasson do not hold any shares.

14. Directors' meetings

	RL Board		F & A Committee		Grower Services Committee		Remuneration Committee		Nomination Committee		SHE Committee	
	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible
LJ Arthur	26	26	4	–	4	–	4	4	3	3	–	–
NG Graham	26	26	4	4	4	4	4	4	3	3	–	–
G Andreazza	25	26	–	–	4	4	–	–	–	–	3	3
R Gordon	25	26	4	4	–	–	–	–	–	–	2	3
GL Kirkup	26	26	4	4	3	3	–	–	–	–	3	3
GF Latta AM	26	26	4	4	4	4	4	4	3	3	3	3
DM Robertson	26	26	3	4	–	–	–	–	–	–	1	2
LK Vial	20	20	2	2	–	–	–	–	–	–	–	–
J Bradford	19	20	–	–	2	2	–	–	–	–	–	–
I Glasson	4	5	1	1	–	–	–	–	–	–	–	–
AD Walsh	6	6	–	–	2	2	–	–	–	–	2	2
PM Margin	6	6	1	1	–	–	1	1	–	–	–	–

In certain circumstances, Directors may be invited to attend and contribute to meetings of committees of which they are not members.

There were 11 regular Board meetings during the year with the balance devoted to capital restructure and other matters.

DIRECTORS' REPORT continued

15. Indemnification of officers

During the year, Directors and Executive officers of Ricegrowers Limited were insured as part of an insurance policy undertaken against a liability of a nature that is required to be disclosed under the *Corporations Act 2001*. In accordance with the *Corporations Act 2001* further details have not been disclosed due to confidentiality provisions in the insurance contract.

16. Directors' benefits

The Directors have direct dealings with the company on the same terms and conditions that apply to all members whether by contractual arrangements or otherwise.

No Director has received or become entitled to receive a benefit by reason of a contract made by the company or a controlled entity with the Director or a firm of which the Director has a substantial financial interest other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the remuneration report.

Several Directors sit on local Boards which serve the rice industry as disclosed in the Annual Report. The Group has dealings with these Boards and Committees whose purpose is to deal with issues that relate to the rice industry.

17. Non-audit services

Refer to the note 37 of the financial statements.

18. Remuneration report (audited)

Executive Summary

At Ricegrowers Limited, our remuneration framework is designed to create value for our shareholders by aligning the remuneration and benefits strategy to the achievement of business goals. This underpins our ability to attract, motivate and retain high-performing people.

FY16 has been a year of growth for Ricegrowers Limited. The Group consolidated revenue was a record \$1,270 million, up 1.9% year-on-year.

Net profit before tax was \$73.2 million, up 3.6% year-on-year, and net profit after tax was \$52.0 million, up 5.8% year-on-year.

Performance Results

	FY12	FY13	FY14	FY15	FY16
Group NPBT \$000s	54,635	57,347	54,039	70,650	73,172
Paddy Supplement/(Retention) ¹	(16,000)	–	–	–	–
Medium Grain Paddy Price (\$/t)	255.0	317.0	294.0	394.6	403.6
Earnings per Share (cents) ¹	57.3	57.9	53.3	77.9	88.0
Return on Capital Employed (%) ^{1,3}	11.7%	13.6%	14.1%	15.8%	15.1%
Dividend (cents per B Class Share)	18.0	23.0	23.0	31.0	33.0
Average STI payment as a % of Maximum STI opportunity for Key Management Personnel ²	77.1%	86.0%	91.4%	73.8%	83.7%

1. The NPBT used to evaluate performance includes key adjustments. In 2012, retention was applied from the paddy pool to the value of \$16m. The FY12 ROFE calculation excludes this retention of \$16m (\$20/t).

2. Ricegrowers Limited CEO is excluded and participates under a separate STI plan. Maximum STI payout is capped at 125% of Target Value.

3. ROCE defined as the ratio of Profit Before Income Tax and Interest to Net Assets excluding Cash and Borrowings.

The Board is very pleased with the continued growth trajectory of Ricegrowers Limited, and the strong vision and leadership of our Chief Executive Officer ("CEO"). During this financial year, the Board undertook a review of the CEO's contract and remuneration. Due consideration was given to the year-on-year performance achievements of the business along with a comprehensive independent market benchmarking exercise. A remuneration market increase was made to ensure the CEO's Fixed Annual Remuneration is in line with peer groups and reflective of the business that Ricegrowers Limited is today.

18. Remuneration report (audited) (continued)

This Remuneration Report is audited and has been prepared in accordance with requirements of the *Corporations Act 2001* (Cth).

Outline of this Remuneration Report

The Remuneration Report has the following sections:

1. Overview
2. Key Management Personnel
3. Remuneration Governance at Ricegrowers Limited
4. Executive Remuneration Policy and Framework
5. Remuneration tables
6. Remuneration of Non-Executive Directors
7. Voting and comments made at Ricegrowers Limited's Annual General Meeting

1. Overview

The Directors are pleased to provide shareholders with this Remuneration Report for the year ended 30 April 2016, which outlines the Board's approach to remuneration for Non-executive Directors, Executive Directors and other Key Management Personnel (KMP).

The information in this report has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth).

2. Key Management Personnel

In determining the Key Management Personnel ("KMP"), the Directors have applied the definition in the *Corporations Act 2001* (Cth) and the corresponding definition in the Australian Accounting Standards, being the Directors of Ricegrowers Limited during the year and any other person who, during the year, had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

Note that for the purpose of this Remuneration Report, the term 'Executive' is used to describe current and former Executives of the Group listed below (including the Executive Director). These Executives, in addition to the Non-Executive Directors represent the Key Management Personnel of the Group.

The Key Management Personnel of the Group for the year ended 30 April 2016 were:

Name	Position
<i>A) Current Directors (including the Executive Director)</i>	
LJ Arthur	Non-Executive Director and Chairman
NG Graham	Non-Executive Director
GA Andreazza	Non-Executive Director
RF Gordon	Executive Director and CEO
GL Kirkup	Non-Executive Director
GF Latta AM	Non-Executive Director (Independent)
DM Robertson	Non-Executive Director
LK Vial	Non-Executive Director (commenced 21 August 2015)
JMJ Bradford	Non-Executive Director (commenced 26 August 2016)
ID Glasson	Non-Executive Director (Independent) (commenced 25 February 2016)
<i>B) Former Directors</i>	
PM Margin	Non-Executive Director (Independent) (retired 21 August 2015)
AD Walsh	Non-Executive Director (retired 21 August 2015)
<i>C) Current Executives</i>	
JH Brennan	Chief Financial Officer
M Bazley	General Manager, International Commodity & Trading
D Keldie	General Manager, Consumer Markets

DIRECTORS' REPORT continued

18. Remuneration report (audited) (continued)

2. Key Management Personnel (continued)

D) Former Executives

G Woods

General Manager, AGS and CopRice

3. Remuneration Governance

The Remuneration Committee is responsible for making recommendations to the Board in respect of Directors and Executives remuneration. The Remuneration Committee makes no formal decisions on behalf of the Group, other than the decision to appoint Remuneration Consultants as necessary. Committee members are outlined in the Directors' Report and the Remuneration Committee Charter is available on the Group's website.

3.1 Remuneration Consultants

During the reporting period the Group engaged Hay Group, Aon Hewitt and Mercer to undertake a benchmarking exercise. They provided advice on executive remuneration benchmarking, including current market practices. They did not provide "remuneration recommendations" for the purposes of the Corporations Act.

3.2 Corporate Governance

Further information on the Committee's responsibilities and the Group's governance practices can be found in our Corporate Governance Statement and Share Trading Policy available at <https://www.sunrice.com.au/corporate/policies-and-documentation/9-share-trading-policy/>.

4. Executive Remuneration Policy and Framework

The Remuneration Strategy implemented in 2013 provides the Remuneration Committee with the parameters for governing Executive remuneration. The purpose of the strategy is to ensure that remuneration outcomes are linked to the Group's performance and aligned with shareholder outcomes.

The Remuneration Framework outlined below has been designed to fit the objectives of Ricegrowers Limited and its subsidiaries around the world, having regard to the size and complexity of the Group's operations.

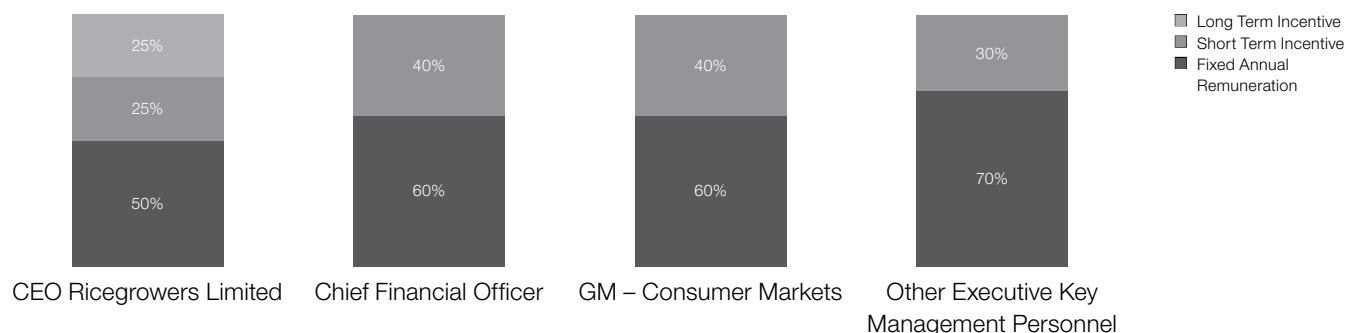
Ricegrowers Limited Business Strategic Goals	Maximise grower returns by optimising market, channel and varietal mix Grow shareholder value and increase resilience of earnings by pursuing diversified and stable growth Top quartile, year on year profitability growth, and sustainable grower returns
Remuneration Strategy	To provide competitive remuneration that is broadly in-line with appropriate market practice. Remuneration at Ricegrowers is designed to provide market competitive remuneration opportunities for sustainable performance in line with strategic expectations; encourage balanced outcomes for all stakeholders being shareholders, rice growers, employees and the communities in which we operate; reward for outputs and behaviours (i.e. the 'what' and the 'how'); promote a balance between short-term and long-term goals; align the financial interests of executives and shareholders; and not encourage excessive risk taking.

18. Remuneration report (audited) (continued)**4. Executive remuneration policy and framework (continued)**

Remuneration Framework	Fixed remuneration	Variable 'at risk' remuneration	
	<p>Position around the median of the market. A remuneration range of 15% either side will apply at fixed remuneration and is based mainly on size and complexity of the role, and skills and competencies needed to generate results.</p> <p>In some circumstances, the local economic and market conditions may require further refined positioning compared to the market.</p>	<p><i>Short Term Incentive (STI)</i> Aligned to the achievement of Ricegrower Limited's business objectives measured over the short term.</p> <p>Financial and non-financial KPIs based on performance goals consisting of:</p> <ul style="list-style-type: none"> – Maximising net profit across the Group and within each Business Unit or Subsidiary. – The achievement of Safety, Health and Environment targets. – Individual performance components, which include leadership, innovation, process improvement and customer focus 	<p><i>Long Term Incentive (LTI)</i> The CEO is eligible to participate in a LTI plan that is focused on the achievement of targets set by the Board over the three-year period. It is reflective of building long term value for the organisation and shareholders over the longer term.</p>

4.1. Remuneration mix

The Board believes it is appropriate to have a Remuneration Framework that consists of a fixed component as well as an at-risk component consisting of short and long term incentives. The Group's mix of fixed and "at risk" components for the KMP for FY16, expressed as a percentage of total target reward, was as follows.

**4.2. CEO Remuneration Review**

In setting Executive remuneration and specifically the CEO remuneration, the Board undertakes a robust process to ensure:

- Remuneration is reflective of the market
- Variable "at risk" remuneration encourages Executives to meet and exceed short and medium-term targets
- Remuneration attracts, retains and motivates key employees; and
- Financial interests of executives and shareholders are aligned.

During the period, the Remuneration Committee engaged the Hay Group, Mercer and Aon Hewitt to undertake an independent review of the CEOs remuneration.

DIRECTORS' REPORT continued

18. Remuneration report (audited) (continued)

4. Executive remuneration policy and framework (continued)

4.2. CEO Remuneration Review (continued)

The independent benchmark review reflects organisations of a similar industry and or financial size. The key outcomes of this review were:

- The Fixed Annual Remuneration for the CEO was considered below the positioning the Board considered appropriate, in line with our strategy to pay at the 50th percentile.
- The CEO was paid a higher variable remuneration than peers in the market for the strong performance over the past three years.
- Overall, when taking into account fixed and variable remuneration, the CEO's total remuneration was lower than the median (50th percentile of the market).

In addition the Board considered the year on year performance of the business since the appointment of the CEO in February 2012. This business performance is reflected positively across all metrics as outlined below.

	NPAT	ROCE	Paddy Price
FY13	\$36.0m	13.6%	\$317.34
FY14	\$33.5m	14.1%	\$293.61
FY15	\$49.2m	15.8%	\$394.62
FY16	\$52.0m	15.1%	\$403.60
Overall growth since appointment of CEO	44%	150 basis points	27%

Consequently, an increase to the CEO's Fixed Annual Remuneration was made to \$1,200,000 per annum effective May 2015. The Board considers the remuneration package for the CEO to be appropriate and aligns with the Remuneration Policy, while maintaining a strong focus on the link between pay outcomes and performance over the long-term.

The CEO's remuneration adjustment is outlined below:

	FAR	STI Target	STI Stretch/ Maximum	LTI
FY15	965,034	482,517	100,000	482,517
May 2015	1,200,000	600,000	100,000	600,000

4.3. Fixed Annual Remuneration

Fixed Annual Remuneration includes base remuneration, superannuation plus other short-term benefits. Executives may elect to take a range of benefits as part of their remuneration package, including novated vehicle, additional superannuation or remote housing subsidy. The company's remuneration policy is to position Fixed Annual Remuneration at the median of the market and utilise 'at risk' reward to reward outstanding performance.

In determining Fixed Annual Remuneration, the company has regard for the value the individual provides to the organisation including:

- Relative size and complexity of the role
- Skills and competencies needed to generate results
- Sustained contribution to the team and organisation
- The value of the role and contribution of the individual in the context of the external market
- Strategic planning including succession and retention of corporate knowledge

18. Remuneration report (audited) (continued)**4. Executive remuneration policy and framework (continued)****4.4. Short-Term Incentive plan**

The STI component of remuneration consists of a cash bonus that is focused on a balanced scorecard approach, with financial and non-financial measures focused on delivery of the Company's critical business objectives.

The Directors rigorously test the annual STI performance measures to ensure the performance required to achieve "on target" results is appropriately stretching. Similarly, the Directors recognise that participants should have the opportunity for above-target outcomes where outstanding performance has been demonstrated. The CEO participates in a separate STI plan from the other Executives, details of this plan are outlined separately:

	Executive STI Plan																		
Objectives	1. To support Ricegrowers Limited’s strategic goals by rewarding executives for the achievement of objectives directly linked to the business strategy. 2. Drive Company performance with acceptable risk and appropriate governance 3. Be market competitive – ensuring SunRice Group is able to compete to attract and retain high quality talent to continue to improve Company performance.																		
Eligibility	KMP (excluding the CEO), other group executives and senior managers																		
Instrument	Cash																		
Opportunity	Target: 40% of FAR for CFO and GM Consumer Markets; 30% FAR for other KMP.	Maximum: 50% FAR for CFO and GM Consumer Markets 37.5% FAR for other KMP																	
Performance Period	1 May 2015 to 30 April 2016																		
Gateway	Threshold Group NPBT (after applying a budgeted paddy price) of 95% target must be achieved before any STI may be paid.																		
Assessment of performance	Each period, KPIs are selected using a scorecard approach of both financial and non-financial measures of performance. The weighting of KPIs reflects the individual executive roles and responsibilities, with financial outcomes accounting for least 50% of all KMPs balanced scorecard. KPIs are focused on the improvement in profit, maximisation of return to growers, strategic and operational goals. Executives KPIs for 2016 were: <table><tr><td></td><td>Weighting</td><td>Link to strategy</td><td>Detail</td></tr><tr><td>Group Net Profit Before Tax</td><td>35%-50%</td><td>Strong financial growth will lead to sustainable returns to shareholders.</td><td>Awarded on a sliding scale between 95% of target (at which point 50% is awarded) and 110% of the target (at which point 125% is awarded).</td></tr><tr><td>Business Unit Profit</td><td>0% – 30%</td><td>Strong financial performance in each unit leads to strong overall results and greater returns for shareholders.</td><td>Each Executive is set Net Profit Before Tax targets for their respective Business Unit or Functional Team.</td></tr><tr><td>Business Unit – Safety, Health & Environment (SHE)</td><td>10%</td><td>SunRice is committed to achieving Zero Harm. Achieving this goal is important to ensuring the sustainable success of our business.</td><td>SHE Target’s for each business unit, measured by the Lost Time Injury Severity Rate as the single lag indicator as well as continuing to move towards the rewarding of Positive Performance Indicators.</td></tr></table>				Weighting	Link to strategy	Detail	Group Net Profit Before Tax	35%-50%	Strong financial growth will lead to sustainable returns to shareholders.	Awarded on a sliding scale between 95% of target (at which point 50% is awarded) and 110% of the target (at which point 125% is awarded).	Business Unit Profit	0% – 30%	Strong financial performance in each unit leads to strong overall results and greater returns for shareholders.	Each Executive is set Net Profit Before Tax targets for their respective Business Unit or Functional Team.	Business Unit – Safety, Health & Environment (SHE)	10%	SunRice is committed to achieving Zero Harm. Achieving this goal is important to ensuring the sustainable success of our business.	SHE Target’s for each business unit, measured by the Lost Time Injury Severity Rate as the single lag indicator as well as continuing to move towards the rewarding of Positive Performance Indicators.
	Weighting	Link to strategy	Detail																
Group Net Profit Before Tax	35%-50%	Strong financial growth will lead to sustainable returns to shareholders.	Awarded on a sliding scale between 95% of target (at which point 50% is awarded) and 110% of the target (at which point 125% is awarded).																
Business Unit Profit	0% – 30%	Strong financial performance in each unit leads to strong overall results and greater returns for shareholders.	Each Executive is set Net Profit Before Tax targets for their respective Business Unit or Functional Team.																
Business Unit – Safety, Health & Environment (SHE)	10%	SunRice is committed to achieving Zero Harm. Achieving this goal is important to ensuring the sustainable success of our business.	SHE Target’s for each business unit, measured by the Lost Time Injury Severity Rate as the single lag indicator as well as continuing to move towards the rewarding of Positive Performance Indicators.																

DIRECTORS' REPORT continued

18. Remuneration report (audited) (continued)

4. Executive remuneration policy and framework (continued)

4.4. Short-Term Incentive plan (continued)

Executive STI Plan				
Assessment of performance <i>continued</i>		Weighting	Link to strategy	Detail
	Individual	25% – 40%	The continuous development of our leadership team is imperative to ensuring the Group continues to adapt to strategic challenges.	Each Executive is set with individual performance measures relating to their role as an individual contributor. The individual scorecard measures include leadership, innovation, process improvement and customer focus.
Assessment	The Remuneration Committee reviews and approves the performance assessment and STI payments for the executives.			

4.5. FY16 CEO STI Plan

The CEO participates in a cash settled STI plan. The CEO's target STI opportunity is 50% of FAR and may increase to 58% of FAR where stretch performance outcomes for the year have been achieved. Stretch performance outcomes are only available where group financial performance or paddy price exceeds the relevant target. Stretch STI payments are not available in relation to individual or non-quantitative KPIs. The Remuneration Committee reviews and approves the CEO's annual performance assessment and STI payments at the end of the performance period.

Details of the CEOs KPIs, relative weighting and key achievements for 2016 are outlined below:

Objective	Rationale link to strategy	STI Measurement	Target Value	TV Percentage	Max Value	FY16 Achievement value	FY16 Achievement Percentage
1. Maximise grower returns	Strong paddy price is essential to ensure sustainable returns for shareholders.	Paddy price per tonne	\$125,000	20.8%	\$175,000	\$175,000	29.1%
2. NPAT	Strong Financial growth will lead to sustainable returns to shareholders.	NPAT	\$125,000	20.8%	\$175,000	\$175,000	29.1%
3. Capital Restructure	Listing the company's securities on the ASX is key to achieving long-term strategic value and sustainable investment.	Successful listing of B securities on ASX	\$125,000	20.8%	\$125,000	\$70,000	11.6%
4. Agronomic Capability	An enhanced agronomic and supply capability will enable the company to achieve quality, cost-effective international rice sources.	Various KPIs	\$150,000	25.0%	\$150,000	\$150,000	25.0%
5. People	Creating a safe workplace is essential to ensuring sustainable business performance.	Safe Start program implemented	\$75,000	12.5%	\$75,000	\$60,000	10.0%
TOTAL			\$600,000	100%	\$700,000	\$630,000	105%

*Stretch STI performance opportunity available.

18. Remuneration report (audited) (continued)**4. Executive remuneration policy and framework (continued)****4.6. FY16 STI Outcomes**

KMP	Target STI opportunity	As a % of FAR	STI Outcome	% Achieved	% Forfeited
CEO	\$600,000	50%	\$630,000	105%	0%
CFO	\$228,800	40%	\$257,400	113%	0%
General Manager – Consumer Markets	\$177,556	40%	\$203,746	115%	0%
General Manager – Int'l Commodity & Trading	\$124,750	30%	\$107,909	87%	13%

4.7. Long-term Incentive plan

The Group's long-term incentive plan directly links CEO rewards to the growth in long-term shareholder wealth by focusing on a mix of key financial and operating performance criteria.

Due to the current structure of the Group, the Board considers it appropriate that only the CEO participates in the LTI plan.

LTI Component	
Eligibility	Group CEO only
Instrument	Cash In the event that SunRice B securities are listed on the ASX, the Board retain the discretion to settle the LTI with equity.
Quantum	50% of FAR, capped at a maximum payment of \$1,800,000 (indexed for salary increases over the three years).
Grant Date	1 May 2015
Frequency	Granted every three years
Performance Period	1 May 2015 – 30 April 2018
Performance Hurdles	The Board have selected the following performance measures to ensure that the CEO's remuneration is aligned with increased shareholder value and growers' interests.
Vesting Schedule	Performance is assessed over the three year period from 1 May 2015 to 30 April 2018 and vests immediately following release of the financial results for the FY18 financial year. – 25% – Maximise long-term grower return. Measured based on the achievement of budgeted price per tonne each year over the performance period. – 25% Net Profit After Tax (NPAT) and Return on Capital employed (ROCE) – Achieve compound annual NPAT growth and maintain ROCE. – 40% Strategic – KPIs determined in line with the Groups strategic initiatives and objectives over the long-term. – 10% People and Culture – KPIs include safety targets, implementation of talent development strategy and diversity and inclusion targets.
Clawback	Board retains discretion to cancel the LTI in part or in full in the event of financial misstatements.

DIRECTORS' REPORT continued

18. Remuneration report (audited) (continued)

5. Remuneration tables

Executives

	Short term benefits			Post-employment benefits	Termination Benefit	Share-based payments	Other long-term benefits ¹	Total Paid and Payable
Name	Cash Salary and fees \$	Cash Bonus \$	Non-Monetary Benefits ² \$	Super-annuation \$	\$	\$	\$	\$
<i>R Gordon</i>								
2016	1,162,667	630,000	8,808	37,333			630,000	2,468,808
2015	934,034	445,000	7,331	31,000			614,105	2,031,470
<i>J Brennan⁶</i>								
2016	534,376	257,400	8,808	37,624				838,208
2015	336,771	150,333	4,258	29,896				521,258
<i>M Bazley</i>								
2016	396,052	107,909		19,782				523,743
2015	382,680	107,933		25,000				515,613
<i>D Keldie</i>								
2016	418,891	203,746	8,808	25,000				656,445
2015	386,010	184,954	7,331	25,000				603,295
Former Executives								
<i>G Woods^{3 & 5}</i>								
2016	153,479	0	50,186	28,676	269,980			502,321
2015	293,285	77,964	84,926	33,327				489,502
<i>E Zammit^{4 & 5}</i>								
2016	-	-	-	-	-			-
2015	320,979	102,781	5,167	12,354				441,281

1. In accordance with accounting standards, the Riceworkers Limited Chief Executive Officer's remuneration includes amounts provided in the relevant years as the best estimate of the LTI relating to that year's performance. The provision reflects the final tranche of the three-year LTI plan paid on achievement of the service and performance conditions outlined in the LTI plan.
2. Non-monetary benefits include benefits such as car parking and fringe benefits tax. In some cases, these are at the election of the Executives i.e. they are salary sacrificed.
3. G Woods ceased employment on 12 November 2015
4. E Zammit ceased employment on 31 December 2014
5. The Cash bonuses for G Woods and E Zammit reflect pro-rated amounts based on their length of service during the year
6. J Brennan joined SunRice on 1 September 2014

It is noted that there are no Share Based Payments for any Key Management Personnel.

18. Remuneration report (audited) (continued)**6. Remuneration of Non-Executive Directors**

The Board sets Non-Executive Director remuneration at a level that enables the attraction and retention of Directors of the highest calibre, while incurring a cost that is acceptable to shareholders. The remuneration of the Non-Executive Directors is determined by the Board on recommendation from the Remuneration and Nomination Committee within a maximum fee pool.

Non-Executive Directors receive a base fee and statutory superannuation contributions. Non-Executive Directors do not receive any performance based pay.

Historically, the Directors of the Company participated in a Retirement Benefit Scheme, consistent with market practice at the time. Following a review by expert remuneration consultants, shareholders approved at the 2010 Annual General Meeting held on 27 August 2010 a change to the structure of Directors' remuneration which included the termination of the Retirement Benefit Scheme.

Ricegrowers Limited's liability has been fully provided in previous years, therefore there will be no additional cost to the Company.

6.1. Fee pool

The maximum amount of fees that can be paid to Non-Executive Directors is capped by a pool approved by shareholders. At the 2013 Annual General Meeting, shareholders approved the current fee pool of \$1,100,000 per annum.

The total fees paid in the reporting period (including superannuation contributions in respect of Directors' remuneration and excluding payments made by Trukai Industries Limited which are excluded from the pool) was \$832,483 (utilising 75.7% of the total fee pool).

Directors attending to the business of the Group are reimbursed for the reasonable costs of travel and reasonable out of pocket expenses. These costs are excluded from the Director Fee Pool.

6.2. Directors 2016 fee structure

The Directors fees (excluding superannuation) for FY16 are set out in the table below.

	Chair fee	Member fee
Board	160,425	69,345
Finance and Audit Committee	14,490	7,245
Remuneration Committee	7,245	3,623
Grower Services Committee	7,245	3,623
Safety Health and Environment Committee	7,245	3,623
Nomination Committee	Nil	Nil

Non-Executive Directors of Ricegrowers Limited who are Directors of Trukai Industries Limited also received annual Director Fees for their roles in recognition of the additional workload associated with travel to and management of an operation based in Papua New Guinea. Mr Robertson received \$11,702 (Kina 25,000, 2015: Kina 25,000), Mr Bradford commenced 26 November 2015 and received \$4,001 (Kina 8,548, 2015: nil) and L Arthur retired 25 November 2015 and received \$5,360 (Kina 11,452, 2015: Kina 20,000) in relation to FY16.

DIRECTORS' REPORT continued

18. Remuneration report (audited) (continued)

6. Remuneration of Non-Executive Directors

6.3. Non-Executive Director Statutory Remuneration

The table below outlines the aggregate of all Directors' Fees received by a Director in respect of Ricegrowers Limited and any of its Subsidiaries.

			Post-employment benefits	Total
	Cash Salary and fees	Cash Salary and fees Other Controlled Entities	Superannuation	
Current Directors	\$	\$	\$	\$
<i>LJ Arthur</i> ¹				
2016	160,425	5,360 ¹	15,240	181,026
2015	103,333	11,792 ^{1, 2 & 3}	9,995	125,120
<i>NG Graham</i>				
2016	95,738		9,095	104,833
2015	91,833		8,689	100,522
<i>GA Andreazza</i>				
2016	76,591		7,276	83,867
2015	74,000		7,000	81,000
<i>GL Kirkup</i>				
2016	86,250	2,415 ^{2&3}	8,423	97,089
2015	82,167	3,500	8,105	93,772
<i>GF Latta</i>				
2016	94,704		8,997	103,701
2015	91,500		8,693	100,193
<i>DM Robertson</i> ¹				
2016	75,383	14,117 ^{1,2&3}	7,391	96,891
2015	74,000	13,245	7,121	94,366
<i>JMJ Bradford</i>				
2016	48,538	4,001 ¹	4,611	57,150
<i>LK Vial</i>				
2016	50,571		4,804	55,375
<i>ID Glasson</i>				
2016	12,383		1,176	13,559
Former Directors				
<i>P M Margin</i>				
2016	25,949	2,243 ^{2&3}	2,678	30,870
2015	81,000	7,000	8,326	96,326
<i>AD Walsh</i>				
2016	25,530	1,122 ^{2&3}	2,532	29,184
2015	74,000	3,500	7,332	84,832

1. LJ Arthur (retired 25 November, 2015), MJM Bradford (commenced 26 November, 2015) and DM Robertson as Directors of Trukai Industries Limited receive Directors' fees from Trukai Industries Limited.
2. The Riviana Board fees for PM Margin as Board Chairman of Riviana Foods, GL Kirkup, AD Walsh, LJ Arthur and DM Robertson were pro-rated to for their part-year representation on the Riviana Board.
3. At the November 2015 Board meeting a decision was made to discontinue the Riviana Foods Board. The payment of fees to Board members ceased from 1 January 2016.

18. Remuneration report (audited) (continued)**6. Remuneration of Non-Executive Directors***Service Agreements*

The remuneration arrangements for the Ricegrowers Limited CEO and the Executives are formalised in Service Agreements, as set out below:

Name and Role	Term of Agreement	Notice Periods
R Gordon, Ricegrowers Limited Chief Executive Officer	Service agreement until February 2017 ¹	6 months
J Brennan, Chief Financial Officer	Rolling contract with no fixed end date	6 months
M Bazley, General Manager – International Commodity & Trading	Rolling contract with no fixed end date	3 months
D Keldie, General Manager – Consumer Markets	Rolling contract with no fixed end date	3 months

1. This contract is under review with the intent to move to a rolling contract with no fixed end date.

None of the Service Agreements detailed above provide, or will provide, an entitlement to termination benefits other than (a) any contractual benefits accrued up to the date of termination and (b) payment in lieu of notice if mutually agreed by the parties.

Share holdings

Directors' and other KMP interests in A and B Class shares of Ricegrowers Limited

Director	Held at 1 May 2015		Net Change in period	Held at 30 April 2016	
	A Class	B Class		A Class	B Class
LJ Arthur	1	233,818	0	1	233,818
NG Graham	1	100,897	0	1	100,897
GA Andreazza	1	80,279	0	1	80,279
GL Kirkup	1	67,424	0	1	67,424
GF Latta AM	0	29,838	0	0	29,838
DM Robertson	1	224,539	0	1	224,539
JM Bradford	2	30,663	0	2	30,663
LK Vial	2	104,570	0	2	104,570
ID Glasson	0	0	0	0	0

R Gordon and J Brennan do not hold any shares.

Other Key Management Personnel	2016	2015
	B Class	B Class
M Bazley	19,491	19,491
D Keldie	14,784	14,784

Key management personnel not listed did not hold any shares.

No shares were issued to/(redeemed by) Directors of Ricegrowers Limited, their Director related entities and other Key Management Personnel during the year.

DIRECTORS' REPORT continued

18. Remuneration report (audited) (continued)

6. Remuneration of Non-Executive Directors (continued)

Share holdings (continued)

The aggregate number of shares held by Directors of Ricegrowers Limited, their related entities and other Key Management Personnel at balance date were:

Issuing entity	2016	2015
Ricegrowers Limited	906,312	1,271,426

The difference in the number of issuing entity shares between 2015 and 2016 results from the following:

1. The departure of AD Walsh (500,351)
2. The appointment of JM Bradford (30,665)
3. The appointment of LK Vial (104,572)

Transactions with Directors and other Key Management Personnel

Transaction type and class of other party

	2016 \$000's	2015 \$000's
Purchases of rice from Directors	3,343	5,346
Purchases of grain and other inputs from Directors	17	0
Sale of inputs to Directors	49	147
Sale of stockfeed to Directors	28	–

There were no transactions with other Key Management Personnel.

7. Voting and comments made at Ricegrowers Limited's Annual General Meeting

It is noted that at the 2015 AGM held on 21 August 2015 that the company received less than 25% 'no vote' on the Remuneration Report. Consequently, no additional disclosures have been triggered.

19. Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 76.

20. Rounding of amounts

The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report and Financial Statements have been rounded off to the nearest thousand dollars or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Directors.

For and on behalf of the Board.



L Arthur
Chairman
21 June 2016



R Gordon
Director

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 77 to 129 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 April 2016 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that Ricegrowers Limited will be able to pay its debts as and when they become due and payable.
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 38 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 38.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

The declaration is made in accordance with a resolution of the directors.

For and on behalf of the Board.



L Arthur
Chairman



R Gordon
Director

21 June 2016



Auditor's Independence Declaration

As lead auditor for the audit of Ricegrowers Limited for the year ended 30 April 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ricegrowers Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'P.J. Carney'.

Paddy Carney
Partner
PricewaterhouseCoopers

Sydney
21 June 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 April 2016

	Note	2016 \$000's	2015 \$000's
Sales revenue	5	1,265,908	1,238,130
Other revenue	5	4,244	8,085
Revenue from continuing operations		1,270,152	1,246,215
Other income	6	26	902
Impairment of assets		(23)	(1,994)
Changes in inventories of finished goods		13,127	(6,739)
Raw materials and consumables used		(774,437)	(736,231)
Freight and distribution expenses		(140,947)	(149,511)
Employee benefits expenses		(122,365)	(118,774)
Depreciation and amortisation expense	7	(22,086)	(20,286)
Finance costs		(12,911)	(12,321)
Other expenses	7	(137,425)	(130,719)
Share of net profit of associate accounted for using the equity method	13	61	108
Profit before income tax		73,172	70,650
Income tax expense	8	(21,170)	(21,476)
Profit for the year		52,002	49,174
Profit for the year is attributable to:			
Ricegrowers Limited B Class shareholders	23	49,077	43,425
Non-controlling interests		2,925	5,749
		52,002	49,174
Earnings per share for profit attributable to B Class Shareholders			
Basic and diluted earnings (cents per share)	31	88.0	77.9

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2016

	Note	2016 \$000's	2015 \$000's
Profit for the year		52,002	49,174
Items that may be reclassified to the profit or loss			
Changes in fair value of cash flow hedges	23	(1,843)	(3,781)
Exchange differences on translation of foreign operations	23	(9,842)	10,226
Income tax relating to items of other comprehensive income	23	553	1,122
Other comprehensive income for the year, net of tax		(11,132)	7,567
Total comprehensive income for the year		40,870	56,741
Total comprehensive income for the year is attributable to:			
Ricegrowers Limited shareholders		41,087	48,057
Non-controlling interests		(217)	8,684
		40,870	56,741

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

CONSOLIDATED BALANCE SHEET

As at 30 April 2016

	Note	2016 \$000's	2015 \$000's
Current assets			
Cash and cash equivalents	9	120,117	68,432
Receivables	10	144,092	142,587
Inventories	11	453,521	495,131
Derivative financial instruments	12	–	435
Total current assets		717,730	706,585
Non-current assets			
Other financial assets		47	46
Property, plant and equipment	14	217,966	217,586
Investment properties	16	1,150	1,150
Intangibles	15	8,831	8,485
Deferred tax assets	17	23,171	14,471
Investments accounted for using the equity method	13	1,684	1,861
Total non-current assets		252,849	243,599
Total assets		970,579	950,184
Current liabilities			
Payables	18	119,270	102,980
Amounts payable to Riverina Rice Growers	18	97,991	174,638
Borrowings	19	218,007	117,637
Current tax liabilities		22,249	22,787
Provisions	20	22,466	20,597
Derivative financial instruments	12	3,123	2,279
Total current liabilities		483,106	440,918
Non current liabilities			
Payables	18	1,834	6,207
Amounts payable to Riverina Rice Growers	18	13,242	31,301
Borrowings	19	79,550	104,885
Provisions	20	2,619	3,017
Total non-current liabilities		97,245	145,410
Total liabilities		580,351	586,328
Net assets		390,228	363,856
Equity			
Contributed equity	22	107,819	107,819
Reserves	23	9,425	17,415
Retained profits	23	253,833	219,254
Capital & resources attributable to Ricegrowers Limited shareholders		371,077	344,488
Non-controlling interests		19,151	19,368
Total equity		390,228	363,856

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2016

	Attributable to Ricegrowers Limited shareholders					
	Contributed equity	Reserves	Retained Profits	Parent entity interest	Non-controlling interests	Total Equity
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Balance as at 1 May 2014	107,819	12,783	191,443	312,045	11,975	324,020
Profit for the year	–	–	43,425	43,425	5,749	49,174
Other comprehensive income	–	4,632	–	4,632	2,935	7,567
Total comprehensive income for the year	–	4,632	43,425	48,057	8,684	56,741
Transactions with owners in their capacity as owners:						
Dividends paid	–	–	(15,614)	(15,614)	(1,291)	(16,905)
	–	–	(15,614)	(15,614)	(1,291)	(16,905)
Balance as at 30 April 2015	107,819	17,415	219,254	344,488	19,368	363,856

	Attributable to Ricegrowers Limited shareholders					
	Contributed equity	Reserves	Retained Profits	Parent entity interest	Non-controlling interests	Total Equity
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Balance as at 1 May 2015	107,819	17,415	219,254	344,488	19,368	363,856
Profit for the year	–	–	49,077	49,077	2,925	52,002
Other comprehensive income	–	(7,990)	–	(7,990)	(3,142)	(11,132)
Total comprehensive income for the year	–	(7,990)	49,077	41,087	(217)	40,870
Transactions with owners in their capacity as owners:						
Dividends paid	–	–	(14,498)	(14,498)	–	(14,498)
	–	–	(14,498)	(14,498)	–	(14,498)
Balance as at 30 April 2016	107,819	9,425	253,833	371,077	19,151	390,228

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2016

	Note	2016 \$000's	2015 \$000's
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,298,125	1,237,413
Payments to suppliers (inclusive of goods and services tax)		(803,224)	(662,564)
Payments to Riverina Rice Growers		(303,064)	(408,594)
Payments of wages, salaries and on-costs		(122,747)	(111,496)
Interest received		586	1,126
Other revenue		832	2,356
Interest paid		(12,900)	(11,883)
Income taxes paid		(28,932)	(10,706)
Net cash inflow from operating activities	30	28,676	35,652
Cash flows from investing activities			
Payments for property, plant and equipment		(24,301)	(34,443)
Proceeds from sale of property, plant and equipment		278	469
Payments for intangibles		–	(337)
Payment for purchase of subsidiary net of cash acquired	35	–	(4,216)
Net cash outflow from investing activities		(24,023)	(38,527)
Cash flows from financing activities			
Proceeds from borrowings		307,389	251,091
Repayment of borrowings		(234,093)	(229,214)
Repayment of finance leases		(491)	(842)
RMB equity redemptions	18	(1,290)	(2,797)
Dividends paid to non controlling interests		–	(3,113)
Dividends paid to company's shareholders		(14,498)	(15,614)
Net cash inflow/(outflow) from financing activities		57,017	(489)
Net increase/(decrease) in cash and cash equivalents		61,107	(3,364)
Cash and cash equivalents at the beginning of the financial year		65,403	64,461
Effect of exchange rate changes on cash and cash equivalents		(12,006)	4,306
Cash and cash equivalents at end of year	9	115,067	65,403

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include the consolidated entity consisting of Ricegrowers Limited and its subsidiaries.

(a) Basis of preparation of financial statements

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Ricegrowers Limited is a for-profit entity for the purpose of preparing financial statements.

Compliance with IFRS

The consolidated financial statements of Ricegrowers Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 May 2015.

AASB 2014-1 Amendments to Australian Accounting Standards

The adoption of the improvements made in the 2012-2012 Cycle has required additional disclosures in our segment note. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting periods beginning after 1 May 2016.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, investment property and derivative financial instruments that are measured at fair value.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates which, by definition, will seldom equal the actual results. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Principles of consolidation

(i) Subsidiaries

Ricegrowers Limited ("company" or "parent entity") and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has control in accordance with AASB 10. Control includes the power to direct the activities which significantly affect the subsidiary return, the rights to the variable returns of the subsidiary and the ability of the parent to exercise power to affect returns. The existence of all substantive rights are considered when assessing whether the parent has power over a subsidiary.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% voting rights. Investments in associates are accounted for using the equity method of accounting after being initially recognised at cost.

The Group's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

Transactions denominated in a foreign currency are converted using the exchange rates at the dates of the transactions. Inventory purchased in a foreign currency is translated at the underlying hedge rate achieved over the period or, where the purchase is not hedged, inventory is translated at the spot rate on the date of purchase. Foreign currency receivables and payables at balance date are translated at exchange rates current at that date. Resulting exchange gains and losses are recognised in the income statement except when deferred in equity as qualifying cash flow hedges.

Assets and liabilities of the Group entities that have a functional currency other than Australian dollars are translated into Australian currency at exchange rates existing at balance date. Income and expenses are translated at the average rate ruling during the year. The exchange gain or loss arising on translation of the Group's interest in foreign operations is recognised in other comprehensive income and presented in a foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income.

(d) Investments and other financial assets

The group classifies its financial assets in the following categories:

- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS continued

1 Summary of significant accounting policies (continued)

(d) Investments and other financial assets (continued)

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included within receivables in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Subsequent to their initial recognition they are carried at amortised cost using the effective interest method, less provision for impairment.

Available-for-sale financial assets are subsequently carried at fair value except when the fair value cannot be measured reliably. They are then carried at cost less impairment.

(e) Investment property

Investment property comprises freehold land and buildings that were previously owner occupied. Owner occupation ceased and these properties are now classified as "Investment properties" as they are held for long term capital appreciation. These properties are carried at fair value representing open-market value determined by external valuers. Changes in fair value are recorded in the consolidated income statement as part of other income or expense.

(f) Inventory

Raw materials, finished goods and packaging materials have been valued on the basis of the lower of cost or net realisable value. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventory. Raw materials, finished goods, consumable stores and packaging materials inventory are determined from a combination of weighted average purchase price and standard costs and after deducting rebates and discounts. Cost in relation to processed inventories comprises direct materials, direct labour and an appropriate allowance for milling, fixed and variable overheads less by-products with recovery on the basis of normal operating capacity. Net realisable value is the estimated selling price in the normal course of business less the estimated costs of completion and estimated costs necessary to make the sale.

(g) Property, plant and equipment and leasehold improvements

Property, plant and equipment, other than freehold land, are stated at historical cost less depreciation and are depreciated over their estimated useful lives using the straight line method. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Freehold land is held at cost and not depreciated.

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments performed.

The expected useful lives are as follows:

Buildings	25 to 50 years
Leasehold improvements	Shorter of 7 to 15 years or lease term
Plant and equipment	3 to 20 years

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets, other than goodwill, that have previously suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1 Summary of significant accounting policies (continued)

(i) Intangible assets

Goodwill represents the excess of the consideration transferred, amount of any non-controlling interest in the acquired assets and acquisition date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

Intangible assets are amortised on a straight line basis over the periods of their expected benefit:

Acquired patents and brands	5 to 20 years
Capitalised software	3 years

(j) Research and development costs

Research and development costs do not meet the relevant recognition and measurement criteria to be capitalised. As a result, such costs are charged as an expense in the year incurred.

(k) Trade receivables and accounts payable

Trade receivables are due for settlement within 30 days from date of recognition. Bad debts are written off in the period in which they are identified. Collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement within other expenses. When a trade receivable for which a provision has been recognised becomes uncollectible in a subsequent period, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Trade accounts payable including accounts not yet billed are recognised when the consolidated entity becomes obliged to make future payments as a result of provision of assets, goods or services. Trade accounts payable are unsecured and generally settled within 45 days. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(m) Grower payables

Grower payables comprise the balance of pool payments owed to growers. Grower payables also comprises the next financial year's pool payments where paddy rice for next years pool is received before the balance date. The portion of the payable in respect of the current financial year is based on the final paddy price for the year, with a portion in respect of paddy rice received for the next financial year based on that year's budgeted paddy price.

NOTES TO THE FINANCIAL STATEMENTS continued

1 Summary of significant accounting policies (continued)

(n) Employee benefits

Short term obligations

Liabilities for wages and salaries, sick and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in the provision for employee benefits in accordance with the relevant awards in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled.

Long term obligations

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Expected future payments are discounted using interest rates of high-quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Termination benefits

Termination benefits are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that those terminations will be carried out.

(o) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised in full for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination that, at the time of the transaction, did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1 Summary of significant accounting policies (continued)

(o) Income tax (continued)

Ricegrowers Limited and its wholly owned Australian controlled entities have adopted the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Both the head entity and the subsidiaries will continue to recognise deferred tax balances. All current tax balances will be assumed by the head entity. Any deferred tax assets arising from unused tax losses and unused tax credits will also be recognised in the head entity.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(p) Financial Instruments

Derivative financial instruments, principally interest rate swap contracts and forward foreign exchange contracts, are entered into to hedge financial risks. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives classified as held for trading and accounted for at fair value through profit or loss. When designated as hedging instruments the remeasurement at fair value is accounted for in other comprehensive income.

For derivatives designated as hedges the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and in the hedging reserve. The gain or loss on the ineffective portion is immediately recognised in the consolidated income statement. Amounts accumulated in the hedging reserve are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward exchange contracts hedging export sales is recognised in profit or loss within sales revenue.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in hedging reserve are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amount are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

(q) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes deposits at call which are readily convertible to cash on hand and other highly liquid investment with original maturities of three months or less that are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, duties, trade allowances and taxes paid. Sales revenue is recognised when the amount of revenue can be measured reliably, risks and rewards of ownership pass to the customer and it is probable that future economic benefits will flow to the entity. Revenue from the provision of grain storage and other services is recognised in the accounting period in which the service is performed. Dividends are recognised in revenue when the right to receive payment is established. Interest income is recognised on a time proportion basis at the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS continued

1 Summary of significant accounting policies (continued)

(s) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 26). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(t) Business Combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition comprised the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs in business combinations are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1 (i)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Corporate Management Team.

(v) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Any change in the provision amount is recognised in the consolidated income statement.

1 Summary of significant accounting policies (continued)

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the year but not distributed at balance date.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(y) Contributed equity

Contributed equity comprises B Class shares and is recognised when shares are fully paid for.

(z) Government assistance

Government assistance relating to costs is deferred and recognised in the income statement over the period necessary to match it with the costs that they are intended to compensate. Government assistance in the form of non interest bearing loans received before 1 May 2009 are stated at face value not fair value in accordance with AASB120 Accounting for Government Grants and Disclosure of Government Assistance.

(aa) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to B Class shareholders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of B Class shares outstanding during the financial year, adjusted for bonus elements in shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the cost associated with dilutive potential ordinary shares and the weighted average number of B Class shares that would have been outstanding assuming the conversion of all dilutive potential B Class shares.

(ab) Rounding of amounts

The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission, relating to the “rounding off” of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(ac) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 April 2016 reporting periods and have not been early adopted by the group.

(i) AASB 9 Financial Instruments (effective for year ending 30 April 2019)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting. The standard is expected to have no material effect on the classification and measurement of the Group's financial instruments.

(ii) AASB 15 Revenue from contracts with customers (effective for year ending 30 April 2019)

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard is expected to have no material effect on the Group's accounting for revenue recognition.

NOTES TO THE FINANCIAL STATEMENTS *continued*

1 Summary of significant accounting policies (continued)

(ac) New accounting standards and interpretations not yet adopted (continued)

(iii) AASB 16 Leases (effective for year ending 30 April 2020)

The new standard will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. Management is currently assessing the effects of applying the new standard on the group's financial statements.

There are no other standards that are effective for periods beginning on or after 1 May 2016 and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(ad) Parent entity information

The financial information for the parent entity, Ricegrowers Limited, disclosed in note 33 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Ricegrowers Limited.

(ii) Tax consolidation legislation

Ricegrowers Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Ricegrowers Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Ricegrowers Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Ricegrowers Limited for any current tax payable assumed and are compensated by Ricegrowers Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ricegrowers Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

2 Financial risk management

The Group's activities expose it to a variety of financial risks, market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are used solely for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and foreign exchange and ageing analysis for credit risk.

Financial risk management is executed under guidance from the Treasury Management Committee in accordance with policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

2 Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures mainly to the US dollar (USD).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. Translation related risks are not included in the assessment of the group's exposure to foreign currency risk.

Forward contracts are used to manage foreign exchange risk.

The Group's risk management policy is to hedge its US dollar denominated exposure arising from forecasted sales and purchases.

The table below sets out the Group's main exposure to foreign currency risk at the reporting date denominated in USD.

	2016	2015
	USD	USD
	000's	000's
Cash	5,174	5,639
Trade receivables	173,077	112,357
Trade payables	(102,804)	(64,600)
Forward exchange contracts:		
— selling foreign currency	(207,170)	(268,400)
— buying foreign currency	73,534	38,952
Net exposure – (selling currency)/buying currency	(58,189)	(176,052)

Sensitivity analysis

At 30 April 2016, had the US dollar increased by 5 cents to the Australian dollar with all other variables held constant, the Group's post tax profit for the year would have been \$6,096,000 higher (2015 – a change of 5 cents: \$1,674,000 higher) and other equity would have been \$3,987,000 lower (2015: \$1,305,000 lower).

At 30 April 2016, had the US dollar decreased by 5 cents to the Australian dollar with all other variables held constant, the Group's post tax profit for the year would have been \$5,637,000 lower (2015 – a change of 5 cents: \$950,000 lower) and other equity would have been \$1,807,000 higher (2015: \$3,982,000 higher).

Ricegrowers Limited sells milled and packaged rice to its subsidiary Trukai Industries, with sales denominated in US dollars. The Kina devalued against USD by 19% during the year. The performance of Trukai was impacted by a foreign exchange loss of approximately AUD9,900,000 of profit after tax for the year ended 30 April 2016.

As a result of the current lack of liquidity of USD in PNG the intercompany payable balance as at 30 April 2016 was unusually high at USD83,675,000 (net of USD cash held). If the exchange rate was 5 cents lower (0.26 instead of 0.31), with all other variables held constant, Trukai's intercompany trade payable would have been higher in its local currency resulting in an additional foreign exchange loss in the Group's post tax profit for the year of \$14,730,000 (2015: \$5,550,000).

The Group's exposure to other foreign exchange movements is not considered material.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from borrowings and cash at bank. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps.

The Group had the following variable rate cash at bank, borrowings and interest rate swap contracts outstanding:

	Weighted average interest rate %	Balance \$000's
30 April 2016		
Cash at bank	1.9	44,972
Bank loans and bank overdrafts	3.3	(296,050)
Interest rate swap (notional principal amount)	3.7	40,000
Net exposure to cash flow interest rate risk		(211,078)
	Weighted average interest rate %	Balance \$000's
30 April 2015		
Cash at bank	2.1	52,329
Bank loans and bank overdrafts	3.5	(216,091)
Interest rate swap (notional principal amount)	4.0	53,000
Net exposure to cash flow interest rate risk		(110,762)

An analysis by maturities is provided in (c) below.

Sensitivity analysis

At 30 April 2016, if interest rates had changed by +/- 25 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been \$391,000 lower/higher (2015: \$365,000 lower/higher) mainly as a result of higher/lower interest expense on variable borrowings.

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments with banks and financial institutions, as well as credit exposures to domestic and export customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of Moody's A3 or Standard and Poor's A minus are accepted. Domestic customers are assessed for credit quality taking into account their financial position, past experience, trade references, ASIC searches and other factors. The majority of export customers trading terms are secured by letter of credit, telegraphic transfer, cash against documents or documentary collection and prepayment, in accordance with the Treasury policy. Individual risk limits are set in accordance with the limits set by the Board. Compliance with credit limits is regularly monitored by management. Further information about the quality of receivables is set out in note 10.

2 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

In Papua New Guinea the ongoing tightening in liquidity of the Kina has reduced the ability of Trukai to pay down its intercompany trade payable. As of 30 April 2016 the total of cash and cash equivalents held by Trukai amounts to PGK200,095,000 (AUD81,105,000) compared to PGK84,898,000 (AUD39,258,000).

To mitigate the liquidity risk SunRice has renegotiated the amount of available borrowing facilities.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	2016 \$000's	2015 \$000's
Floating rate:		
Bank overdraft – expiring within one year	839	–
Bank loans – expiring within one year	217,100	250,909
Bank loans – expiring beyond one year	71,000	42,000
	288,939	292,909

For additional information on significant terms and conditions of bank facilities refer to note 19.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at reporting date.

30 April 2016	Less than 12 months \$000's	Between 1 and 2 years \$000's	Between 2 and 5 years \$000's	Over 5 years \$000's	Total contractual cash flows \$000's	Total carrying amount \$000's
Non-derivatives						
Non-interest bearing	217,261	13,242	–	1,834	232,337	232,337
Variable rate	221,817	3,337	85,087	–	310,241	291,000
Fixed rate	6,282	1,159	112	–	7,553	7,391
Total non-derivatives	450,067	17,738	85,199	1,834	554,838	535,435
Derivatives						
Interest rate swaps – net settled	306	1,171	120	–	1,597	1,597
Foreign currency contracts – gross settled						
(inflow)	(379,385)	–	–	–	(379,385)	–
outflow	380,911	–	–	–	380,911	1,526
Total derivatives	1,832	1,171	120	–	3,123	3,123

NOTES TO THE FINANCIAL STATEMENTS continued

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Maturities of financial liabilities (continued)

30 April 2015	Less than 12 months \$000's	Between 1 and 2 years \$000's	Between 2 and 5 years \$000's	Over 5 years \$000's	Total contractual cash flows \$000's	Total carrying amount \$000's
Non-derivatives						
Non-interest bearing	231,677	58,892	–	–	290,569	290,569
Variable rate	114,184	98,091	5,000	–	217,275	216,091
Fixed rate	4,761	1,720	–	–	6,481	5,402
Total non-derivatives	350,622	158,703	5,000	–	514,325	512,062
Derivatives						
Interest rate swaps – net settled	1,276	871	112	–	2,259	2,259
Foreign currency contracts – gross settled						
(inflow)	(263,428)	–	–	–	(263,428)	(415)
outflow	263,013	–	–	–	263,013	–
Total derivatives	861	871	112	–	1,844	1,844

3 Fair value measurement

The Group's assets and liabilities carried at fair value are limited to currency and interest rate derivatives. The Group's financial instruments that are carried at fair value are valued using observable market data as there is no price quoted in an active market for the financial instruments (level 2). The fair value of derivative financial instruments are determined based on dealer quotes for similar instruments. The valuation inputs are calculated in accordance with industry norms and the inputs include spot market exchange rates and published interest rates.

The Group does not have any financial instruments that are carried at fair value using inputs classified as level 1 inputs. A limited number of items are classified as level 3:

- the investment property (see note 16) for which the fair value is determined by an independent valuation
- the impairment on Riviana plant in 2014 for which the fair value of the land, building and property, plant and equipment has been determined by an independent valuation (see note 14 – Property, plant and equipment). These assets are however not held at fair value but at cost less impairment and depreciation.

3 Fair value measurement (continued)

	2016			2015		
	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements						
Assets						
Investment properties	–	1,150	1,150	–	1,150	1,150
Derivatives used for hedging						
Foreign exchange contracts	–	–	–	435	–	435
Total assets	–	1,150	1,150	435	1,150	1,585
Liabilities						
Derivatives used for hedging						
Foreign exchange contracts	1,526	–	1,526	20	–	20
Interest rate swaps	1,597	–	1,597	2,259	–	2,259
Total liabilities	3,123	–	3,123	2,279	–	2,279

There were no transfer between levels for recurring fair value measurements during the year.

The Directors consider the carrying amounts of other financial instruments approximates their fair value due to either their short term nature or being at market rates. These financial instruments include receivables, payables, bank overdrafts, bank loans and grower payables.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of assets

The Group tests for impairment of goodwill and other non-current assets in accordance with note 1(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations with the exception land and building and plant and equipment in Sunfoods and a plant of Riviana that have been valued using fair value less cost of disposal. These calculations required the use of assumptions. Refer to note 15 for the details of these assumptions used for goodwill impairment testing.

The recoverability of assets (including goodwill) of some cash generating units is dependent on the Group's ability to improve manufacturing efficiency and increase the volume of throughput in the near future. Management will continue to closely monitor the performance of the cash generating units.

(ii) Raw material inventory and amounts payable to growers

Raw materials and amounts payable to growers in the parent entity are valued in accordance with the accounting policies in note 1(f) and (m). These values require an assumption as to the paddy price for the relevant pool. This assumption is based on the Director's most recent estimate of the performance of the paddy pool.

NOTES TO THE FINANCIAL STATEMENTS continued

4 Critical accounting estimates and judgements (continued)

(iii) *Deferred tax assets not recognised for capital losses and USA related revenue losses.*

The Group has not recognised deferred tax assets for capital losses as the group does not believe it is probable that taxable capital gains will arise against which capital losses can be utilised. The group has also not recognised deferred tax assets for revenue tax losses in the USA as the Group considers it is inappropriate to recognise such deferred tax assets until such time as it is deemed probable that the group will generate taxable income against which these losses can be utilised. Refer to note 8(d) for further details on unrecognised deferred tax assets.

(iv) *Provisions and contingent liabilities*

The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Due to the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

5 Revenue

	2016 \$000's	2015 \$000's
Sales revenue		
Sale of goods	1,265,908	1,237,450
Services	–	680
	1,265,908	1,238,130
Other revenue		
Interest received	587	1,147
Other sundry items	3,657	6,938
	4,244	8,085
	1,270,152	1,246,215

6 Other income

Net gain on disposal of property, plant and equipment	26	83
Foreign exchange gains	–	819
	26	902

7 Expenses

Profit before income tax includes the following specific expenses:

	2016 \$000's	2015 \$000's
Contributions to employee superannuation plans	3,120	3,849
Depreciation and amortisation		
Buildings	7,565	7,463
Leased assets	552	421
Plant and equipment	11,419	10,105
Leasehold improvements	998	996
Patents/brands and software	1,552	1,301
Total depreciation and amortisation expense	22,086	20,286
Other expenses		
Energy	15,522	17,793
Contracted services	22,021	18,694
Operating lease expenditure and equipment hire	10,555	12,658
Research and development	2,606	3,105
Advertising and artwork	22,281	25,121
Net loss on disposal of property, plant and equipment	–	288
Repairs and Maintenance	12,433	12,347
Insurance	2,466	2,819
Training	2,396	1,113
Internet, telephone and fax	3,060	2,700
Motor vehicle and travelling expenses	7,972	6,842
Capital restructuring costs	2,896	1,356
Other	33,217	25,883
Total other expenses	137,425	130,719

8 Income tax expense

(a) Income tax expense

	2016 \$000's	2015 \$000's
Current tax expense	(29,633)	(24,225)
Deferred tax benefit/(expense)	7,885	929
Adjustments for current tax of prior periods	578	1,820
Income tax expense attributable to profit from continuing operations	(21,170)	(21,476)

Deferred income tax benefit/(expense) included in income tax expense comprises:

Increase in deferred tax assets (note 17)	7,600	1,497
Decrease/(increase) in deferred tax liabilities (note 21)	285	(568)
	7,885	929

NOTES TO THE FINANCIAL STATEMENTS continued

8 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2016 \$000's	2015 \$000's
Profit from continuing operations before related income tax	73,172	70,650
Income tax expense calculated at the Australian rate of tax of 30% (2015: 30%)	(21,952)	(21,195)
Tax effect of amounts which are not taxable/(deductible) in calculating taxable income:		
Entertainment	(22)	(95)
Research & development	318	185
Overseas withholding tax on subsidiary dividends	(133)	374
Impairment of assets	–	(323)
Difference in overseas tax rates	185	–
Sundry items	674	(946)
	1,022	(805)
Tax effect of tax losses and temporary differences not recognised	(818)	(1,296)
Adjustments for current tax of prior periods	578	1,820
Income tax expense	(21,170)	(21,476)

(c) Tax relating to items of other comprehensive income

Cash flow hedges	(553)	(1,122)
	(553)	(1,122)

(d) Tax consolidation legislation

Ricegrowers Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as at 1 May 2004. The accounting policy in relation to this legislation is set out in note 1(o).

On adoption of the tax consolidation legislation as at 1 May 2004, the entities have entered into a tax funding agreement under which the wholly-owned entities fully compensate Ricegrowers Limited for any current tax payable assumed and are compensated by Ricegrowers Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ricegrowers Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The funding amounts are recognised as current intercompany receivables or payables.

The Group has not recognised deferred tax assets for revenue tax losses of \$7,685,000 (2015: \$6,767,000) in the USA as the Group does not believe it is probable that future taxable amounts will be available to utilise the losses. The Group will reassess this position should conditions in the USA improve.

9 Cash and cash equivalents

	2016 \$000's	2015 \$000's
Cash at bank and on hand	120,117	68,432
	120,117	68,432

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Cash and cash equivalents	120,117	68,432
Less: Bank overdraft (note 19)	(5,050)	(3,029)
Balances per statement of cash flows	115,067	65,403

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

The Group is also exposed to a liquidity risk in relation to existing restrictions on cash movement in Papua New Guinea. Further details are presented in note 2.

10 Receivables

	2016 \$000's	2015 \$000's
Current		
Trade receivables	119,768	123,339
Provision for impairment of receivables (note a)	(1,416)	(1,451)
	118,352	121,888
Other receivables	1,216	1,234
GST receivable	7,301	13,623
Prepayments	17,223	5,842
	144,092	142,587

The prepayment balance includes \$12,374,000 (2014: \$nil) of rice purchases overseas, but for which the Group did not take ownership before 30 April 2016.

(a) Impaired trade receivables

Nominal value of impaired trade receivables is as follows:

1 to 3 months	24	–
3 to 6 months	94	48
Over 6 months	1,298	1,403
	1,416	1,451

Impaired receivables mainly relate to customers that are in unexpectedly difficult economic situations.

NOTES TO THE FINANCIAL STATEMENTS continued

10 Receivables (continued)

Movements in the provision for impairment of trade receivables are as follows:

	2016 \$000's	2015 \$000's
At 1 May	1,451	623
Provision for impairment recognised during the year	157	970
Receivables written off during the year as uncollectible	(36)	(128)
Amounts subsequently collected	(7)	(122)
Foreign currency difference on translation	(149)	108
At 30 April	1,416	1,451

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

The directors are satisfied that debtors are fairly valued with respect to credit risk. Of the total trade receivables outstanding 93% (2015: 96%) are current, 5% (2015: 2%) are at 30 days, 0% (2015: 1%) are at 60 days and 2% (2015: 1%) are over. The directors have no reason to believe amounts not provided for will not be collected in full.

(b) Past due but not impaired

The ageing of trade receivables past due and not impaired is as follows:

Up to 3 months	5,244	4,251
3 to 6 months	1,113	460
	6,357	4,711

The other classes within receivables do not contain impaired assets and are not past due.

(c) Fair values

Trade and other receivables are financial assets carried at amortised costs. Due to their short term nature, their carrying amount is assumed to approximate their fair value.

(d) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

11 Inventories

	2016 \$000's	2015 \$000's
Raw materials	291,760	345,124
Finished goods	138,412	128,641
Packaging materials	14,901	12,495
Engineering and consumable stores	8,448	8,871
	453,521	495,131

12 Derivative financial instruments

	2016	2015
	\$000's	\$000's
Current assets		
Forward foreign exchange contracts (cash flow hedges)	–	435
	–	435
Current liabilities		
Interest rate swaps (cash flow hedges)	1,597	2,259
Forward foreign exchange contracts (cash flow hedges)	1,526	20
	3,123	2,279

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies as set out in note 2.

(i) Interest rate swaps – cash flow hedges

The Group has entered into interest rate swap contracts that entitle it to receive interest at floating rates on notional principal amounts, and oblige it to pay interest at fixed rates on the same amounts. The interest rate swaps allow the Group to raise long-term borrowings at floating rates and effectively swap them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts. The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis. The timing of cash flows and the effect on the Income statement are materially the same.

Interest rate swaps cover 50.6% (2015: 51.4%) of the Obligor Group core debt. The fixed interest rates range between 2.48% – 4.805% (2015: 3.55% – 4.805%) and the variable rates are between 2.05% and 2.36% (2015: 3.13% and 3.88%).

The Obligor Group is a subgroup of SunRice that jointly guarantees the Core and Seasonal facilities contracted in Australia. The following entities are part of the Obligor Group:

- Riviana Pty Ltd
- Australian Grain Storage Pty Ltd (joined the group in December 2015 following the refinancing of the debt – see note 19)
- Rice Research Australia Pty Ltd
- Solomons Rice Company Limited
- Sunshine Rice Inc.
- Ricegrowers Singapore Pty Ltd
- Silica Resources Pty Ltd
- Sunrice Trading Pty Ltd
- Sunshine Rice Pty Ltd
- SunRice Australia Pty Ltd

The gain or loss from re-measuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. There was no hedge ineffectiveness in the current or prior period.

NOTES TO THE FINANCIAL STATEMENTS continued

12 Derivative financial instruments (continued)

(a) Instruments used by the Group (continued)

(ii) Forward exchange contracts – cash flow hedges

The Group enters into forward foreign exchange contracts to buy and sell specified amounts of various foreign currencies in the future at a pre-determined exchange rate. The contracts are entered into to hedge certain firm purchase and sale commitments for the ensuing year denominated in foreign currencies. The timing of cash flows and the effect on the Income statement are materially the same.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

(b) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of derivative financial assets mentioned above.

13 Investments accounted for using the equity method

	2016 \$000's	2015 \$000's
Shares in associates	1,684	1,861

Information relating to the associate is set out below.

Name of company	Principal activity	Ownership interest	
		2016	2015
Pagini Transport (incorporated in Papua New Guinea)	Transport	28.85%	28.85%

	Consolidated	
	2016 \$000's	2015 \$000's
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	1,861	1,468
Share of profit after related income tax	61	108
Foreign exchange difference on translation	(238)	285
Carrying amount at the end of the financial year	1,684	1,861

(b) Share of associates' profit

Profit after income tax	61	108
-------------------------	----	-----

13 Investments accounted for using the equity method (continued)**(c) Summarised financial information of Pagini Transport (100%)**

	Assets \$000's	Liabilities \$000's	Revenues \$000's	Profits \$000's
2016	13,492	7,655	2,470	212
2015	14,285	7,593	2,580	375

The associate operates on a non-coterminous year end of 31 December. The directors believe that the financial effects of any events or transactions since year end have not materially affected the financial position or performance of the associate.

14 Property, plant and equipment

	2016 \$000's	2015 \$000's
Freehold land		
At cost	14,217	13,154
	14,217	13,154
Buildings		
At cost	201,283	198,094
Less accumulated depreciation	(91,283)	(83,657)
	110,000	114,437
Leasehold improvements		
At cost	15,359	16,379
Less accumulated depreciation	(6,217)	(5,737)
	9,142	10,642
Plant and equipment		
At cost	243,584	227,895
Less accumulated depreciation	(162,498)	(155,451)
Under finance lease	2,878	3,513
Less accumulated depreciation	(1,897)	(2,591)
	82,067	73,366
Capital works in progress		
At cost	2,540	5,987
	217,966	217,586

NOTES TO THE FINANCIAL STATEMENTS continued

14 Property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Land & Buildings	Leasehold Improvements	Plant & Equipment	Capitalised WIP	Totals
	\$000's	\$000's	\$000's	\$000's	\$000's
Carrying amount at 1 May 2015	127,591	10,642	73,366	5,987	217,586
Additions	–	294	2,743	19,476	22,513
Recognition of finance lease	–	–	611	–	611
Capital works in progress reclassifications	4,483	196	18,203	(22,882)	–
Transfers/disposals/scraping	(49)	(21)	(74)	–	(144)
Depreciation expense	(7,565)	(998)	(11,971)	–	(20,534)
Impairment	–	–	(22)	–	(22)
Foreign exchange difference on translation	(243)	(971)	(789)	(41)	(2,044)
Carrying amount at 30 April 2016	124,217	9,142	82,067	2,540	217,966

	Land & Buildings	Leasehold Improvements	Plant & Equipment	Capitalised WIP	Totals
	\$000's	\$000's	\$000's	\$000's	\$000's
Carrying amount at 1 May 2014	124,358	6,306	48,999	15,191	194,854
Additions	1,807	2,580	6,246	27,906	38,539
Recognition of finance lease	–	–	436	–	436
Capital works in progress reclassifications	8,331	1,394	27,721	(37,446)	–
Transfers/disposals/scraping	(119)	71	(620)	–	(668)
Depreciation expense	(7,463)	(996)	(10,526)	–	(18,985)
Impairment	(1,393)	–	(601)	–	(1,994)
Foreign exchange difference on translation	2,070	1,287	1,711	336	5,404
Carrying amount at 30 April 2015	127,591	10,642	73,366	5,987	217,586

The impairment recognised in 2015 is the consequence of lower trading performance of a division of Riviana. The residual carrying value of these assets as at 30 April 2015 is supported by an independent valuation amounting to \$4,565,000 based on the market value of the land and replacement cost of the plant and equipment.

Purchase of Rice Storage Assets

On 30 June 2006, Australian Grain Storage Pty Ltd, a controlled entity of Ricegrowers Limited, acquired the Rice Marketing Board's ("RMB's") network of rice receival and storage facilities for consideration of \$125,771,312. Components of this purchase price are payable over a ten year period to assume the RMB's previous commitment to pay amounts owing to growers under the Capital Equity Rollover Scheme. The assets are pledged as security.

Repayment of the Capital Equity Rollover Scheme is interest free and is accounted for as government assistance with the face value of the scheme being matched against the unwinding of the interest expense.

Assets pledged as security

There are fixed and floating charges over fixed assets as disclosed in note 19.

15 Intangibles

	2016	2015
	\$000's	\$000's
Goodwill	4,299	4,299
Patents and brands	8,815	8,637
Less accumulated amortisation	(6,235)	(5,811)
	2,580	2,826
Software	7,975	6,124
Less accumulated amortisation	(6,055)	(4,997)
	1,920	1,127
Other	1,000	1,000
Less accumulated amortisation	(968)	(767)
	32	233
	8,831	8,485

	Goodwill	Brands	Software	Other	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
Carrying amount at 1 May 2015	4,299	2,826	1,127	233	8,485
Additions	–	–	1,788	–	1,788
Amortisation charge	–	(356)	(995)	(201)	(1,552)
Foreign exchange difference on translation	–	110	–	–	110
Carrying amount at 30 April 2016	4,299	2,580	1,920	32	8,831

	Goodwill	Brands	Software	Other	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
Carrying amount at 1 May 2014	2,819	2,807	1,579	433	7,638
Additions	1,475	–	337	–	1,812
Amortisation charge	–	(313)	(788)	(200)	(1,301)
Foreign exchange difference on translation	5	332	(1)	–	336
Carrying amount at 30 April 2015	4,299	2,826	1,127	233	8,485

NOTES TO THE FINANCIAL STATEMENTS *continued*

15 Intangibles (continued)

Goodwill is specific to each cash generating unit (CGU) and allocated as follows:

	2016 \$000's	2015 \$000's
Global Rice	34	34
Brandon Mill	1,475	1,475
Riviana Foods	2,605	2,605
CopRice	185	185
	4,299	4,299

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management for the forthcoming year. Cash flows beyond the explicit period of projection (5 years) are extrapolated using the estimated growth rates stated below.

Key assumptions used for value in use calculations

	Growth Rate		Pre Tax Discount Rate	
	2016 %	2015 %	2016 %	2015 %
CGU				
Global Rice & Brandon Mill	2.0	2.0	11.8	13.0
Riviana Foods	2.0	2.0	12.4	12.7
CopRice	2.0	2.0	12.4	12.5

The discount rates used reflect risks relating to the CGU's to the extent that the risk component is not already included in the cash flow forecasts.

Sensitivity to changes in assumptions

No reasonable change in assumptions above would give rise to an impairment in the Riviana, Coprice and Global Rice cash generating units.

The recoverability of the Brandon Mill investment is dependent on the ability of the Group to develop and expand a sustainable and profitable rice industry in North Queensland.

16 Investment properties

	2016 \$000's	2015 \$000's
At fair value		
Opening balance at 1 May	1,150	1,150
Closing balance at 30 April	1,150	1,150

Valuation basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The sole investment property, a site in Griffith, was valued in 2013 by a certified practising valuer.

17 Deferred tax assets

	2016	2015
	\$000's	\$000's
The balance comprises temporary differences attributable to:		
Provisions	7,494	7,246
Accruals	2,971	736
Depreciation	4,961	5,555
Foreign exchange	1,450	–
Inventories	6,874	3,412
Other	1,656	405
	25,406	17,354
Interest rate swaps	1,180	762
Total deferred tax assets	26,586	18,116
Set-off of deferred tax liabilities pursuant to set-off provisions (note 21)	(3,415)	(3,645)
Net deferred tax assets	23,171	14,471
Deferred tax assets expected to be recovered within 12 months	20,687	11,089
Deferred tax assets expected to be recovered after more than 12 months	5,899	7,027
	26,586	18,116
Movements		
Opening balance at 1 May	18,116	16,354
Credited/(charged) to income statement	7,600	1,497
Foreign exchange differences on translation	452	233
Credited to other comprehensive income	418	32
Closing balance at 30 April	26,586	18,116

18 Payables

	2016	2015
	\$000's	\$000's
Current		
Trade and other payables	114,845	101,710
Amounts owing to the Rice Marketing Board (RMB) for RMB Equity Certificates	4,425	1,270
Total external trade payables	119,270	102,980
Amounts payable to Riverina Rice Growers	97,991	174,638
	217,261	277,618
Non-current		
Trade and other payables	1,834	1,757
Amounts owing to the Rice Marketing Board (RMB) for RMB Equity Certificates	–	4,450
Total external trade payables	1,834	6,207
Amounts payable to Riverina Rice Growers	13,242	31,301
	15,076	37,508

NOTES TO THE FINANCIAL STATEMENTS continued

18 Payables (continued)

The RMB equity certificates are non-interest bearing and are fully repayable by 2016.

(a) Fair values

Trade and other payables are financial liabilities carried at amortised costs. The Directors consider the carrying amounts of trade and other payables approximate their fair values.

(b) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 2.

19 Borrowings

	2016 \$000's	2015 \$000's
Current		
<i>Secured</i>		
Bank overdrafts	5,050	3,029
Bank loans	212,513	114,313
Net accrued interest and capitalised borrowing costs	(167)	(224)
Lease liability (note 26)	611	519
	218,007	117,637
Non current		
<i>Secured</i>		
Bank loans	79,736	104,388
Net accrued interest and capitalised borrowing costs	(667)	–
Lease liability (note 26)	481	497
	79,550	104,885

(a) Significant terms and conditions of bank facilities

During the 2016 financial year, Ricegrowers Limited renegotiated its Core and Seasonal syndicated banking facilities. The seasonal debt facility (including trade and grower finance facility) of \$470,000,000 increased by \$65,000,000 compared to the prior year (\$405,000,000) and the maturity date was extended to 7 April 2017.

The Core debt facility of \$150,000,000 increased by \$50,000,000 compared to the prior year (\$105,000,000).

The Australian bank loans, including overdrafts and other facilities, are secured by registered mortgages over all property, registered equitable mortgages over all assets of the Obligor Group and a cross-guarantee between Ricegrowers Limited and Riviana Foods Pty Ltd. In addition, covenants apply to the bank loans.

The Trukai banking facilities are secured by registered mortgages over real property and a registered equitable mortgage over all Trukai assets.

There were no covenants breached during the period

(b) Fair values

The Directors consider the carrying amounts of bank overdrafts and loans approximate their fair values since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

19 Borrowings (continued)**(c) Carrying amount of all assets pledged as security**

There is a fixed and floating charge over all fixed assets as described above.

(d) Risk exposure

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2.

The Group's bank loans are categorised as follows:

	2016	2015
	\$000's	\$000's
Seasonal debt	213,249	113,116
Core debt	79,000	65,494
AGS debt	–	40,091
	292,249	218,701

Representing:

Current bank loans	212,513	114,313
Non-current bank loans	79,736	104,388
	292,249	218,701

Seasonal debt

Seasonal debt represents borrowings used for the purpose of funding working capital requirements.

Core debt

Core debt represents borrowings used to fund fixed assets and investments.

20 Provisions

	2016	2015
	\$000's	\$000's
Current		
Employee benefits (note 27)	17,142	16,439
Employee allowances	218	163
Directors' retirement benefits	399	483
Other	4,707	3,512
	22,466	20,597
Non current		
Employee benefits (note 27)	2,619	3,017
	2,619	3,017

NOTES TO THE FINANCIAL STATEMENTS continued

20 Provisions (continued)

	Employee benefits \$000's	Employee allowances \$000's	Directors' retirement benefits \$000's	Other \$000's	Total \$000's
Carrying amount at 1 May 2015	19,456	163	483	3,512	23,614
Additional provision recognised	567	55	–	4,707	5,329
Unused amount reversed	–	–	–	–	–
Amount used during the year	–	–	(84)	(3,599)	(3,683)
Foreign exchange difference on translation	(262)	–	–	87	(175)
Carrying amount at 30 April 2016	19,761	218	399	4,707	25,085

	Employee benefits \$000's	Employee allowances \$000's	Directors' retirement benefits \$000's	Other \$000's	Total \$000's
Carrying amount at 1 May 2014	17,463	177	658	–	18,298
Additional provision recognised	1,623	–	–	3,512	5,135
Unused amount reversed	–	–	–	–	–
Amount used during the year	–	(14)	(175)	–	(189)
Foreign exchange difference on translation	370	–	–	–	370
Carrying amount at 30 April 2015	19,456	163	483	3,512	23,614

(a) Aggregate employee entitlement benefits

Aggregate employee entitlements include benefits measured at present values of future amounts expected to be paid based on projected weighted average increase in wage and salary rates over an average period of 10 years.

(b) Fair values

The Directors consider the carrying amounts of the current provisions for employee entitlements, Directors' retirement benefits and other provisions approximate their fair values.

21 Deferred tax liabilities

	2016 \$000's	2015 \$000's
The balance comprises temporary differences attributable to:		
Prepayments	107	43
Inventories	2,936	3,417
Other	372	55
	3,415	3,515
Foreign exchange contracts	–	130
Total deferred tax liabilities	3,415	3,645
Set-off of deferred tax liabilities pursuant to set-off provisions (note 17)	(3,415)	(3,645)
Net deferred tax liabilities	–	–
Deferred tax liabilities expected to be settled within 12 months	3,415	3,645
	3,415	3,645

Movements

Opening balance at 1 May	3,645	3,884
Charged to income statement	285	568
Foreign exchange difference on translation	(385)	283
(Credited)/charged to other comprehensive income	(130)	(1,090)
Closing balance at 30 April	3,415	3,645

22 Contributed equity

	2016 \$000's	2015 \$000's
(a) Share capital		
Fully paid Ordinary B Class Shares	107,819	107,819

B Class shares

B Class shares are non-voting shares and entitle the holder to participate in dividends. B Class shares have no par value.

New shares issues have been halted whilst the Company reviews its capital structure. The number of B class shares on issue remains unchanged at 55,762,392 (2015: 55,762,392).

A Class shares

A Class shares have no nominal value but are voting shares held by active Riverina growers only.

At 30 April 2016, 904 (2015: 1,045) A Class shares were on issue.

NOTES TO THE FINANCIAL STATEMENTS continued

22 Contributed equity (continued)

(b) Capital risk management

The Group's and Company's objectives when managing capital are to safeguard their ability to continue as a going concern, continue to grow the business, provide returns for shareholders and to maintain an optimal capital structure.

The group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by net debt plus total equity. Net debt is calculated as total borrowings (including 'borrowings' and 'RMB equity certificates' as shown in the balance sheet) less cash and cash equivalents. Total equity is calculated as 'equity' as shown in the balance sheet (including non-controlling interests).

The gearing ratios at 30 April 2016 and 30 April 2015 were as follows:

	Notes	2016 \$000's	2015 \$000's
Total borrowings	19	297,557	222,522
Add: amounts owing to the RMB for equity certificates	18	4,425	5,720
Less: cash and cash equivalents	9	(120,117)	(68,432)
Net debt		181,865	159,810
Total equity		390,228	363,856
Gearing ratio		32%	31%

23 Reserves and retained profits

	2016 \$000's	2015 \$000's
Reserves		
General reserve	28,453	28,453
Asset revaluation reserve	4,917	4,917
Foreign currency translation reserve	(21,191)	(14,491)
Hedging reserve – cash flow hedges	(2,754)	(1,464)
	9,425	17,415
Retained profits	253,833	219,254

23 Reserves and retained profits (continued)**(a) Movements**

	2016	2015
	\$000's	\$000's
Foreign currency translation reserve		
Balance 1 May	(14,491)	(21,433)
Net exchange difference on translation of overseas controlled entities	(9,842)	10,226
Non controlling interest in translation differences	3,142	(3,284)
Balance 30 April	(21,191)	(14,491)
Hedging reserve – cash flow hedges		
Balance 1 May	(1,464)	846
Revaluation and transfer to profit and loss or inventory – gross	(1,843)	(3,781)
Deferred tax	553	1,122
Non controlling interest	–	349
Balance 30 April	(2,754)	(1,464)
Retained profits		
Balance 1 May	219,254	191,443
Net profit for the year	49,077	43,425
Dividends provided for or paid	(14,498)	(15,614)
Balance 30 April	253,833	219,254

(b) Nature and purpose of reserves*(i) Asset revaluation reserve*

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

(ii) General reserve

The general reserve has accumulated over prior periods with the purpose of retaining funds within the business.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(c). The reserve is recognised in profit and loss when the net investment is disposed of.

(iv) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(p). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

NOTES TO THE FINANCIAL STATEMENTS continued

24 Franked dividends

	2016 \$000's	2015 \$000's
Final dividend for the year ended 30 April 2015 of 26 cents (2014: 23 cents) per fully paid B class share	14,498	12,825
Special dividend for the year ended 30 April 2016 of \$nil (2015: 5 cents per fully paid B class share)	–	2,789
Total dividend paid	14,498	15,614

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 33 cents per fully paid B class share. The aggregated amount of the proposed dividend expected to be paid out of retained earnings at 30 April 2016, but not recognised as a liability at year end is \$18,401,812.

The franked portions of the final dividend recommended after 30 April 2016 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 April 2017:

	2016 \$000's	2015 \$000's
Franking credits available for subsequent financial years based on a tax rate of 30% (2015 – 30%)	79,657	58,358

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax,
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of \$7,886,000 (2015 – \$6,214,000).

25 Contingencies

Contingent liabilities

The estimated maximum amounts of contingent liabilities not provided for in the financial statements of the Group as at 30 April are:

	2016 \$000's	2015 \$000's
Letters of credit	33,981	725
Guarantee of bank advances	6,909	2,436
	40,890	3,161

The increase in contingent liabilities as at 30 April 2016 is due to two stand by letters of credit in relation to purchase of rice in Asia.

26 Commitments for expenditure

(a) Capital commitments (property, plant and equipment)

	2016 \$000's	2015 \$000's
Commitments for capital expenditure contracted for at reporting date but not recognised as liabilities	1,410	2,849

26 Commitments for expenditure (continued)**(b) Lease commitments**

	2016 \$000's	2015 \$000's
Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	6,889	7,459
Later than one year but not later than five years	10,260	15,350
Later than five years	2,673	4,630
	19,822	27,439
Representing:		
Non-cancellable operating leases	19,822	27,439
Commitments in relation to finance leases are payable as follows:		
Within one year	644	557
Later than one year but not later than five years	497	513
Minimum lease payments	1,141	1,070
less: future finance charges	(49)	(54)
Recognised as a liability	1,092	1,016
Present value of lease liabilities:		
Current (note 19)	611	519
Non current (note 19)	481	497
	1,092	1,016

27 Employee benefits**(a) Employee benefits and related on cost liabilities**

	2016 \$000's	2015 \$000's
Provision for employee benefits (note 20)		
Current	17,142	16,439
Non-current	2,619	3,017
Aggregate employee entitlement benefits	19,761	19,456
Employee numbers	Number	Number
Average number of employees during the year	2,178	2,286

(b) Superannuation plan/commitments

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

NOTES TO THE FINANCIAL STATEMENTS continued

28 Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Subsidiaries

Name of entity	Country of Incorporation	Principal activities	Direct/indirect interest in ordinary shares/equity	
			2016 %	2015 %
SunRice Trading Pty Ltd	Australia	Distribution of rice	100	100
SunFoods LLC	USA	Processing and distribution of rice	65	65
Rice Research Australia Pty Ltd	Australia	Research into rice growing	100	100
Australian Grain Storage Pty Ltd*	Australia	Grain Storage Assets	100	100
SunRice Australia Pty Ltd	Australia	Marketing	100	100
Silica Resources Pty Ltd*	Australia	Investment	100	100
Riviana Foods Pty Ltd*	Australia	Importation/distribution of food products	100	100
SunShine Rice Pty Ltd	Australia	Processing and distribution of rice	100	100
Trukai Industries Limited	PNG	Distribution of rice	66.23	66.23
Trukai (Wholesale) Limited	PNG	Distribution of rice	66.23	66.23
Rice Industries Limited	PNG	Property	66.23	66.23
Solomons Rice Company Limited	Solomon Islands	Distribution of rice	100	100
SunArise Insurance Company Ltd	Bermuda	Insurance	100	100
Aqaba Processing Company Ltd	Jordan	Rice packing/storage	80	80
Sunshine Rice, Inc	USA	Marketing	100	100
SunRice Fund Limited (ex-Bligh Funds Management)	Australia	Inactive	100	100
Ricegrowers Singapore Pty Ltd	Singapore	Trading of rice	100	–

*Entities part of a Deed of Cross Guarantee that are relieved under the class order 98/1418 for preparing financial report (see note 38).

Non-controlling interests

Non-controlling interests hold 540,320 Ordinary shares in Trukai Industries Ltd, being 33.77% of the ordinary issued capital.

Non-controlling interests hold 6,000 Ordinary shares in Aqaba Processing Company Limited, being 20% of the ordinary issued capital.

Non-controlling interests hold 35,000 units in SunFoods LLC, being 35% of the operation.

Summarised financial information for each subsidiary that has non-controlling interests that are material to the Group is disclosed in note 34.

29 Related party transactions

(a) Parent entity

The ultimate parent entity and controlling party within the Group is Ricegrowers Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 28.

29 Related party transactions (continued)**(c) Directors and other Key Management Personnel***(i) Directors and other Key Management Personnel compensation*

	2016	2015
	\$	\$
Short term employee benefits	4,722,451	4,645,940
Post-employment benefits	220,638	231,592
Termination benefits	269,980	–
Other long-term benefits	630,000	614,105
	5,843,069	5,491,637

Detailed remuneration disclosures are provided in note 18 of the Directors report.

(ii) Share holdings

**Directors' and other KMP interests in A and B
Class shares of Ricegrowers Limited**

Director	2016		2015	
	A Class Shares	B Class Shares	A Class Shares	B Class Shares
LJ Arthur	1	233,818	1	233,818
NG Graham	1	100,897	1	100,897
GA Andreazza	1	80,279	1	80,279
GL Kirkup	1	67,424	1	67,424
GF Latta AM	–	29,838	–	29,838
DM Robertson	1	224,539	1	224,539
LK Vial	2	104,570	–	–
J Bradford	2	30,663	–	–

R Gordon and I Glasson do not hold any shares.

	2016	2015
	B Class Shares	B Class Shares
Other Key Management Personnel		
M Bazley	19,491	19,491
D Keldie	14,784	14,784

Key management personnel not listed did not hold any shares.

The aggregate number of shares held by Directors of Ricegrowers Limited, their related entities and other Key Management Personnel at balance date were:

<i>Issuing entity</i>	2016	2015
Ricegrowers Limited	906,312	1,271,426

Directors, their related entities and other Key Management Personnel received normal dividends on these ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS continued

29 Related party transactions (continued)

(c) Directors and other Key Management Personnel (continued)

(iii) Transactions with Directors and other Key Management Personnel

Transactions and outstanding balances

	2016		2015	
	\$		\$	
	Transactions	Outstanding Balances	Transactions	Outstanding Balances
Purchases of rice from Directors	3,360,342	1,665,364	5,364,059	3,110,547
Sale of inputs to Directors	48,805	—	147,288	—
Sale of stockfeed to Directors	27,536	—	—	—

There were no transactions with other Key Management Personnel.

30 Reconciliation of profit after income tax to net cash inflow from operating activities

	2016 \$000's	2015 \$000's
Profit for the year	52,002	49,174
Depreciation and amortisation	22,086	20,286
Loss/(gain) on sale/disposal of property, plant and equipment	–	205
Net exchange differences	2,969	(1,119)
Impairment of non-current assets	23	1,994
Share of associate's net profit	(61)	(108)
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	9,859	(20,633)
(Increase)/decrease in other operating assets	(11,364)	5,157
Decrease/(increase) in inventories	41,610	(82,104)
(Decrease)/increase in amounts payable to Riverina growers	(94,708)	21,400
Increase in trade and other creditors and employee entitlements	14,684	29,500
(Decrease)/increase in provision for income taxes payable	(539)	12,827
Increase in deferred tax balances	(7,885)	(927)
Net cash inflows from operating activities	28,676	35,652

31 Earnings per share**(a) Basic and diluted earnings per share**

	2016 Cents	2015 Cents
Basic and diluted earnings per share	88.0	77.9

(b) Reconciliation of earnings per share

	2016 \$000's	2015 \$000's
Profit for the year	49,077	43,425

(c) Weighted average number of shares used as a denominator

	2016 000's	2015 000's
Weighted average number of B Class shares	55,762	55,762

32 Subsequent events

On 21 June 2016 the Directors declared a fully franked final dividend of 33 cents per share. The financial impact of this dividend will be recognised in the 2017 financial statements. The Directors are not aware of any other matter or circumstance, since the end of the financial year, not otherwise dealt with in the report that has significantly, or may significantly, affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.

33 Parent entity information**(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	2016 \$000's	2015 \$000's
Balance sheet		
Current assets	613,078	598,951
Total assets	781,633	731,094
Current liabilities	425,605	387,927
Total liabilities	520,262	486,241
Shareholders equity		
Issued capital	107,819	107,819
Reserves		
General reserve	18,657	18,657
Hedging reserve – cash flow hedges	(1,346)	(1,411)
Retained earnings	136,241	119,788
	261,371	244,853
Profit for the year	30,951	23,091
Total comprehensive income	31,016	20,563

NOTES TO THE FINANCIAL STATEMENTS continued

33 Parent entity information (continued)

(b) Guarantees entered into by the parent entity

Carrying amount included in current liabilities — —

The parent entity has entered into cross guarantees in respect of all banking facilities, including bank loans, foreign exchange facilities and bank overdrafts for the following subsidiaries which comprise the Obligor Group.

No liability has been recognised at balance date.

Ricegrowers Limited, Riviana Foods Pty Ltd and Australian Grain Storage Pty Ltd entered into a deed of cross guarantee on 28 April 2016 under which each company guarantees the debts of the others. No liabilities subject to the deed of cross guarantee at 30 April 2016 are expected to arise to Ricegrowers Limited and subsidiaries, as all such subsidiaries were financially sound and solvent at that date.

(c) Contingent liabilities of the parent entity

	2016 \$000's	2015 \$000's
Letters of credit	33,981	725
Guarantee of bank advances	5,826	1,399
	39,807	2,124

(d) Contractual commitments for the acquisition of property, plant and equipment

As at 30 April 2016, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling \$1,410,000 (30 April 2015 – \$2,593,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

34 Subsidiaries with material non-controlling interests

(a) Trukai Industries Limited Summary financial information

Non-controlling interests hold 540,320 Ordinary shares in Trukai Industries Ltd, being 33.77% of the ordinary issued capital.

34 Subsidiaries with material non-controlling interests (continued)

Set out below is summarised financial information for Trukai Industries Limited. The amounts disclosed for each subsidiary are before inter-company eliminations but after homogenisation to the group accounting policies.

	2016 \$000's	2015 \$000's
Dividends to Non Controlling Interests	–	1,291
Balance sheet		
Current assets	191,608	141,903
Non-current assets	25,486	26,817
Current liabilities	(144,520)	(97,465)
Non-current liabilities	(3,579)	(3,652)
Net Assets	68,995	67,603
Accumulated non-controlling interests	23,300	22,830
Statement of comprehensive income		
Revenue	364,013	329,946
Profit after tax for the period	11,270	20,380
Other comprehensive income	(9,878)	9,330
Total comprehensive income	1,392	29,710
Non-controlling interest share of profit after tax for the period	3,806	6,882
Non-controlling interest share of total comprehensive income	470	10,033
Cash flows		
Cash flows from operating activities	57,786	34,896
Cash flows from investing activities	(2,773)	(5,456)
Cash flows from financing activities	(1,093)	(7,635)
Net increase in cash and cash equivalents	53,920	21,805

(b) Significant restrictions

Ricegrowers Limited sells milled rice to its subsidiary Trukai Industries, with sales denominated in US dollars. Due to a current lack of liquidity of USD in PNG the intercompany balance as at 30 April 2016 was USD83,675,000 (2015: USD47,660,000) and the cash and cash equivalents balance was PGK200,095,000 (2015: PGK84,898,000).

NOTES TO THE FINANCIAL STATEMENTS continued

35 Business combination

On 11 November 2014 the Group acquired 100% of the assets and business of Blue Ribbon Rice Pty Limited and Blue Ribbon Processing Pty Limited, a rice milling business. The objective of the acquisition is to leverage the agronomic potential of the region. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	\$000's
Cash paid	4,216
Contingent consideration (refer to a) below)	640
Total purchase consideration	4,856

The fair value of assets and liabilities recognised as a result of the acquisition was as follows:

	\$000's
Property, plant and equipment	3,269
Inventories	124
Employee entitlement	(16)
Deferred tax	4
Identifiable net assets acquired	3,381
Add: Goodwill	1,475
Net assets acquired	4,856

Goodwill represents the access to the paddy supply in Queensland and the ability to leverage the agronomic potential of the region.

Brandon Mill will be included in the International Rice segment.

(a) Contingent consideration

The contingent consideration is based on the volume of paddy delivered to the mill in the years ending 30 June 2015, 30 June 2016 and 30 June 2017. For each milestones the earn out amount (undiscounted) varies between \$nil and \$250,000 for the first 2 years and between \$nil and \$500,000 for the final year.

The threshold for 30 June 2016 is not expected to be met and a portion of the contingent consideration has been reversed in the income statement.

36 Segment information

Business segments

The Corporate Management Team examines the group's financial performance from a product & service perspective and has identified 6 reportable segments of its business.

In aggregating operating segments into reportable segments, management has considered the requirements of the accounting standard and notably the existence of similarities in economic characteristics, nature of products, and market and customers.

Rice Pool

The milling, marketing and distribution of rice from the Riverina (i.e. excluding the rice sourced in Queensland) through intermediaries to consumers and directly to food service and processing customers where the supply of Australian rice is a key driver of the economics of the business.

36 Segment information (continued)

Business segments (continued)

International Rice

The manufacturing, marketing and distribution of rice from all other sources (i.e other than the Riverina) through intermediaries to consumers, food services and processing customers where the economics of the business reflects profit generated as a result of managing supply and demand.

International Rice is an aggregation of the main following operating segments:

- Global Rice, the global trading arm of the group, sourcing rice from outside of the Riverina region and selling branded rice products in Australia or overseas.
- Trukai, SunFoods, Aqaba Processing Company and Solrice which are separate legal entities that pack and distribute rice in their respective local markets.

The nature of products manufactured, the distribution process and the type of customers are comparable between these segments.

The economic characteristics of the larger operating segments, measured by their gross margin, is also largely comparable when considering past and expected performance. Some operating segments do however present different performance profiles but it is management's assessment that this does not materially impact the aggregated reportable segment due to the small contribution of these operating segments to International Rice.

Rice Food

The manufacturing, marketing and distribution of rice-based products which incorporate additional value in their transformation process. This reportable segment is an aggregation of the Rice Cakes, Rice Flour, Rice Chips, Microwave Rice and Microwave Meals operating segments.

These operating segments have similar economic characteristics, measured as the gross margin.

Riviana Foods (Riviana)

The importation, manufacture, distribution and sales of consumer food products to intermediaries.

CopRice

The manufacture, distribution and sales of pet food and stock feed products through intermediaries to consumers and primary producers.

Asset Finance

Seek and provide financing resources and access to storage equipment to support primarily the Rice Pool segment.

The main operating segments aggregated into Asset Finance are AGS and Corporate. The services provided are capital based services in nature which are remunerated by a fixed return on assets employed.

The Corporate Management Team evaluates results based on contributed NPBT which is defined as net profit before tax and intersegment eliminations. In the case of Rice Pool the profit before tax is calculated based on a standard paddy price before its final adjustment.

Sales between segments are eliminated on consolidation. The revenue from external customers, assets and liabilities are measured in a manner consistent with that of the financial statements. Other revenue refers to management fees, dividends and sale of assets.

NOTES TO THE FINANCIAL STATEMENTS continued

36 Segment information (continued)

The following table sets forth the segment results for the year ended 30 April 2016.

	Rice Pool \$000's	Inter- national Rice \$000's	Rice Food \$000's	Riviana \$000's	CopRice \$000's	Asset Finance \$000's	Total \$000's
Total segment revenue	474,202	514,149	104,510	139,107	141,656	43,100	1,416,724
Inter-segment revenue	(96,473)	(574)	–	–	(10,769)	(43,000)	(150,816)
Revenue from external customers	377,729	513,575	104,510	139,107	130,887	100	1,265,908
Other revenue							4,244
Total revenue from continuing operations							1,270,152
Contributed Net Profit Before Tax	–	36,392	511	13,216	5,408	13,801	69,328
Intersegment eliminations							3,844
Profit before income tax							73,172
Depreciation and amortisation	(4,235)	(4,812)	(2,592)	(888)	(1,342)	(8,217)	(22,086)
Impairment	–	(22)	–	–	–	–	(22)
Acquisitions of property, plant and equipment	8,224	7,806	1,673	174	3,927	2,497	24,301
Segment assets	365,329	344,447	47,853	62,741	55,777	171,979	1,048,126
Intersegment eliminations							(121,838)
Cash							21,120
Deferred tax assets							23,171
Total assets							970,579
Segment liabilities	167,493	275,366	9,400	27,950	6,952	75,583	562,744
Intersegment eliminations							(300,858)
Current tax liability							22,249
Borrowings							296,216
Total liabilities							580,351

Cash and borrowing balances are not allocated to Australian operating segments but to the Group because the head office is centrally managing the treasury and financing of Australian operations. This creates an asymmetry in information because fixed assets and working capital that are financed by borrowings are allocated to each reportable segment.

This allocation is a change in presentation compared to the prior period.

No single external customer represents more than 10% of revenues.

36 Segment information (continued)

The following table sets forth the segment results for the year ended 30 April 2015.

	Rice Pool	Inter- national Rice	Rice Food	Riviana	CopRice	Asset Finance	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Total segment revenue	575,704	489,460	89,263	149,373	131,178	57,690	1,492,668
Inter-segment revenue	(184,421)	(13,058)	–	–	–	(57,059)	(254,538)
Revenue from external customers	391,283	476,402	89,263	149,373	131,178	631	1,238,130
Other revenue							8,085
Total revenue from continuing operations							1,246,215
Contributed NPBT	–	38,281	2,588	6,758	6,569	19,218	73,414
Intersegment eliminations							(2,764)
Profit before income tax							70,650
Depreciation and amortisation	(5,389)	(3,959)	(1,793)	(1,191)	(1,220)	(6,734)	(20,286)
Impairment	–	–	–	(1,994)	–	–	(1,994)
Acquisitions of property, plant and equipment	13,714	11,635	8,687	259	2,585	1,659	38,539
Segment assets	494,566	350,808	42,638	70,428	44,788	91,832	1,095,060
Intersegment eliminations							(181,213)
Cash							21,866
Deferred tax assets							14,471
Total assets							950,184
Segment liabilities	295,768	183,601	129	32,820	2,589	29,653	544,560
Intersegment eliminations							(200,932)
Borrowings							219,913
Current tax liability							22,787
Total liabilities							586,328

NOTES TO THE FINANCIAL STATEMENTS *continued*

36 Segment information (continued)

Change in presentation compared to the prior period

Cash and borrowings balances that were not allocated in the year ended 30 April 2015 have been allocated to the reportable segments with the exception of the Australian operating segments. The impact of the change in presentation is as follows:

	Rice Pool \$000's	Inter- national Rice \$000's	Rice Food \$000's	Riviana \$000's	CopRice \$000's	Asset Finance \$000's	Total \$000's
Segment assets							
– as published	494,566	304,652	42,638	70,428	44,788	91,422	1,048,494
Cash – as published							68,432
Segment assets – restated	494,566	350,808	42,638	70,428	44,788	91,832	1,095,060
Cash – restated							21,866
Segment liabilities							
– as published	295,768	180,992	129	32,820	2,589	29,653	541,951
Borrowings – as published							222,522
Segment liabilities – restated	295,768	183,601	129	32,820	2,589	29,653	544,560
Borrowings – restated							219,913
				Australia	PNG	Other	Total
				\$000's	\$000's	\$000's	\$000's
Other segment information – geographical areas							
2016							
Revenues from external customers				494,745	364,013	407,150	1,265,908
2015							
Revenues from external customers				427,093	327,799	483,238	1,238,130

Segment revenues are allocated based on the country in which the customer is located.

The total of non-current assets other than deferred tax assets located in Australia is \$191,365,000 (2015: \$182,699,000) and the total of these non-current assets located in other countries is \$38,314,000 (2015: \$46,429,000). Segment assets are allocated to countries based on where the assets are located.

37 Remuneration of auditors

During the year the following services were paid or payable to the auditor of the parent entity, its related practices and non-related audit firms:

	2016	2015
	\$	\$
(a) Assurance services		
Audit services		
Fees paid to PricewaterhouseCoopers Australian firm	377,050	329,150
Fees paid to related practices of PricewaterhouseCoopers Australian firm	115,379	139,065
Fees paid to non-PricewaterhouseCoopers audit firm	21,619	19,781
Total remuneration for audit services	514,048	487,996
(b) Accounting services		
Fees paid to PricewaterhouseCoopers Australian firm*	–	4,000
Fees paid to related practices of PricewaterhouseCoopers Australian firm	8,736	2,114
Total remuneration for accounting services	8,736	6,114
(c) Taxation services		
Fees paid to PricewaterhouseCoopers Australian firm*	349,898	406,925
Fees paid to related practices of PricewaterhouseCoopers Australian firm	62,520	103,527
Total remuneration for taxation services	412,418	510,452

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax compliance and advice or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

*2016 includes \$76,470 (2015: \$135,830) relating to tax and accounting advice associated with the capital structure review which is included in the capital restructuring costs of \$2,896,000 (2015: \$1,356,000) in note 7.

38 Deed of cross guarantee

Ricegrowers Limited, Riviana Foods Pty Ltd and Australian Grain Storage Pty Ltd entered into a deed of cross guarantee on 28 April 2016 under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of profit or loss, statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a "closed group" for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Ricegrowers Limited, they also represent the "extended closed group".

Set out below is a consolidated statement of profit or loss, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 April 2016 of the closed group consisting of Ricegrowers Limited, Riviana Foods Pty Ltd and Australian Grain Storage Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS continued

38 Deed of cross guarantee (continued)

	2016 \$000's
Consolidated statement of profit or loss	
Sales revenue	1,124,047
Other revenue	4,063
Revenue from continuing operations	1,128,110
Other income	48
Changes in inventories of finished goods	67
Raw materials and consumables used	(711,311)
Employee benefits expenses	(101,795)
Depreciation and amortisation expense	(17,515)
Finance costs	(12,786)
Other expenses	(222,624)
Profit before income tax	62,194
Income tax expense	(19,138)
Profit for the year	43,056
Consolidated statement of comprehensive income	
Profit for the year	43,056
<i>Items that may be reclassified to the profit or loss</i>	
Changes in fair value of cash flow hedges	(1,843)
Income tax relating to items of other comprehensive income	553
Other comprehensive income for the year, net of tax	(1,290)
Total comprehensive income for the year	41,766
Summary of movements in consolidated retained earnings	
Retained profits	
Balance 1 May	171,191
Net profit for the year	43,056
Dividends provided for or paid	(14,498)
Balance 30 April	199,749

38 Deed of cross guarantee (continued)**(b) Consolidated balance sheet**

Set out below is a consolidated balance sheet as at 30 April 2016 of the closed group consisting of Ricegrowers Limited, Riviana Foods Pty Ltd and Australian Grain Storage Pty Ltd.

	2016
	\$000's
Current assets	
Cash and cash equivalents	21,120
Receivables	320,135
Inventories	317,077
Total current assets	<u>658,332</u>
Non-current assets	
Receivables	615
Other financial assets	3,969
Property, plant and equipment	180,969
Investment properties	1,150
Intangibles	6,728
Deferred tax assets	17,181
Total non-current assets	<u>210,612</u>
Total assets	<u>868,944</u>
Current liabilities	
Payables	96,563
Amounts payable to Australian Rice Growers	97,991
Borrowings	217,468
Current tax liabilities	14,029
Provisions	21,218
Derivative financial instruments	3,123
Total current liabilities	<u>450,392</u>
Non current liabilities	
Amounts payable to Australian Rice Growers	13,242
Borrowings	78,749
Deferred tax liabilities	1,454
Provisions	1,637
Total non-current liabilities	<u>95,082</u>
Total liabilities	<u>545,474</u>
Net assets	<u>323,470</u>
Equity	
Contributed equity	107,819
Reserves	15,902
Retained profits	199,749
Total equity	<u>323,470</u>

Independent auditor's report to the members of Ricegrowers Limited

Report on the financial report

We have audited the accompanying financial report of Ricegrowers Limited (the company), which comprises the consolidated balance sheet as at 30 April 2016, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Ricegrowers Limited and Controlled Entities (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's opinion

In our opinion:

- (a) the financial report of Ricegrowers Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 April 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

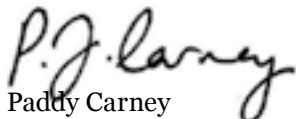
Report on the Remuneration Report

We have audited the remuneration report included in pages 62 to 74 of the directors' report for the year ended 30 April 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Ricegrowers Limited for the year ended 30 April 2016 complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers


Paddy Carney
Partner

Sydney
21 June 2016

CORPORATE DIRECTORY

SUNRICE REGISTERED OFFICES

REGISTERED OFFICE

NIP 37 Yanco Avenue, Leeton NSW
2705 Australia
Locked Bag 2, Leeton NSW 2705
Tel 02 6953 0411 Fax 02 8916 8360

RICE MILLS

Leeton

Calrose Street,
Leeton NSW 2705
Tel +61 2 6953 0522

Deniliquin

Salesyard Road,
Deniliquin NSW 2710
Tel +61 3 5881 0211
Fax +61 3 5881 2477

Coleambally

Jimmy Cull Road,
Coleambally NSW 2707
Tel +61 2 6954 4911
Fax +61 2 8916 8359

Brandon

Colevale Road,
Brandon QLD 4808
Tel +61 7 47 84 1410
Fax +61 7 47 84 1402

Lae

Mataram Street,
Lae MP 411 Papua New Guinea

Aqaba

Southern Seashore

MARKETING OFFICES

Sydney

Level 24, MLC Centre,
19 Martin Place,
Sydney NSW 2000
PO Box Q166,
QVB Post Shop NSW 1230
Tel +61 2 9268 2000
Fax +61 2 8916 8360

Jordan

Aloz Street
Al-Mokablein
Amman, Jordan
Tel + 962 6 420 6825
Fax + 962 6 420 6832

Japan

Australian Ricegrowers
Level 2, Cross Point Building
3-29-1 Ebisu, Shibuya-ku, Tokyo
150-0013 Japan
Tel +813 3448 1930
Fax +813 3448 1930

Singapore

One Raffles Place Tower 2
#20-61
Singapore 048616

Dubai

Office G06, Building #1, Dubai Media City,
Dubai | UAE PO Box 30087

COPRICE FEEDS

Railway Avenue,
Leeton NSW 2705
Locked Bag 2,
Leeton NSW 2705
Tel +61 2 6953 0422
Fax +61 2 6953 2776

COPRICE FEED MILLS

Leeton

Railway Avenue,
Leeton NSW 2705
Locked Bag 2,
Leeton NSW 2705
Tel +61 2 6953 0422
Fax +61 2 6953 2776

Tongala

Finlay Road,
Tongala VIC 3621
PO Box 109,
Tongala VIC 3621
Tel +61 3 5859 3999
Fax +61 3 5859 0972

Cobden

Corner L Graylands &
Warrnambool Roads,
Cobden VIC 3266
PO Box 104,
Cobden VIC 3266
Tel +61 3 5558 2500

SUBSIDIARIES

Riviana Foods Pty Ltd

8 Lakeview Drive,
Scoresby VIC 3179
PO Box 1600,
Ferntree Gully VIC 3156
Tel +61 3 9212 6000

Trukai Industries Limited

Mataram Street,
Lae MP 411
Papua New Guinea
PO Box 2129,
Lae MP 411
Tel +675 472 2466
Fax +675 472 6073

Solomons Rice Company Limited

Trading as Solrice
PO Box 5,
Honiara
Solomon Islands
Tel +677 30826
Fax +677 30825

SunFoods LLC

1620 E. Kentucky Avenue
Woodland California USA
Tel +1 5306611923
Fax +1 5306626058

SunFoods, LLC – Oahu

Hawaii Sales Office
99-910 Iwaena St. Suite B Aiea,
HI 96701
Tel +1 808 488-3435



sunrice.com.au