



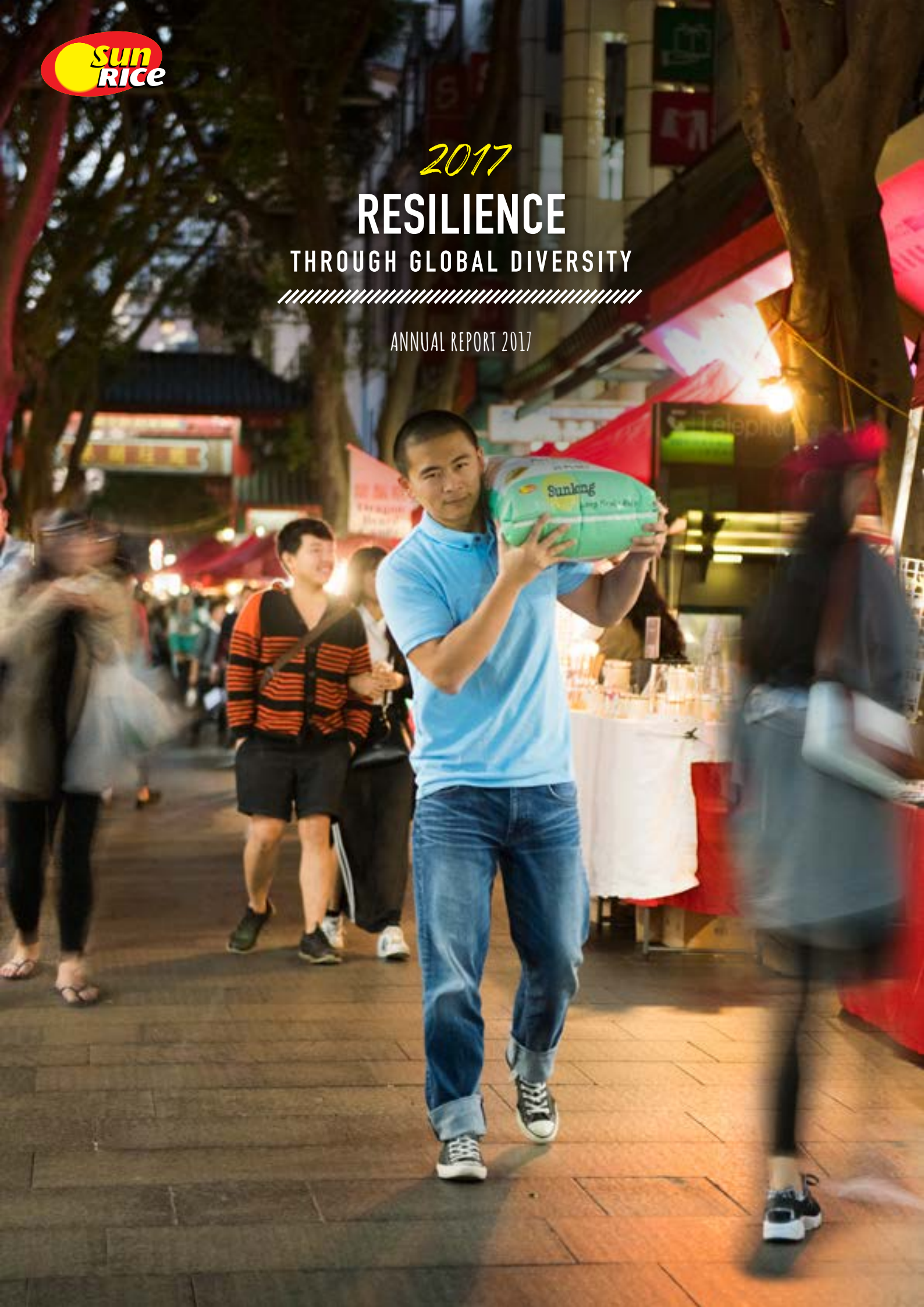
2017

RESILIENCE

THROUGH GLOBAL DIVERSITY



ANNUAL REPORT 2017



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**CORPORATE
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FRONT COVER: GUOJUN ZHAO, WHO WORKS FOR
SUNRICE MASTER DISTRIBUTOR ETTASON

THIS PAGE: TIM ALLEN, TECHNICAL SERVICES MANAGER,
SUNRICE WAMOON AVENUE, LEETON, CHECKING
PALLETES OF RICE AT THE DISTRIBUTION CENTRE FOR THE
SPECIALTY RICE FOOD GROUP (SRFG) IN LEETON



**SUNRICE'S GROUP STRATEGY
TO BUILD A COMMERCIALY
RESILIENT AND DIVERSIFIED
BUSINESS IS SECURING
OUR FUTURE. THE STRATEGY
HAS ENABLED US TO NAVIGATE
INCREASINGLY DYNAMIC MARKETS
AND TO CAPTURE AND ACCELERATE
GROWTH OPPORTUNITIES.**



SunRice's Annual Report covers Ricegrowers Limited ABN 55007481156 and controlled entities. The Report can be viewed or downloaded from SunRice's website, www.sunrice.com.au. In this Report, 'the year', 'this year', 'crop year 2016', 'C16' all refer to the Financial Year ended 30 April 2017 (FY17). The '2017 harvest', 'crop year 2017', 'C17' all refer to the rice crop grown in 2017 and processed and marketed in the Financial Year ending 30 April 2018 (FY18).

**WE HAVE A CLEAR VISION
AND STRATEGY FOR THE
FUTURE THAT WILL BUILD
ON OUR AUSTRALIAN HERITAGE
AND PURSUE EXCITING
GLOBAL OPPORTUNITIES**



OUR INDUSTRY AND OUR COMPANY ARE KNOWN FOR THEIR RESILIENCE AND WE SAW THIS SHINE THROUGH IN MANY WAYS OVER THE PAST 12 MONTHS.



CHAIRMAN'S MESSAGE

FY17 was a challenging year, with our smallest crop to market in many years and difficult market conditions. But, like the generations before us, we persevered. Our industry and our Company are known for their resilience and we saw this shine through in many ways over the past 12 months.

As a result of the excellent work of CEO Rob Gordon and our management team in implementing our Group strategy, our FY17 results, while down, were better than could have reasonably been expected given the circumstances.

Importantly, we were able to incentivise the rice production needed for key markets and Riverina facilities. We did this through offering a guaranteed fixed paddy price to growers and A Class Shareholders of \$415 a tonne for medium grain through our Rice Pool business. This required a supplement from the Profit Businesses of \$32.5 million, which was made possible due to the strength of our International Rice business.

Our Rice Pool and Profit Businesses complement each other and allow us to ride out adversity for different parts of the Group at different times, benefitting all. Despite the challenging conditions, overall profitability and balance sheet strength enabled us to again pay the record Dividend return set last year of 33 cents per B Class Share.

The decision to supplement the Rice Pool enabled SunRice to secure the long-term viability of the Australian rice industry and Riverina growers – fundamental elements of our strategy to maintain multiple global supply chains to sustain SunRice's business, especially in volatile times.

In addition to securing Riverina supply, as you know SunRice was very busy sourcing medium grain during the year to supply our remaining branded markets. This

was successfully done, with the majority supplied from Vietnam. When I used to think of Vietnam I had a few perceptions involving small paddy fields and water buffaloes. Times have moved on. During a recent tour of our supply chain, I saw 10 tonne per hectare medium grain in a 1000-hectare field. The equipment was smaller scale, but highly mechanised. Water was free of charge from the Mekong Delta, and farmers were doing two crops per year at wages a fraction of the cost of those here.

With the high price differential between medium and long grain over the last five years, it was only a matter of time before long grain farmers started to switch to medium grain. While our Riverina rice is still a premium product that's sought after, I highlight this to emphasise that we can't stand still or rest on our laurels. World markets are constantly in motion and we must be too.

We continue with our research into rice farming systems and varieties. In our mills, we are introducing technologies like water polishing. Technological advances are also allowing us to have full traceability back to individual fields and this allows us to guarantee quality for our customers. This is one of the many reasons why I have full confidence in our shared future.

Speaking of our future, I would like to thank everyone who continues to work and advocate for it every day, starting with SunRice's Directors. We have a passionate and skilled Board and I thank all Directors for their contribution. I also thank CEO Rob Gordon, the SunRice management team and our employees for their hard work in a challenging year. Thanks also to the Ricegrowers Association of Australia, the Rice Marketing Board of NSW and all Federal and State Ministers, who continue to advance a strong SunRice and a strong Australian rice industry. Most importantly,

I thank our rice growers and A and B Class Shareholders, who together are our backbone. With your support SunRice will continue its evolution as one of the world's most successful rice food companies, strongly rooted in the Riverina and providing prosperity for future generations of growers and shareholders.

A handwritten signature in black ink, appearing to read 'Laurie Arthur'.

Laurie Arthur
Chairman

\$415/TONNE

PADDY PRICE

33c

**DIVIDEND PER
B CLASS SHARE**

SUNRICE HAS PROVEN THAT OUR STRATEGY DELIVERS BOTH RESILIENCE ACROSS THE BUSINESS AND A CAPABILITY TO INVEST IN FUTURE GROWTH OPPORTUNITIES.



CEO'S MESSAGE

After five years of improving financial performance and market expansion, this year was pivotal for SunRice, as a range of external factors combined to create the 'perfect storm'. The true test of a company is how it performs in a commodity cycle downturn and when adverse business conditions emerge. Over the past year and in spite of extremely difficult conditions, SunRice continued to implement a strategy that will cement a promising future for the Australian rice industry. This strategy has now been truly tested and the Company has proved resilient and robust.

Resilience and opportunity

As a starting point, we had to ensure that we supplied enough SunRice products globally to satisfy total demand, which equated to over four times the size of the much-reduced 2016 Riverina rice crop of just 244,184 tonnes. The small crop not only highlighted the importance of our existing international sourcing program to drive growth and mitigate risk in low crop years, but it necessitated its acceleration. This resulted in the successful establishment of a sustainable supply chain from Vietnam, which contributed a significant 320,000 paddy tonnes to the total 500,000 paddy tonnes we sourced around the world, including 115,000 paddy tonnes from SunFoods. This outstanding achievement demonstrated our capability to secure a sustainable supply base of good quality rice outside the Riverina, and enabled the business to maintain market share and brand reputation, especially in the Pacific.

At the same time, overarching conditions in global rice markets during the year were characterised by medium grain rice prices halving to decade lows, driven by increased supply as global paddy production and stockpile levels reached record levels.

Exacerbating the impact of these weak prices were negative macroeconomic trends across SunRice's major markets in the Pacific and Middle East.

Trading conditions for our complementary businesses were also tough domestically. CopRice was impacted by dairy industry upheaval and plentiful on-farm pasture levels, which combined to materially undermine stockfeed demand. Riviana had to contend with a cyclical downturn in the mining industry, which undermined volumes in the foodservice sector.

During this 'once in a decade' market downturn, our strategy effectively insulated our financial performance through the ability of our brands to support robust pricing in key markets.

SunFoods returned to profitability during the year, through reconfigured operations that included packaging and supplying branded products for key markets, and bulk rice handling.

In Papua New Guinea, against a backdrop of uncertain politics, a crippled economy and currency illiquidity, Trukai continued to engage with local partners to assist in developing a domestic rice industry. This included collaborating with the Chingwam Rice Growers Cooperative to expand rice planting from 80 to 580 hectares in the Markham Valley. Trukai managed to maintain a strong market share position despite consumer affordability having significantly deteriorated.

Riviana continued to invest in growth in spite of adverse conditions. The business undertook a full relaunch of its Always Fresh range, which included a comprehensive marketing campaign. Riviana also acquired Fehlbergs Fine Foods, which ranges quality pickled vegetable products in Australian supermarkets, and whose integration into the business was completed ahead of schedule.

Delivering results

In addition to these strategic achievements, and notwithstanding challenging market conditions, the business delivered an 8% fully franked dividend yield to shareholders, rewarded our loyal growers with a guaranteed paddy price of \$415 per tonne, while at the same time almost halving our gearing to 17%.

Confidence in the future

We have weathered the 'perfect storm' of the past year and proved that our strategy has created commercial resilience and a capability to invest in growth opportunities. We recently refreshed our strategy to build on our demonstrated strengths and I am confident that SunRice's future holds promise and reward for our growers, shareholders, employees, business partners and customers.

Rob Gordon
Group CEO

\$1.1BN
GROUP REVENUE

\$34.2M
NET PROFIT
AFTER TAX



OUR BUSINESS

WHERE WE'VE COME FROM

From its foundations as a rice processor and marketing cooperative in the Riverina town of Leeton 67 years ago, today the SunRice Group has a diverse portfolio of businesses. The Group is one of the world's largest rice food companies and one of Australia's largest branded food exporters.

Values

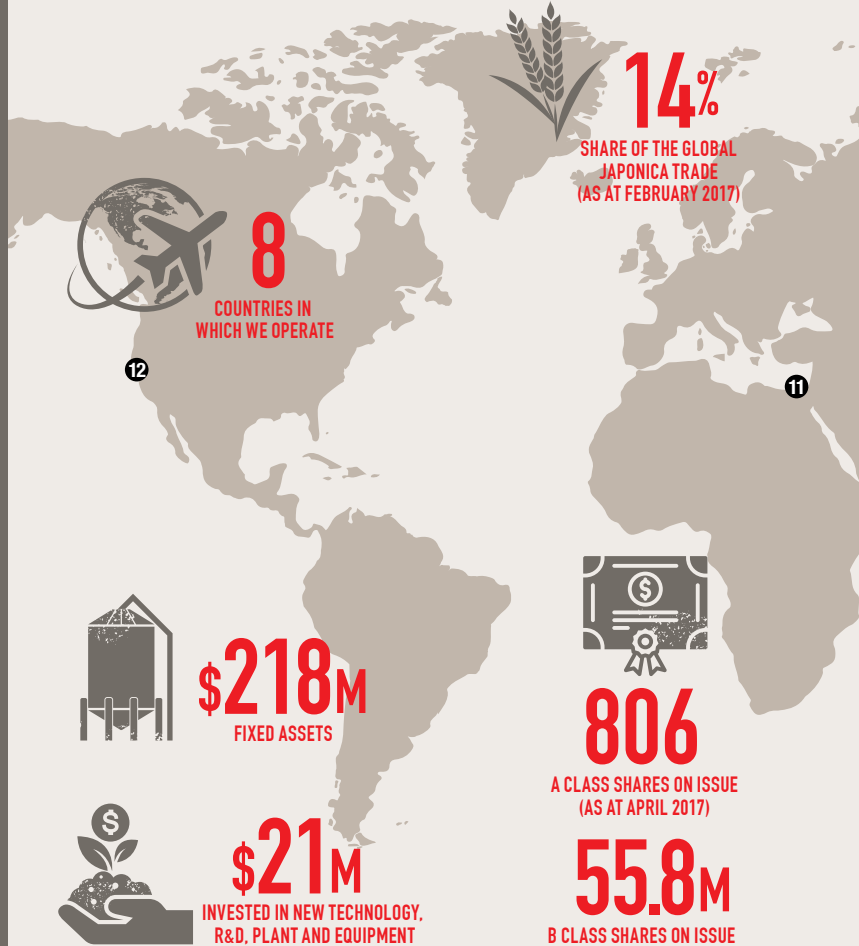
Community, Dynamic, Integrity, Collaborative, Innovative.

Purpose

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.



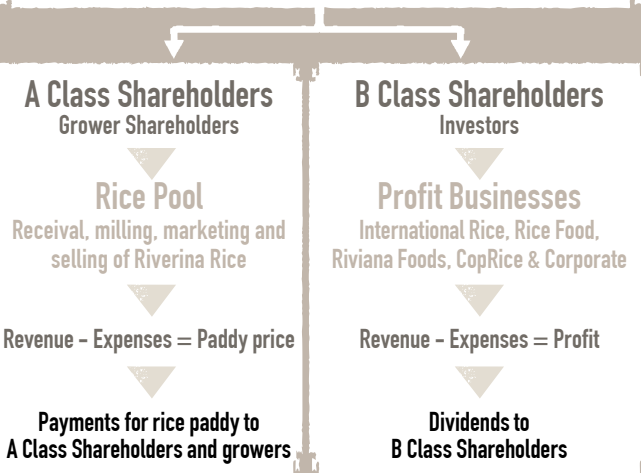
HOW WE'RE DOING



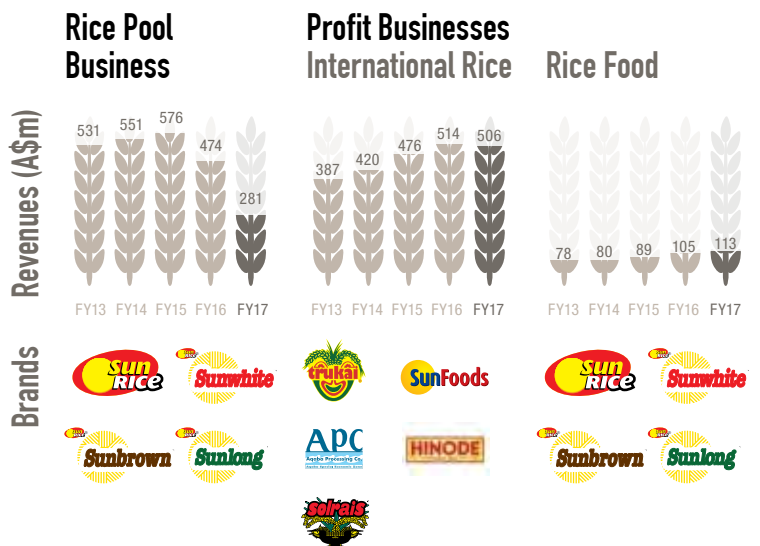
OUR OPERATING STRUCTURE

SunRice

Our objective is to optimise returns for both classes of shareholders through the complementary Rice Pool and Profit Businesses, which have mutually beneficial links and purposes



OUR BRANDS





WHERE WE'RE GOING



SunRice has successfully transitioned from a production-led processor to a market-driven food company over the past decade. Underpinned by a strong global supply chain network, the Group has a demonstrated track record in: innovative research and development; consumer market insights; launching value-added products into high-growth global markets; and making strategic investments in brands, operations and relationships around the world.

Critically, SunRice's Group Strategy has built commercial resilience into the company, ensuring we are well-positioned to navigate dynamic global markets and to continue our focus on future growth opportunities that benefit our growers and investors alike.

STRATEGIC GOALS



SUBSTANTIALLY INCREASE ANNUAL REVENUE WITHIN THE NEXT 10 YEARS



MAXIMISE PADDY PRICE BY OPTIMISING MARKET, CHANNEL AND VARIETAL MIX



ACHIEVE TOP QUARTILE, YEAR-ON-YEAR PROFITABILITY



MAINTAIN OR IMPROVE RETURN ON CAPITAL EMPLOYED (ROCE)

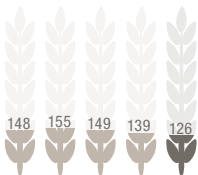


30+
MAJOR BRANDS

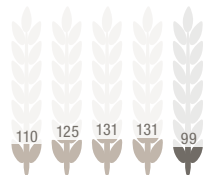
700+
PRODUCTS

46
EXPORT MARKETS

Riviana Foods



CopRice



Corporate

does not generate revenues



STRATEGIC PRIORITIES



ESTABLISH A SECURE AND SUSTAINABLE SUPPLY BASE



PREMIUMISE COMMODITY MARKETS



DIFFERENTIATE AND BUILD VALUE IN DOMESTIC CONSUMER MARKETS



BUILD PRESENCE IN HIGH-GROWTH CONSUMER MARKETS



DIVERSIFY EARNINGS BY ACCELERATING GROWTH OF COMPLEMENTARY AND SUBSIDIARY BUSINESSES



OPERATIONAL EXCELLENCE THROUGH EFFICIENCY AND INNOVATION

FIVE-YEAR PERFORMANCE

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 Shareholders and Investors.

RICE POOL BUSINESS

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



Revenue (A\$M)¹

-18% +4% +4% -18% -41%
531 551 576 474 281



FY13 FY14 FY15 FY16 FY17



Paddy payments (A\$M)

306 344 339 288 100

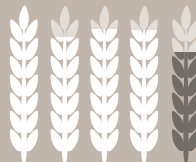


FY13 FY14 FY15 FY16 FY17



Net assets (A\$M)

234 187 199 198 166



FY13 FY14 FY15 FY16 FY17



¹ Rice Pool Business's revenue is presented before inter segment elimination.

PROFIT BUSINESSES

International Rice

The marketing and distribution of rice from all other sources through intermediaries to consumers, foodservice and processing customers in markets around the world, where there is growing demand for SunRice branded products.



Revenue (A\$M)

+10% +9% +13% +8% -2%
387 420 476 514 506



FY13 FY14 FY15 FY16 FY17



NPBT (A\$M)

22 27 38 36 28



FY13 FY14 FY15 FY16 FY17



Net assets (A\$M)

55 73 124 69 58



FY13 FY14 FY15 FY16 FY17



Rice Food

The marketing and distribution of rice-based products which incorporate additional value in their transformation process (including Rice Cakes, Rice Chips, Rice Flour, Microwave Rice and Ready-to-go-Meals).



Riviana Foods

The distribution and sales of food products, both imported and manufactured, to consumer and foodservice customers.



CopRice

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



Corporate

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

+9%
78

+3%
80

+12%
89

+18%
105

+8%
113



FY13 FY14 FY15 FY16 FY17

+1%
148

+5%
155

-4%
149

-7%
139

-9%
126



FY13 FY14 FY15 FY16 FY17

+12%
110

+13%
125

+5%
131

0%
131

-24%
99



FY13 FY14 FY15 FY16 FY17

4

4

3

1

8



FY13 FY14 FY15 FY16 FY17

10

1

7

13

9



FY13 FY14 FY15 FY16 FY17

9

9

7

5

-2



FY13 FY14 FY15 FY16 FY17

14

13

19

14

26



FY13 FY14 FY15 FY16 FY17

27

35

43

38

34



FY13 FY14 FY15 FY16 FY17

100

49

38

35

38



FY13 FY14 FY15 FY16 FY17

27

35

42

49

36



FY13 FY14 FY15 FY16 FY17

61

65

62

96

111



FY13 FY14 FY15 FY16 FY17



THANKING OUR GROWERS

RIVERINA RICE GROWER

SUPPORT

reflects resilience



347

GROWERS PLANTED
RICE



244,184

PADDY TONNES
HARVESTED



10.9

TONNES PER HECTARE
(AV YIELD)



THOSE GROWERS WHO CHOSE TO PLANT RICE TO MAINTAIN SUNRICE'S MARKETS AND MILLING ASSETS DIRECTLY CONTRIBUTED TO SECURING OUR INDUSTRY'S FUTURE IN A SMALL CROP YEAR.

The Riverina rice crop harvested in 2016, which impacted the financial results addressed in this report, experienced the significant challenge of low water allocations. A rice crop of 244,184 tonnes was delivered by growers. Only 347 Riverina rice growers chose to plant in 2016 and, therefore, participate in the FY17 Rice Pool.

SunRice greatly values the commitment of these growers, who chose to harvest Australian rice, which is demanded by consumers in key SunRice markets and, importantly, underpins the efficiency of Riverina milling assets. We thank these growers for their ongoing support.

For those growers who persevered, a much-deserved reward of the 2016 harvest was that crop yields materially outperformed five-year averages. The strong yields, which averaged 10.9 tonnes per hectare versus a five-year average of 10.0 tonnes, meant that the overall harvest volume exceeded expectations.

Managing crop size through sourcing

Due to the lower Riverina crop, the balance of paddy tonnes required to service SunRice markets was supplied from various international sources during FY17. SunRice's ability to simultaneously meet global market demand and manage local conditions, including the ability to source additional paddy to supplement the smaller Australian crop, highlights the complementary nature of the Rice Pool and Profit Businesses.

Increasing profitability through research

Research and development led by SunRice's subsidiary Rice Research Australia Pty Ltd (RRAPL) to support Riverina growers continued in FY17, including trialling new shorter season rice varieties that are showing potential for double cropping opportunities; and work across farming systems, bed design, nutrition management, direct drilling and delayed permanent water systems, weed control, on-farm irrigation profitability and organic farming. RRAPL also commenced tropical rice research in northern Queensland with \$4 million in funding through the Federal Government's *Rural R&D for Profit* program.

Water drives turnaround in crop size for 2017

While plentiful winter and spring rains in 2016 materially improved water availability, the unusually wet conditions also delayed planting of the 2017 rice crop. However, these challenging conditions did not dampen enthusiasm for growing rice, with 772 growers returning to the industry. Various factors combined during the 2017 crop year to demonstrate just how flexible and resilient the Australian rice industry has become. The skill of our rice growers to deliver a crop despite challenging conditions at sowing and harvesting (both delayed and interrupted by rain) was complemented by the success of the Grower Services team in offering late-planting and new short season varieties. The 2017 harvest of approximately 800,000 tonnes was the largest in three years, and we look forward to reporting on the success of this crop in SunRice's expanding markets as the year unfolds.

FY17 Rice Pool



RIVERINA GROWERS PLANT C16 CROP (OCTOBER 2015)



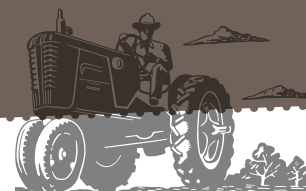
CROP HARVESTED ACROSS REGIONS (MARCH – MAY 2016)



C16 CROP MARKETED AND SOLD (MAY 2016 – APRIL 2017)



PAYMENTS MADE TO GROWERS FOR C16 CROP (HARVEST 2016 – JULY 2017)





MAINTAINING MARKETS IN DIFFICULT CONDITIONS

DELIVERING FIXED RETURNS TO

SECURE

critical supplies of Riverina rice



\$281M

REVENUE



244,184

TONNE CROP HARVESTED

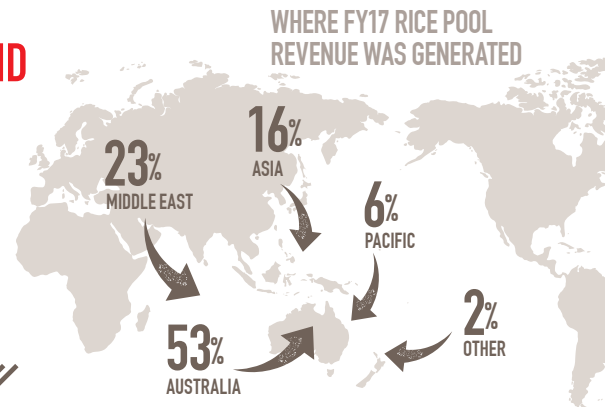


\$100M

C16 HARVEST WILL GENERATE PAYMENTS OF ALMOST \$100 MILLION TO GROWERS



THE RICE POOL BUSINESS FLEXES UP AND DOWN IN RESPONSE TO LOCAL SUPPLY, GLOBAL DEMAND AND BUSINESS NEEDS, WHILE ENSURING CORE STAFF AND ASSETS ARE MAINTAINED FOR THE FUTURE.



STRATEGIC PRIORITIES



ESTABLISH A SECURE AND SUSTAINABLE SUPPLY BASE, INCLUDING INCREASED PRODUCTION OF NICHE AND PREMIUM VARIETIES.



LEVERAGE QUALITY AND REPUTATION OF AUSTRALIAN-GROWN RICE TO BUILD PRESENCE IN NEW HIGH-GROWTH INTERNATIONAL BRANDED MARKETS, INCLUDING ENTERING NEW ASIAN MARKETS.

About the Rice Pool business

The Rice Pool business is SunRice's foundation. Core activities are the milling, marketing and distribution of Riverina rice to retail, foodservice and processing customers. It supplies customers in domestic markets, including all major retailers, and typically exports to almost 50 countries. Customers include SunRice subsidiaries, which purchase rice to sell in local markets.

The supply of Riverina rice is a key driver of the business. The Rice Pool business comprises all revenue from the sale of Riverina rice, less relevant costs, with the balance paid to growers in the form of Paddy Prices.

Business performance

The Rice Pool business placed the smaller 2016 Riverina crop in key premium markets, including Australia/New Zealand, the Middle East and Asia, while other major markets were serviced by SunRice's International Rice business.

SunRice's risk management strategies for a low crop year, as experienced in C16, are proving effective. The carry-over crop from C15 ensured suitable volume for Riverina milling operations. Also, higher premiums were paid for specialty varieties, such as Koshihikari, Opus and Doongara, as part of a strategy to capitalise on health and wellbeing trends. In addition, to build certainty for growers and to underpin production, fixed contracts are being more regularly offered for different varieties.

Due to the smaller 2016 rice crop, Rice Pool revenue declined by 41% to \$281 million. Lower revenue combined with the guaranteed fixed price of \$415 per tonne paid to growers for medium grain (Reiziq) – a necessary measure to encourage production during low water availability – resulted in the Rice Pool recording a loss of \$32.5 million in FY17.

The loss was supplemented by SunRice's Profit Businesses, which benefitted from the strength of SunRice's brands around the world that command in-market premium prices. These premium prices insulate the broader business and growers from difficult trading conditions brought about by lower global medium grain prices and encroaching competition, and demonstrate the strengthened commercial resilience that SunRice's strategy has instilled over the past five years.

Additional work was undertaken in FY17 to build new markets for Riverina rice, most notably across North Africa and Asia, including the establishment of a new e-commerce platform to service China.



One grain at a time – new quality test for sushi rice

To help SunRice build a reputation as a high quality and reliable supplier to the Japanese-cuisine foodservice sector, at the Deniliquin Mill June Grummet ensures Riverina-grown rice meets the standard demanded by sushi chefs across the world. June and her Quality Technician team use the Japanese Hanasaki method to put locally-grown Opus and Koshihikari short-grain varieties to the sushi cooking test – painstakingly soaking and counting 100 grains at a time!



THE VALUE OF A DIVERSIFIED GROUP

COMMERCIAL

RESILIENCE

in a challenging year



11

BUSINESSES



33c

DIVIDEND PER B CLASS SHARE PAID



8%

B CLASS DIVIDEND YIELD

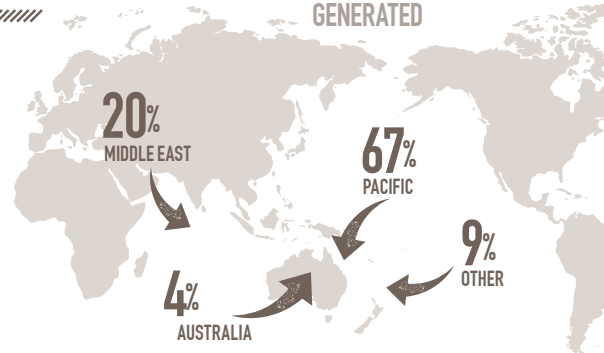
SUNRICE'S PROFIT BUSINESSES SPAN A RANGE OF MARKETS AND GEOGRAPHIES, DIVERSIFYING EARNINGS AND BOLSTERING COMMERCIAL RESILIENCE.

HMEIDAN RASMI ALEJEL, MODERN ARAB DISTRIBUTION LTD, JORDAN MARKET



INTERNATIONAL RICE

WHERE FY17 INTERNATIONAL RICE REVENUE WAS GENERATED



STRATEGIC PRIORITIES



DEVELOP A NETWORK OF INTERNATIONAL RICE SOURCING PARTNERS TO SUPPLY SUNRICE IN ORDER TO MEET FUTURE GROWTH IN DEMAND AND TO PROVIDE FLEXIBILITY TO SUPPLEMENT VOLUMES DURING SMALLER AUSTRALIAN CROPS.



SEEK CONTINUOUS IMPROVEMENT TO DRIVE OPERATIONAL EXCELLENCE ACROSS ALL SITES.

About International Rice

SunRice's International Rice business sources, markets and distributes rice from the Rice Pool business or SunRice's global supply chain activities. It includes profits made by SunRice's international subsidiaries, Trukai Industries, SunFoods, Aqaba Processing Company (APC), SunRice Singapore and Solrice.

Rice is largely sold as branded product to customers in international markets. A small volume is also sold into domestic markets if particular varieties cannot be supplied by Australian growers. International Rice business brands include SunRice, Sunwhite, Trukai, Roots, Koala and Hinode.

Overall business performance

International Rice revenue declined by 2% to \$506 million and net profit before tax (NPBT) decreased by 24% to \$27.6 million in FY17.

Increased globally traded volumes and a return to profitability by SunFoods were largely offset by challenging economic and trading conditions across several key markets, including Papua New Guinea (PNG).

Global sourcing strength

With a Riverina crop of just 244,184 paddy tonnes available (plus carry-over) and sales demand for around 1 million paddy tonnes, SunRice's global sourcing efforts intensified in FY17. Within a year, the business accelerated the establishment of a new

supply chain in Vietnam – a critical project that supplied 320,000 tonnes of paddy for strategically critical international markets, while ensuring SunRice's high quality standards were met.

Combined with existing international sourcing arrangements, including 115,000 paddy tonnes from the US, International Rice secured a total of 500,000 paddy tonnes and achieved the important goal of filling the supply shortfall caused by the smaller C16 Riverina crop.



Fulfilling demand from Vietnam

With only a small Riverina crop to market, SunRice built a sustainable and transparent supply chain from Vietnam in FY17. Working with a co-operative of 920 growers and a milling partner, SunRice managed cost, quality and service to match customer needs. This rice was grown in the An Giang and Kien Giang provinces and sold into the Pacific, maintaining SunRice's market share and brand reputation.



THE INTERNATIONAL RICE BUSINESS PLAYS AN IMPORTANT ROLE IN MAXIMISING GLOBAL SUPPLY AND DEMAND DYNAMICS, INCLUDING IN LOW RIVERINA CROP YEARS.



500,000
PADDY TONNES SOURCED INTERNATIONALLY

Developing other global markets

Efforts to establish SunRice as a regional player in Asia also intensified during FY17, with the establishment of a Singapore presence to secure reliable Asian rice supply sources and to provide a platform to service the burgeoning markets of South East Asia and China. Despite difficult market dynamics, APC in Jordan continued to perform strongly, achieving its third consecutive year of profit growth. A new marketing office was strategically established in Dubai, the hub of Middle Eastern trading activities, to ensure the business is ideally placed to capitalise on this important market.

NEW SUPPLY CHAIN ESTABLISHED OUT OF VIETNAM

Challenging conditions for Trukai

Trukai Industries is 66.7% owned by SunRice and operates in PNG. While Trukai has traditionally been a key contributor to SunRice's financial performance, in FY17 the business was significantly impacted by PNG's weak and unstable economy, with revenue down by 26%. PNG's macroeconomic malaise was driven by falling commodity prices (notably oil and gas), high unemployment, and a series of natural disasters that caused crops to fail and lowered overall income levels across the country. Although Kina liquidity remains a challenge, a dramatic devaluation of the currency is now identified as a lower risk to the business: the Kina has stabilised over the past year; and SunRice's exposure to a sudden devaluation has decreased as Trukai's intercompany payable balance reduced from US\$84 million to US\$25 million. SunRice continues to maintain a close watch on political developments regarding the possible implementation of restrictive import measures that could also impact Trukai.

A return to profitability for SunFoods

SunRice purchased the non-controlling interests of US-based SunFoods LLC. Pleasingly, SunFoods recorded a 61% uplift in total revenue and returned to profitability during the year. SunFoods has reconfigured its operations and returned to its role of supplying SunRice's global markets. Activity included a mix of packaging to supply branded products to key SunRice markets and bulk rice handling to supply APC in Jordan. SunFoods also concurrently achieved ranging of Hinode Calrose White and Wholegrain Brown products in WinCo Foods stores across the US, further aiding profitability.

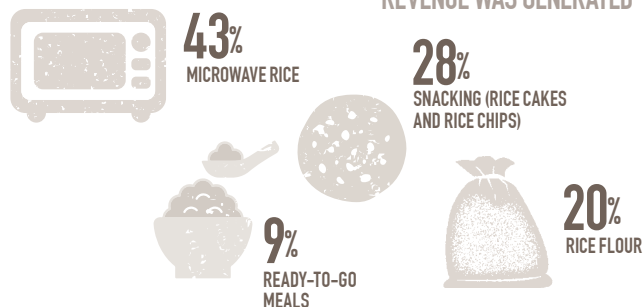
MICK MUGGET, SENIOR MACHINERY OPERATOR, TRUKAI



RICE FOOD



HOW FY17 RICE FOOD REVENUE WAS GENERATED



About Rice Food

The Rice Food business is engaged in the marketing and distribution of rice-based products that incorporate additional value in their transformation process.

While Rice Food primarily operates in the domestic market, the business is also focussed on expanding sales of value-added products into global markets. This business's product and customer mix includes:

- Snacks, including Rice Cakes, Mini Bites and Rice Chips;
- Microwave Rice, including grain blends;
- Microwave Ready-to-go-Meals, including meat and protein meals and snacks;
- Private label contract packing for commercial customers;
- Food ingredients sales of rice flour to domestic and global commercial customers; and
- Value-added products to foodservice channels, such as the military or medical institutions.

Business performance

The Rice Food business recorded a revenue growth of 8% to \$113 million and NPBT increased to \$7.9 million in FY17. The segment's performance was positive despite unfavourable foreign exchange fluctuations.

Overall, improved volumes and revenue, combined with increased manufacturing efficiencies, resulted in a considerable profit uplift. Most notably, Rice Cakes experienced positive manufacturing performance and cost savings of \$1.7 million, which directly contributed to Rice Food business's improved profitability. Microwave Rice also experienced continued strong sales growth of 16% in the Australian market during the year. Ready-to-go-Meal's performance was relatively flat across most markets following a rationalisation of the range. Despite this, SunRice still commands 54% of market share in Australia.

Expanding into new geographies

Rice Food focused on internationalising its high-performing domestic portfolio. This included launching Mini Bites in Asia and the Pacific Islands and Rice Chips in the Middle East. Launched under SunRice's well-established and recognised Sunwhite brand, Rice Chips sold out in the Middle East on launch day. Strong sales have continued, with the chips available in three different flavours in major grocery and convenience retailers in over 1,000 different outlets across the United Arab Emirates (UAE), Saudi Arabia, Qatar, Jordan, Kuwait and Lebanon. As the year closed, plans to expand Rice Chips into the Pacific and Asia were underway.

THE RICE FOOD BUSINESS DEVELOPS PRODUCTS AND MARKETS FOR VALUE-ADDED RICE AND RICE BY-PRODUCTS, BENEFITTING BOTH GROWERS AND SHAREHOLDERS.



STRATEGIC PRIORITIES



EXPAND PRESENCE IN RICE SNACKING AND MEAL CATEGORIES DOMESTICALLY.

BUILD PRESENCE IN NEW HIGH-GROWTH INTERNATIONAL BRANDED MARKETS.



SunRice Mini Bites – home-grown hero!

Mini Bites appear to be the new lunchbox favourite for Australian school kids following record-breaking sales in FY17. In the back-to-school period, SunRice recorded its highest sales of Mini Bites since launching four years ago – 548,808 packets (the equivalent of 88 tonnes) in just two months! This represents a 12% increase on year-on-year direct sales volumes.

In addition to being popular in Australia, SunRice's Riverina-made Mini Bites are now on supermarket shelves in New Zealand and the Pacific, while also being sold into China via our new e-commerce platform.



RIVIANA FOODS

HOW FY17 RIVIANA FOODS REVENUE WAS GENERATED



STRATEGIC PRIORITIES



STRENGTHEN AND EXTEND THE ALWAYS FRESH RANGE TO DIVERSIFY EARNINGS FURTHER.



BUILD A VALUE-ADD PORTFOLIO IN FOODSERVICE TAKING ADVANTAGE OF GROWTH IN THE CASUAL DINING SECTOR.

About Riviana Foods

Riviana Foods (Riviana) is a wholly-owned subsidiary of SunRice, specialising in gourmet food sales and marketing across Australian grocery retail and foodservice channels and selected export markets. Riviana also has a small manufacturing footprint.

Built on sourcing gourmet foods reflecting provenance and emerging food trends, the company's flagship brands in the grocery retail sector are Always Fresh and Riviana, with a further 11 retail and foodservice brands in the portfolio.

Popular with consumers, Riviana has established relationships with major retailers and a substantial foodservice customer base. Riviana also has a distributor in New Zealand and a small number of exporters selling across parts of Asia and the Middle East.

Business performance

External factors, including the contraction of the mining sector, consolidation in the foodservice industry, retail pricing pressure and private label growth negatively impacted volumes during the year. The business also faced continued pressure from a fourth year of currency depreciation that impacted margins.

As a result, Riviana recorded a 9% decline in revenue to \$126 million and NPBT declined by 36% to \$8.5 million in FY17.

Always Fresh relaunch

Despite the challenging market conditions, Riviana invested in a full relaunch of its Always Fresh range, including a traditional and digital marketing campaign – a demonstration of the Group's commitment to investing in growth. The relaunch encompassed an insight-led redesign spanning over 100 products, which includes a unified jar style and smaller pack sizes that reflect the colour, flavour,

warmth and provenance of 'the spirit of the Mediterranean'. The relaunch also included TV commercials featuring celebrity chef and restaurateur Karen Martini as brand ambassador.

Fehlb ergs acquisition

Despite the challenging conditions, Riviana acquired Fehlb ergs Fine Foods (Fehlb ergs) in FY17. A family owned business, Fehlb ergs ranges quality products in Australian supermarkets. Its core business is pickled onions and the Fehlb ergs brand has a strong and growing position in the market thanks to jalapenos and gherkins products, as well as private label contracts. Pleasingly, the anticipated synergies between Riviana and Fehlb ergs in manufacturing operations, importation and distribution processes were realised ahead of schedule in the second half of FY17.

RIVIANA AND ITS ESTABLISHED CONSUMER AND FOODSERVICE BRANDS PROVIDE IMPORTANT NON-RICE RELATED EARNINGS FOR SUNRICE.



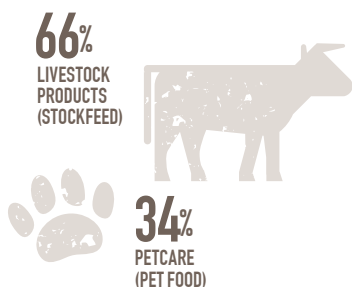
410 PRODUCTS

13 BRANDS

COPRICE



HOW FY17 COPRICE REVENUE WAS GENERATED



DAIRY FARMER BYRON SMITH ON HIS FARM IN NATHALIA, NORTHERN VICTORIA, WITH COPRICE PELLETS FOR HIS HERD

About CopRice

CopRice manufactures, distributes and sells stockfeed and pet food products through retail and wholesale channels to consumers and primary producers.

The business operates across the bulk and packaged markets in animal nutrition, with customers across domestic markets in Australia and New Zealand, and select export markets in the Pacific, Middle East, Europe and Asia.

CopRice's core business is focused on direct-to-farm sales of pelleted stock feed from its Tongala and Cobden mills, primarily to farmers in the key dairy regions of Northern and Western Victoria.

In addition, its facility in Leeton provides the capability to supply both extruded and pelleted packaged products in both companion animals and livestock segments across the agriculture retail, specialty pet and grocery channels.

Business performance

Significantly reduced demand for supplementary feed across cattle and sheep segments of the market in FY17 severely affected the performance of CopRice's direct-to-farm business. There were two primary drivers to reduced demand for stockfeed. Firstly, the dairy industry experienced sharply depressed market conditions during the year, to the extent that some herd sizes were reduced by 15 to 20%, which translated to lower stockfeed requirements in an important CopRice market. Secondly, favourable weather conditions generated exceptional pasture levels, which, while a positive outcome for graziers, undermined the broader need to acquire supplementary stockfeed across the remainder of CopRice's specialty businesses in all categories, including in the key equine segment.

In the Specialty Packaged business, CopRice's key dog and cat segments continued to deliver year-on-year volume growth. However, this growth was below expectations as a result of challenges experienced in delivering new and innovative pet care products into a competitive and crowded market.

CopRice revenue declined by 24% to \$99 million and the business recorded a loss of \$1.5 million, largely as a result of stockfeed sales materially contracting by 32% during the year.

LIKE THE AGRI-INDUSTRIES IT SERVICES, COPRICE IS FOCUSED ON RESILIENCE AND RECOVERY.



STRATEGIC PRIORITIES



MAXIMISE GROWER RETURNS BY OPTIMISING THE VALUE OF RICE BY-PRODUCTS.



GROW COPRICE REVENUE, THROUGH CONSOLIDATING AND EXTENDING CURRENT MARKET SHARE. DIFFERENTIATING OFFERING AND PURSUING NEW MARKETS.



Capturing the value of rice hulls

CopRice's rice hull initiatives reflect SunRice's commitment to sustainability through taking what would otherwise be a waste product, and transforming it into a value-added product for an existing market. Rice hulls, which CopRice already uses in its pelleted and other products, are now also recognised as a preferred source of animal bedding by companies seeking to enhance their animal welfare practices and to obtain RSCPA certification under the 'Approved Farming Scheme'.



DARREN THOMMERS, SHED OPERATOR FOR AGS AT DENILIQUN, WHO HAS WORKED FOR THE COMPANY FOR SEVEN YEARS

17 GRAIN STORAGE AND DRYING FACILITIES



CORPORATE

About Corporate

The Corporate segment captures the income from, and cost of, holding and financing the assets utilised by the Rice Pool business. It also captures royalty income from brands owned by the parent entity and other income and costs not allocated to other business segments, such as legal and Capital Restructure costs.

As the cost of holding and financing is a mixture of bank debt (excluding seasonal debt) and shareholder capital, a weighted average cost of capital is the basis of the charge to the Rice Pool business for the use of these assets.

Corporate and brand charges

The Rice Pool business has access to assets, including AGS storage sheds, rice mills, trademarks and corporate costs, which are shared with the Profit Businesses. These items are funded by the SunRice Group and, as a result, the Rice Pool is charged for these and other expenses, which are captured in this segment.

Actual revenue generated by the Corporate segment is negligible. Rather, its value to the business is reflected through an internal charge to the Rice Pool business (through the Paddy Pool).

The AGS storage assets are dedicated to serving the Rice Pool business. SunRice has a continual maintenance policy to ensure these assets remain in good condition. As the Rice Pool absorbs any cost associated with operating the AGS sheds, any returns made from third party grain storage are returned to the Rice Pool.

Business performance

NPBT increased by \$12.1 million mainly driven by a 'one-off' item following the acquisition of the minority shareholders in SunFoods, lower proposed Capital Restructure costs and employee incentive costs, partially offset by lower brand charge in line with lower sales of Riverina rice.

**SUNRICE'S
MAINTENANCE OF CORE
BRANDS AND ASSETS
ENABLES THE GROUP
— AND THE RIVERINA
RICE INDUSTRY —
TO SUCCESSFULLY
NAVIGATE PERIODS OF
DROUGHT AND LOW
PRODUCTION.**

AGS increasing pool returns

In FY17, AGS continued to roll out automated moisture probes across its 17 storage sheds. The move is leading to significant savings in energy, which, in turn, have the potential to translate into increased pool returns by lowering the costs associated with storage. In a typical year, the initiative is expected to generate savings in excess of \$1 million.

SUSTAINABILITY



As one of the largest rice food companies in the world, SunRice strives to achieve leading practice in environmental, social, ethical and commercial business performance, wherever we operate.

SunRice recognises our impacts on the natural environment and our stakeholders, including the communities in which we operate, our employees, our customers, our consumers and those in our extended supply chain.

Our strong focus on R&D through RRAPL has resulted in Australian rice growers using 50% less water than the global average, while our sustainability initiatives across the Group's operations are driving energy efficiencies and reducing our carbon footprint.

Over the next 12 months we will be implementing an enhanced reporting framework to clearly demonstrate and monitor our achievements as a responsible and sustainable business.



A RESPONSIBLE SUPPLY CHAIN

With around 2,200 employees based in operations across eight countries delivering over 700 products, we are committed to ensuring a safe and accountable supply chain from the paddy to the plates of consumers in almost 50 countries around the world.

WHERE WE OPERATE



AUSTRALIA

17

Storage and drying facilities

13

Rice milling, packing, value-add and warehouse facilities

3

Corporate offices

1

Domestic distribution facility

OUR SUPPLY CHAIN

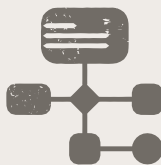
Our governance processes exist to ensure our people are accountable, and to help them make ethical decisions.

We're constantly developing new rice varieties and food products that meet the health and wellbeing needs of consumers.

We're fortunate to work with a wide range of partners, with whom we have established mutually beneficial and sustainable relationships.



'Zero Tolerance' approach to bribery and corruption



Anti-Bribery and Corruption policy training rolled out to all Australian and international sites with key materials translated into Pidgin, Arabic, simplified Chinese, traditional Chinese and Vietnamese



New healthy (low GI), convenient (microwave) and on-trend (sushi) product lines to meet consumer demands



\$21M Invested in new technology, R&D, plant and equipment across the Group in FY17

500,000 tonnes

In FY17, SunRice sourced approximately 500,000 tonnes of paddy from six countries, including from Vietnam where a new quality supply chain was built to protect our premium global markets, as a result of the reduced Australian crop of 244,184 tonnes



Program commenced to strengthen our ethical sourcing activities

Three SunRice Group sites registered with, and six new SunRice supplier and customer relationships were established through Sedex*

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

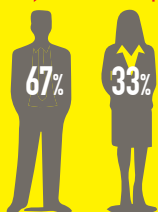
THE IMPORTANCE OF OUR PEOPLE

SunRice is committed to building a diverse workplace and promoting fresh ideas, creativity and innovation in line with our SunRice Values. We are also committed to providing a safe work environment that preserves the health and safety of our employees, contractors and supplier partners.

Employee breakdown



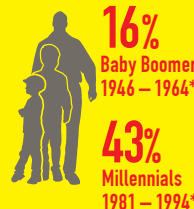
2,201 Total number of employees*



35.2% Women in senior management roles in Australia, up from 24.4% in FY16



2.2% Employees who identify as indigenous



37% Generation X 1965 – 1980*

43% Millennials 1981 – 1994*

4% Generation Z 1995 – 2009*

Health and safety



44% Reduction in Medical Treatment Frequency Rate in FY17

*This data refers to the SunRice Group. All other data refers to Australia only.



PAPUA NEW GUINEA

Milling, packaging, marketing and research operations, as well as a large-scale distribution network across the entire country



UNITED STATES

Milling, packaging, marketing and distribution operations (California and Hawaii)



SINGAPORE

Managing Asian supply sources and servicing Asian markets



DUBAI

Servicing Middle Eastern and African markets



SOLOMON ISLANDS

Warehousing, marketing and distribution operations



JORDAN

Packaging operation



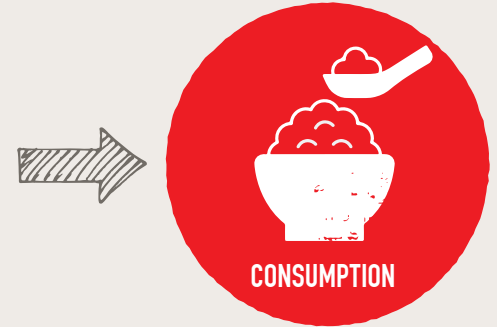
VIETNAM

Quality and assurance operations, servicing and managing supply chain, milling and R&D activities

Our success depends on the safety and quality of our products, while ensuring production efficiency and waste reduction.

With our global presence, we want to create recognisable and responsible brands in our markets and where we operate.

Through labelling and education, we want to help our customers make informed, positive decisions about what they eat.



369,515
Tonnes of paddy processed in Australia



172,746
Tonnes of stockfeed



Business operations established in Dubai and Singapore



2016 Advantage Group Survey ranked SunRice as the number one Australian retail FMCG supplier in the dry grocery category



12%
Increase in Australian Mini Bites sales during 2017 back-to-school period, selling a record 548,808 packets in two months



There are **8** SunRice products certified as Low GI

Year-on-year sales of these products increased by **20%** in Australia and **24%** in Asia and NZ



SunRice Mini Bites meet the National Healthy Canteen Standards criteria in Australia



Non-GMO policy in place for Australian grown rice since 2005



58
Mandatory safety compliance training courses



29%
Reduction in total recordable incidents in FY17 (Recordable incidents include fatalities, lost time injuries, restricted work cases and medical treatments)

Training and professional development



88
Training courses (including mandatory safety compliance)



286
Employees undertook leadership development courses

People engagement



74%
Of our people believe safety and quality are top business priorities



73%
Of our people say the products and services SunRice provides are as good as, or better than, our main competitors



64%
Of our people are happy with learning and development opportunities

OUR ENVIRONMENT AND COMMUNITIES

SunRice is committed to environmental sustainability across all our operations, through the efficient use of natural resources, waste reduction and enhancing biodiversity protection. We will continue to collaborate with growers, industry, government, suppliers and customers to innovate and contribute to continuous improvement initiatives. Building on our heritage as a grower-led cooperative in Australia, our business approach and our community initiatives and programs strive to strengthen the communities we engage with in Australia and abroad.

USING FEWER RESOURCES AND REDUCING WASTE



Greenhouse gas & energy savings

With electricity usage the major energy cost and contributor to SunRice's greenhouse gas emissions, the business continues to focus on energy saving initiatives and strategies, including monitoring of current usage practices, energy efficient equipment and operational improvements.

Packaging recycling initiatives

As part of SunRice's commitment to the Australian Packaging Covenant, while also reducing potential manual handling risks, the Leeton Mill and CopRice Leeton are now using specially designed cardboard collection bins developed in collaboration with a local service provider.



CopRice Leeton reports a **40%** saving in waste costs through improved processes

Energy efficient lighting trial



SunRice is replacing its lighting with LED lights, which are up to 70% more energy efficient and last for up to 10 years without maintenance. A lighting trial is underway at Leeton to standardise the types of lights used in the business to optimise savings while managing quality and safety.

IN THE INDUSTRY



SunRice gains NSW Government recognition

In recognition of SunRice's commitment to sustainable business, in FY17 the company was recognised as a Bronze Partner in the NSW Government's Office of Environment and Heritage's flagship Sustainability Advantage program, and is now aiming to achieve Silver status.

Ricegrowers Association aligning with SunRice



The RGA has joined the Sustainability Advantage program to develop a sustainability strategy to be implemented by rice growers. This strategy will align with SunRice's priorities of creating a whole of industry approach to continuous improvement in sustainability.

IMPLEMENTING SMARTER PROCESSES

Sustainability reporting initiative



As part of our Global Reporting Initiative, we are developing a comprehensive sustainability reporting framework to provide greater transparency on how we are impacting our business, our people and the communities in which we live.

Value-adding our waste



SunRice continues to invest in process improvements to ensure the ongoing conversion of rice hulls to value-added products. In FY17, 49,000 tonnes of rice hulls were sold, with expected sales of 84,000 tonnes in FY18.

\$4M Tropical rice research project

After securing \$4 million in funding through the Federal Government's *Rural R&D for Profit* program, SunRice, RRAPL and collaboration partners have commenced tropical rice research in Queensland as part of their work in developing a sustainable rice industry in northern Australia.

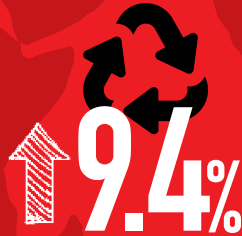


R&D drives environmental improvements for growing rice

Thanks to RRAPL's ongoing R&D work, new variety development is leading Australian rice growers to use 30% less water per paddy tonne than they were 20 years ago, while improved farming and irrigation practices are delivering a 65% reduction in methane gas production.



8
COUNTRIES IN WHICH WE PROVIDE
DIRECT EMPLOYMENT



9.4%
INCREASE IN EMPTY RICE PACKETS
RETURNED VIA THE REDCYCLE PROGRAM.
SUNRICE IS A FOUNDING PARTNER
IN THIS INITIATIVE,
WHICH HAS ALSO BEEN
IMPLEMENTED IN SUPERMARKETS
ACROSS NEW ZEALAND



391
TONNES OF WASTE DIVERTED
FROM LANDFILL INCLUDING



184
TONNES OF PACKAGING MATERIALS
RECYCLED AT LEETON
MANUFACTURING, COPRICE LEETON
AND DENILQUIN SITES

ENGAGING THE COMMUNITY



Trukai leading PNG's local rice industry

Thanks to Trukai's significant commitment and investment in the local region, this year, for the first time in Papua New Guinea's history, commercial volumes of locally grown rice will be grown, milled and packed in PNG for domestic customers.



CopRice success in Rio!

CopRice's sponsored rider, Stuart Tinney, brought home bronze as part of the 2016 Australian Olympic Eventing Team – a huge achievement that CopRice is incredibly proud to have supported.



860,000 Meals for Foodbank

Despite a smaller C16 crop due to low water allocations, pleasingly we maintained our commitment to the Foodbank hunger relief charity for the fourth year running, joining forces across the rice supply chain to donate almost 60 tonnes of Riverina grown rice or 860,000 meals!



Trukai supports the survivors of sexual and domestic violence

Trukai and FemilPNG have joined forces to support victims of family and sexual violence in Papua New Guinea through providing counselling, advocacy, shelter and referrals for employees. Australian domestic violence campaigner Rosie Batty shared her experiences at a recent Trukai sponsored fundraiser.



Fostering regional female talent

In line with our Diversity and Inclusion Strategy, SunRice partnered with the National Association of Women in Operations (NAWO) to host the inaugural 'Cultivating female talent in the Riverina' event in Leeton, which aims to increase the participation rate of women in operations.



\$70K Raised by SunRice Ag Bag

Everyone's favourite Sydney Royal Easter showbag that gives back, the Ag Bag, proudly sponsored by SunRice, sold out to record crowds with proceeds going towards rural and regional NSW community grants.



Back row, left to right: Ian Glasson, John Bradford, Rob Gordon, Mark Robertson, Noel Graham, Grant F Latta. Front row, left to right: Glen Andrezza, Laurie Arthur, Gillian Kirkup, Leigh Vial.

Laurie Arthur

**BAgSc GAICD
Chairman
Non-executive Director
Grower**

Moulamein Grower. Director since 2007. Chairman since 2014. Directors' Committees: Chairman, Remuneration; and Nomination. Director, Aqaba Processing Company Ltd (Jordan). Representative, Rice Industry Co-ordination Committee. Former President of the Ricegrowers' Association of Australia and National Water Commission.

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); Singapore PTE Limited, Australian Grain Storage Pty Ltd; SunRice Australia Pty Ltd; Silica Resources Pty Ltd; SunArise Insurance Company Ltd. Member, Agribusiness Advisory Board, Rabobank. Representative, Rice Industry Co-ordination Committee.

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.

BOARD OF DIRECTORS

Glen Andrezza

AdvDipAgr FAICD
Non-executive Director
Grower

Willbriggie rice grower. Director since 2011. Directors' Committees: Member, Finance and Audit; Grower Services; Safety Health and Environment. Mirrool Branch Alternate Delegate, Ricegrowers' Association of Australia Inc. Senior Deputy Captain, Kooba Rural Fire Service. Representative, Irrigation Research Extension Committee.

John Bradford

MAICD
Non-executive Director
Grower (Elected RMB Director)

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

Ian Glasson

BEng (Hons) MAICD
Non-executive Independent
Director

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

Noel Graham

MBA FAICD
Non-executive Director
Grower (Elected RMB Member)

Caldwell Grower. Director since 2001. Directors' Committees: Chairman, Grower Services; Rice Research and Development Technical Advisory Committee. 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 Ltd. 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; Rice Research and Development Technical Advisory Committee. Member, Rice Marketing Board for the State of NSW. Member, NSW Agricultural Consultative Committee to the Bureau of Meteorology. Named one of the Top 100 Women in Australian Agribusiness (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.

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; Nomination; Safety Health and Environment. Executive Chairman, GCM Corp Pty Ltd. Director, 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, Finance and Audit; Remuneration; Nomination. Chairman, Trukai Industries Limited (PNG). Director, Rice Industries Ltd and Murray Irrigation Ltd. Representative, Rice Industry Co-ordination Committee.

Leigh Vial

BAgrSci, MEd, PhD in Agronomy, GAICD
Non-executive Director
Grower

Moulamein Grower. Director since 2015. Directors' Committees: Member, Finance and Audit; Safety Health and Environment. Member, RIRDC Rice Research and Development Committee. Adjunct Fellow, University of Queensland. Former: 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 Viterria 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.

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 financial management roles across a number of industries and countries, including 13 years with Reckitt Benckiser in the USA, Europe and Australia/New Zealand, and prior to that at Dairy Farmers, Digital Equipment Corporation, Wellcome Pharmaceuticals and KPMG.

Simone Anderson

**DipFoodSc&Tech
General Manager, Integrated Supply Chain**

Simone joined SunRice in December 2014 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 Mondelez, Cadbury, Kraft and Arla Food Group across Australia, New Zealand and the UK.

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.

Stephen Forde

Chief Executive Officer, Riviana Foods Pty Ltd

Stephen joined Riviana Foods in October 2013 as CEO, bringing more than 24 years' strategic sales, marketing and general management experience in the FMCG industry. During his 20-year career with Reckitt Benckiser, he was Global Customer Director, UK and General Manager, New Zealand, and more recently, General Manager, New Zealand for Campbell Arnott's.

Tom Howard

**BAG Ec, MBA
General Manager AGS, Growers Services and Agronomic Development**

Tom joined SunRice in November 2015 and is responsible for the AGS network, Grower Services and Agronomic Development across the Riverina, North Queensland and Asia. Tom is a highly-experienced agribusiness manager with over 25 years' experience in international business and the domestic and international grains industry, having previously held senior positions with Emerald Grain (Sumitomo Corporation), the top 50 Irish company, UniPhar, and a leading Australian grains cooperative.

David Keldie

**BA
General Manager, Consumer Markets**

David joined SunRice in 2001 and is responsible for the Middle East, Asia, the Pacific, Solomon Islands, Australia, New Zealand and North Asia Tender Markets, as well as new product development and Jordan's Aqaba processing facility. With 25 years' experience in the FMCG sector, David is a Director of SunRice Singapore; Aqaba Processing Company Ltd; Trukai Industries Ltd (PNG); and Sunshine Rice Pty Ltd, and provides business development support for SunFoods (USA) and Trukai (PNG).

Allison Salmon

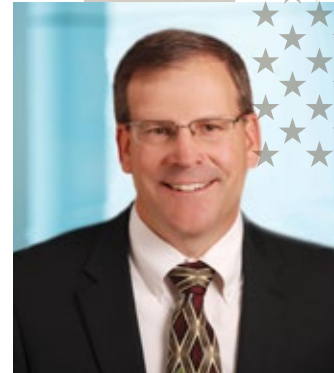
**BA-Psych
General Manager, People and Culture**

Allison joined SunRice in December 2015 and is responsible for driving the company's people and culture agenda. Having worked in human resources for 20 years, including leadership positions with IBM and Kimberly-Clark across Australia, the UK, Europe and Asia Pacific, Allison brings extensive experience in people management, talent development, leadership and culture.

Peter McKinney

**BComm (Marketing), GAICD
General Manager, CopRice**

Peter joined SunRice in January 2017, bringing extensive senior marketing and general management experience from roles with blue-chip consumer companies YUM Brands and George Weston Foods, in both the Quick Serve Restaurant and FMCG industries. Peter also previously held a senior management position at ASX-listed company Pacific Smiles Group.



Matt Alonso

**BSc (AgEngr), MBA
Chief Executive Officer, SunFoods LLC**

Matt joined SunFoods LLC in 2010 and is responsible for all aspects of the US business, from raw material procurement and plant operations, to domestic sales and marketing. With over 20 years' experience in the US agriculture and rice industries, Matt has previously worked for Pacific International Rice Mills and is a Board member of the California Rice Commission and the USA Rice Federation.



Greg Worthington-Eyre

**MBA
Chief Executive Officer, Trukai Industries Limited**

Greg joined Trukai in 2013 as Chief Executive Officer. Prior to this, he 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 has held numerous positions across Australia and Asia.

Pictured from left to right, front to back:
Rob Gordon, Allison Salmon, David Keldie,
Mandy Del Gigante, Simone Anderson, John Brennan,
Peter McKinney, Stephen Forde and Tom Howard.

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)**

At SunRice, we are committed to creating an inclusive and diverse workplace where all employees are given equal opportunity to succeed.

Our Inclusion and Diversity Strategy provides a framework for SunRice to achieve, amongst other things, a workforce

with diverse skills and experience, a workplace culture characterised by inclusive practices and behaviours, and improved employment and career development opportunities for women and men.

SunRice's inclusion and diversity strategies include:

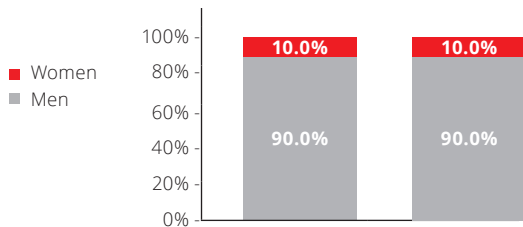
- recruiting from a diverse pool of candidates, including senior management and the Board;
- reviewing succession plans to ensure an appropriate focus on diversity;
- identifying specific factors to take into account during recruitment and selection processes to encourage diversity; and
- establishing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

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 31. Key points of note include:

1. The number of women on the SunRice Board and the proportion of female senior executives remained largely unchanged.
2. The proportion of women in senior management positions in Australia increased from 24.4% (April 2016) to 35.2% (April 2017). This 10.8% increase in female representation in senior management positions reflects a number of appointments of females into business-critical roles within the People & Culture, CopRice, Integrated Supply Chain, and Legal teams.
3. SunRice's enhanced recruitment practices have contributed to the female employee representation increasing by 0.8% from 31.9% (April 2016) to 32.7% (April 2017) across the Australian employee population.

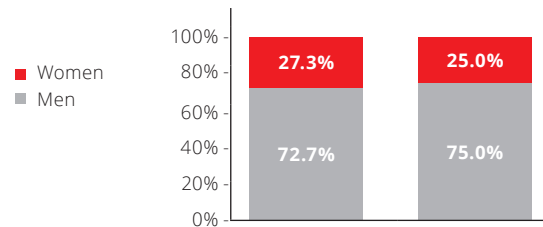
Compared to our peer group 'Food Product Manufacturing' (119 organisations), the representation of women in senior leadership at SunRice well surpasses our peers by 10.8%.

Proportion of women on the Board



	FY17	FY16
Women	10.00%	10.00%
Men	90.00%	90.00%
Number of Women	1	1
Number of Men	9	9

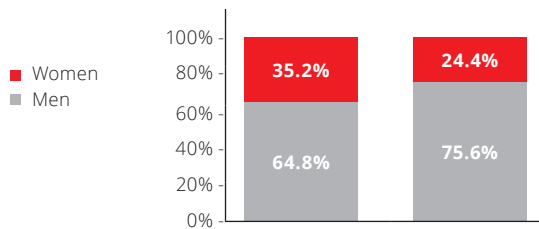
Proportion of women in senior executive positions in the Group¹



	FY17	FY16
Women	27.27%	25.00%
Men	72.73%	75.00%
Number of Women	3	3
Number of Men	8	9

¹ Senior Executive includes the Group CEO and other members of the Corporate Management Team and Subsidiary Company Heads.

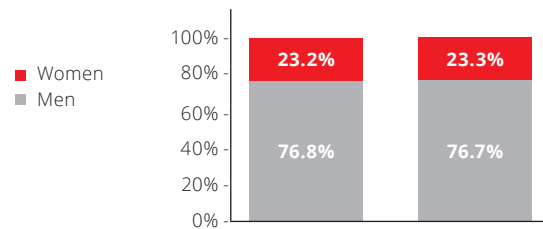
Proportion of women in senior management positions in Australia as reported in the Workplace Gender Equality Agency Report²



	FY17	FY16
Women	35.19%	24.44%
Men	64.81%	75.56%
Number of Women	19	11
Number of Men	35	34

² Senior Management includes Senior executives (as defined above) and their direct reports. The number of senior managers represents Australian based senior managers only.

Proportion of women employees across the Group



	FY17	FY16
Women	23.17%	23.30%
Men	76.83%	76.70%
Number of Women	510	495
Number of Men	1691	1628

The following assessment of achievements to date against the measurable objectives in FY17 demonstrates our ongoing commitment to inclusion and diversity.

FY17 Objective	Initiatives and Outcome
Increase the representation of women in senior management positions to 30% by FY18	<p>Increased Gender Balance</p> <ul style="list-style-type: none"> – During FY17, the proportion of women in senior management positions across Australia increased from 24.4% to 35.2%, exceeding the target of 30% and far exceeding the peer group benchmark of 24.4%. – The SunRice Group continues to report a much higher proportion of males to females i.e. 23.2% female to 76.8% male.
Increase the representation of women in Operations by partnering with the National Association of Women in Operations through individual development plans and sponsoring programs	<ul style="list-style-type: none"> – During FY17, the proportion of women in Operations increased by 3% from 27% to 30% overall. <p>National Association of Women in Operations (NAWO)</p> <ul style="list-style-type: none"> – Increase participation of NAWO by highlighting benefits across the Group to increase membership by 70%. – Hosted NAWO's inaugural regional event in Leeton – 'Cultivating Female Talent in the Riverina'. – Profiled SunRice female employees in regional job advertisements as a way of demonstrating to potential applicants that women are welcome in our operations/ maintenance business. <p>Rural Industries Research and Development Corporation Rural Women's Award</p> <ul style="list-style-type: none"> – Ongoing sponsorship of awards dinner enabling 12 women across the business to be inspired by rural women in our communities. <p>Jan Cathcart Memorial Scholarship Program</p> <ul style="list-style-type: none"> – Launched the 2017 Jan Cathcart Memorial 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. – Provided work experience opportunities for scholarship recipients in Finance Operations, Riviana Marketing and People & Culture in the Riverina.
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	<p>'Say it as you see it!' Engagement Survey</p> <ul style="list-style-type: none"> – Achieved a participation rate of 63% and an engagement score of 62%. – 57% agreed that 'SunRice is committed to creating an inclusive culture and I am given an equal opportunity to succeed' with only 13% indicating an unfavourable response. Sentiment was split evenly between males and females. – We also conducted a survey in Trukai with a focus on cultural intelligence of the expatriate leadership. – To further assess sentiment around inclusion we launched onboarding and exit interview surveys.
Cascade Inclusive Leadership Program across the Group to foster and harness diversity of thinking	<p>Build Your Leader Identity</p> <ul style="list-style-type: none"> – Cascaded Leader Identity program to 100 team leaders and team members in Integrated Supply Chain, which aims to unleash the leadership potential of every individual.

FY17 Objective

Initiatives and Outcome

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

Diversity Working Group

- Will launch Diversity Working Group to monitor inclusion and diversity program/initiatives to ensure these are effective and improving organisational, team and individual performance and wellbeing.
- Other initiatives focusing on development and education include:
- Partnered with FemiliPNG to support employees who have been victims of sexual or domestic violence.
 - Increased participation in the Courage: Inclusive Leadership in Action for senior leaders.
 - Participated in the National Aborigines and Islanders Day Observance Committee (NAIDOC) week celebrations.
 - Adopted a disability and employment initiative at our Brandon Mill.

Education of our leaders on the benefits of flexibility and why it needs fair application. Demonstrate more opportunities to say 'yes' to flexibility

Flexible Work Practices

- Developed guidelines to encourage flexibility for our male and female population.
- Principle based decision making which are aligned to the Workplace Gender Equality Agency.
- Educating our leaders and providing refresher programs with a specific lens on equal opportunity and unconscious bias when recruiting and during remuneration reviews.

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 FY18.

FY18 Measurable Objectives

For FY18, the proposed measurable objectives will be:

1. Continue to focus on increasing the representation of women in senior management positions by setting a target of 40% for FY18.
2. Cascade cultural intelligence workshops to educate our leaders on the benefits of diversity and working effectively together.
3. Deliver on action plans arising from our 'Say it as you see it!' engagement survey and cultural intelligence survey in Trukai so we can increase our inclusion engagement score by 10% (to 67%) and our flexibility score by 10% (to 65%) because we know that flexibility is a key enabler of inclusion and diversity.

Board Performance Evaluation (Recommendation 1.6)

SunRice has an established practice of annual performance review, covering the Board as a whole, Committees and individual director contributions. In 2016/7, this review was conducted by an independent third party with broad terms of reference including the role of the Board, composition, effectiveness of operations and opportunities for improvement.

All Directors and a number of members of the senior executive team participated in the review, as did selected key stakeholders. The review process involved online surveys, interviews and group discussions and also included an analysis and assessment of the governance of SunRice broadly.

The review concluded with a workshop for the Board to discuss and agree actions for improving the effectiveness of operations; suggested changes to various procedural matters; and recommending revised practices to facilitate full contribution from all Board members.

An action plan has been developed and has set priorities for the next 12 months and progress against agreed areas will be monitored. All non-executive directors participated in a full self and peer review process, which allowed for a comprehensive assessment of skills and a complementary development program tailored for individual needs.

The review results will allow SunRice to assess performance in 12 months time when the Board next conducts an internal evaluation.

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 two independent Directors 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.

As part of the Board performance review, work was performed on assessing the skills of the Board. Consistent with the Group strategy to build a commercially resilient and diversified business, the Board has a stated intention to replace one Grower Director with an External Director, as well as to continue to develop the skills of the current Board.

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 and Communications Policy is available on the company's website at www.sunrice.com.au.

Principle 6 - Respect the rights of security holders

The Continuous Disclosure and Communications Policy (Recommendations 6.1, 6.2, 6.3 and 6.4)

The company's communication policy promotes 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 Continuous Disclosure and Communications 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 reporting framework will be established and implemented 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 2022. 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 2022.

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 two independent Directors 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 directors' report, which is not part of the financial report.

The financial report was authorised for issue by the directors on 22 June 2017.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as Sunrice or the Group) consisting of Ricegrowers Limited and the entities it controlled at the end of, or during the year ended, 30 April 2017.

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
J Bradford
I Glasson

2. Company Secretaries

Mandy Del Gigante
John Brennan (appointed 27 April 2017)

3. Principal activities

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

4. Consolidated entity result

The net profit of the Group for the period after income tax and after non-controlling interests was \$34,201,000 (2016: \$49,077,000).

5. Review of operations

SunRice's consolidated revenue for the Group in FY17 was \$1,113 million, a 12% decrease compared to the previous year (FY16) and Net profit after tax (NPAT) was \$34.2 million, a 34% decrease compared to the previous year. Financial results were driven by a combination of several external factors that included: the lower Riverina rice crop; lower medium grain rice prices due to increased global production and stockpile levels; negative macroeconomic trends in key SunRice markets; and weaker trading conditions experienced by CopRice and Riviana.

Rice Pool business

In line with the smaller crop, Rice Pool revenue was down by 41% and the business experienced a loss of \$32.5 million. The C16 Riverina crop was placed in key premium markets (ANZ, Middle East and Asia) where SunRice brands command strong prices that assist in insulating the broader business from difficult trading conditions. The Rice Pool paid growers a guaranteed fixed price of \$415 per tonne for medium grain (Reiziq) which was implemented to encourage rice production when water availability was low.

International Rice business

International Rice's net profit before tax (NPBT) declined by 24%. Increased globally traded volumes and a return to profitability by SunFoods were largely offset by challenging economic and trading conditions across several key markets.

International Rice secured a total of 500,000 paddy tonnes from international sources and successfully filled the supply shortfall caused by the C16 Riverina crop, which represented less than a quarter of the total demand for SunRice products. During the year, the business accelerated the establishment of a new supply chain in Vietnam, which supplied 320,000 paddy tonnes, and the business also sourced around 115,000 paddy tonnes from the US.

SunFoods recorded a 61% uplift in total revenue and returned to profitability during the year. SunFoods has reconfigured its operations and returned to its role of supplying SunRice's global markets through a mix of packaging to supply branded products and bulk rice handling.

Trukai was significantly impacted by PNG's weak and unstable economy, with revenue down by 26%. PNG's macroeconomic weakness was driven by falling commodity prices, high unemployment, and a series of natural disasters that caused crops to fail and lowered overall income levels across the country.

Rice Food business

Improved volumes and revenue, combined with increased manufacturing efficiencies, resulted in a considerable profit uplift of \$7.4 million. Most notably, Rice Cakes experienced positive manufacturing performance and cost savings. Microwave Rice also experienced continued strong sales growth of 16% in the Australian market during the year. Ready-to-go-Meal's performance was relatively flat across most markets following a rationalisation of the range. Despite this, SunRice still commands 54% of market share in Australia. In FY17, Rice Food commenced internationalising its domestic portfolio, launching Mini Bites in Asia and the Pacific, and Rice Chips in the Middle East.

CopRice

CopRice NPBT declined by \$6.95 million. A significantly reduced demand for supplementary feed across most segments of the market severely affected the performance of Direct-to-Farm business during the year. There were two primary drivers to reduced demand: the dairy industry experienced sharply depressed market conditions; and favourable weather conditions generated exceptional pasture levels, which undermined the broader need to acquire supplementary stockfeed.

The Petcare business continued to deliver year-on-year volume growth in key dog and cat segments.

Riviana

Riviana NPBT declined by \$4.7 million. External factors, including mining sector contraction, foodservice industry consolidation, retail pricing pressure and private label growth negatively impacted volumes during the year. The business also faced continued pressure from a fourth year of currency depreciation that impacted margins. Despite challenging market conditions, Riviana invested in a full relaunch of its Always Fresh range, including traditional and digital marketing campaigns.

Riviana also acquired Fehlbergs Fine Foods, which ranges quality products in Australian supermarkets, and the integration of this business was completed ahead of schedule.

Corporate

Net profit before tax (NPBT) increased by \$12.1 million mainly driven by a 'one-off' item following the acquisition of the minority shareholders in SunFoods, lower proposed Capital Restructure costs and employee incentive costs, partially offset by lower brand charge due to lower Riverina rice sales.

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 Financial Report.

7. Events subsequent to the balance sheet date

On 22 June 2017 the Directors have recommended the payment of a fully franked final dividend of 33 cents per share. The aggregated amount of the proposed dividend not recognised as a liability at year end is \$18,401,589.

The Board has also resolved to reactivate the Dividend Reinvestment Plan (DRP) allowing the B Class shareholders to elect for the payment of their dividend in B Class shares.

The Directors are not aware of any other matter or circumstance, since the end of the financial year, not otherwise dealt with in the financial 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

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 NSW Environmental Planning and Assessment Act 1979 and Victorian Environmental Protection Act 1970; and
- Compliance with Protection of the NSW Environment Operations Act 1997, the NSW Environmentally Hazardous Chemicals Act 1985 and the Waste Avoidance, NSW 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 FY16.

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

Pollution reduction Programs were completed for licenced facilities at Leeton SunRice Mill and Leeton CopRice Mill.

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 Australian 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 424,349 gigajoules of energy and calculated emissions of 68,461 tonnes of CO₂ were reported for the reporting period against 543,226 gigajoules and 99,274 tonnes of CO₂ respectively in FY16.

A reduction of 38% emissions per dollar turnover is attributed to the lower Australian crop tonnages.

10. Paddy supply

The paddy supply for FY18 from Riverina rice growers is expected to be approximately 800,000 tonnes (FY17 244,184 tonnes).

11. Top Ten Shareholders

The following table represents the top ten shareholders as at 30 April 2017.

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	368,479
10	Mr NG and Mrs KJ Lamond	330,980

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

12. Directors' and company secretaries qualifications

Laurie Arthur

BAGSc GAICD

Chairman

Non-executive Director

Grower

Moulamein Grower. Director since 2007. Chairman since 2014. Directors' Committees: Chairman, Remuneration; and Nomination. Director, Aqaba Processing Company Ltd (Jordan). Representative, Rice Industry Co-ordination Committee. Former President of the Ricegrowers' Association of Australia and National Water Commission.

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); Singapore PTE Limited, Australian Grain Storage Pty Ltd; SunRice Australia Pty Ltd; Silica Resources Pty Ltd; SunArise Insurance Company Ltd. Member, Agribusiness Advisory Board, Rabobank. Representative, Rice Industry Co-ordination Committee. 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.

Glen Andreazza

AdvDipAgr FAICD

Non-executive Director

Grower

Willbriggie rice grower. Director since 2011. Directors' Committees: Member, Finance and Audit; Grower Services; Safety Health and Environment. Mirrool Branch Alternate Delegate, Ricegrowers' Association of Australia Inc. Senior Deputy Captain, Kooba Rural Fire Service. Representative, Irrigation Research Extension Committee.

John Bradford

MAICD
Non-executive Director
Grower (Elected RMB Director)

Mayrunga Grower. Director since 2015. Directors' Committees: Member, Grower Services; Rice Research and Development Technical Advisory Committee. Director, Trukai Industries Ltd (PNG); Murray Irrigation Limited. Member, Rice Marketing Board for the State of NSW. Delegate, National Irrigators' Council; Deniliquin Branch Ricegrowers' Association of Australia Inc. Alternate Delegate, Former Chairman, Southern Riverina Irrigators. Delegate, West Berrinquin Landholders Association.

Ian Glasson

BEng (Hons) MAICD
Non-executive Independent
Director

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

Noel Graham

MBA FAICD
Non-executive Director
Grower (Elected RMB Member)

Caldwell Grower. Director since 2001. Directors' Committees: Chairman, Grower Services; Rice Research and Development Technical Advisory Committee. 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 Ltd. 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; Rice Research and Development Technical Advisory Committee. Member, Rice Marketing Board for the State of NSW. Member, NSW Agricultural Consultative Committee to the Bureau of Meteorology. Named one of the Top 100 Women in Australian Agribusiness (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.

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; Nomination; Safety Health and Environment. Executive Chairman, GCM Corp Pty Ltd. Director, 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, Finance and Audit; Remuneration; Nomination. Chairman, Trukai Industries Limited (PNG) and Murray Irrigation Ltd. Director, Rice Industries Ltd. Representative, Rice Industry Co-ordination Committee.

Leigh Vial

B. Agr.Sci., M.Ec., PhD in Agronomy,
GAICD
Non-executive Director
Grower

Moulamein Grower. Director since 2015. Directors' Committees: Member, Finance and Audit; Safety Health and Environment. Member, RIRDC Rice Research and Development Committee. Adjunct Fellow, University of Queensland. Former: Head of International Rice Research Institute's Experiment Station.

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 financial management roles across a number of industries and countries, including 13 years with Reckitt Benckiser in the USA, Europe and Australia/New Zealand, and prior to that at Dairy Farmers, Digital Equipment Corporation, Wellcome Pharmaceuticals and KPMG.

13. Directors' interests in shares

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

	2017		2016	
	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	2	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	2	104,570
J Bradford	2	30,663	2	30,663

R Gordon and I Glasson do not hold any shares.

14. Directors' meetings

	Board		Finance & Audit Committee		Grower Services Committee		Remuneration Committee		Nomination Committee		Safety, Health & Environment Committee	
	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible
LJ Arthur	17	17	-	-	2	2	4	4	4	4	-	-
NG Graham	15	17	3	3	4	4	3	3	3	3	-	-
G Andrezza	17	17	1	1	4	4	-	-	-	-	4	4
R Gordon	17	17	4	4	-	-	4	4	4	4	4	4
GL Kirkup	17	17	4	4	-	-	-	-	-	-	4	4
GF Latta AM	15	17	4	4	1	1	4	4	4	4	4	4
DM Robertson	16	17	-	-	-	-	1	1	2	2	3	3
LK Vial	17	17	4	4	-	-	-	-	-	-	1	1
J Bradford	17	17	-	-	4	4	-	-	-	-	-	-
I Glasson	16	17	3	3	-	-	1	1	2	2	-	-

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

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. 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 38 of the financial statements.

18. Remuneration report (audited)

Executive Summary

At Ricegrowers Limited, our remuneration strategy is designed to create value for our shareholders by aligning the total rewards strategy to the achievement of business goals. A revised philosophy and strategy was implemented in April 2017 and provides a more holistic view of Rewards at Ricegrowers Limited.

The Rewards Philosophy will underpin the strategy over the coming years and guide decision making, whilst evolving with the changing organisation and priorities.

Rewards Philosophy

At SunRice,

- We attract, motivate, engage and retain talented employees who deliver on our strategic goals and that of our shareholders, rice growers, and the communities in which we operate
- We meaningfully differentiate reward based on individual performance and behaviours, team contribution, cross-functional contribution, network collaboration, business and grower mindset, company affordability and market positioning
- We offer competitive Total Packages, aligned with a globally consistent framework, yet adapted to changing business conditions
- Our value proposition across our diverse workforce is unique with opportunities being an Australian owned, global organization
- Our strategy is underpinned by fairness and consistency in our approach and we aim to be at the forefront of our competitors
- We care for our employees and provide opportunities to strengthen their health and well-being
- We retain and develop key talent who deliver on SunRice's long term strategy and who demonstrate career potential in areas critical to our long term strategy
- We recognise employees who Make a Difference

To be the best, we employ the best, and retain the best to support our Positive, Inclusive and Accountable culture.

A year in review

FY17 has been a challenging year across the Group, with consolidated revenue of \$1,113 million, down 12.4% year-on-year. Net profit before tax was \$40.3 million down 44.9% year-on-year, and net profit after tax was \$34.2 million down 34.2% year-on-year.

The Board are pleased with the achievements despite the challenges faced both nationally and internationally, and the results reflect a significant contribution from all employees. Moving forward the challenges and outcomes have put Ricegrowers Limited in a more sustainable position for the long term growth of the organisation.

During this financial year, the Board undertook a review of the Corporate Management Team's remuneration as well as a review of the Boards remuneration. Due consideration was given to the year-on-year performance achievements of the business along with a comprehensive independent market benchmarking exercise. Remuneration market adjustment were made to ensure the Fixed Annual Remuneration of our executives and Board were in line with peer groups and reflective of the business that Ricegrowers Limited is today.

This Remuneration Report has been audited and 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

Performance Results

	2013	2014	2015	2016	2017
Group NPBT \$000s ¹	57,347	54,039	70,650	73,172	40,289
Medium Grain Paddy Price (\$/t)	317	294	394.62	403.6	415
Earnings per Share (cents)	57.9	53.3	77.9	88.0	61.3
Return on Capital Employed (%) ³	13.6%	14.1%	15.8%	15.1%	10.3%
Dividend (cents per B Class Share)	23.0	23.0	31.0	33.0	33.0
Average STI payment as a % of Maximum STI opportunity for Key Management Personnel ²	86.0%	91.4%	73.8%	83.7%	26.7%

1. The NPBT used to evaluate performance includes key adjustments.
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.

1. Overview

The Directors are pleased to provide shareholders with this Remuneration Report for the year ended 30 April 2017, 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) 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 for FY2017 as defined under the Australian Accounting Standards.

The Key Management Personnel of the Group for the year ended 30 April 2017 were:

Name	Position
A) Current Directors (including the Executive Director)	
LJ Arthur	Non- Executive Director and Chairman
NG Graham	Non- Executive Director
GA Andrezza	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
JMJ Bradford	Non- Executive Director
ID Glasson	Non- Executive Director (Independent)
B) Current Executives	
JH Brennan	Chief Financial Officer
M Bazley (ceased as KMP on 31 December 2016)	General Manager, International Commodity & Trading
D Keldie	General Manager, Consumer Markets

3. Remuneration Governance at Ricegrowers Limited

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 Deloitte, together with Inveniam to undertake an exercise to develop a Long Term Incentive Program (together with Performance Hurdles) as well as an Employee Share Scheme proposal. This project is still in progress and will be presented to the Board in the 2017/18 reporting period. They provided advice on options for consideration aligned with market practice. They did not provide "remuneration recommendations" for the purposes of the Corporations Act.

The Board also approved Heron Partners to undertake a Superannuation Tender to review the current default superannuation arrangements for all employees in Australia. This project is also currently still in progress and will be finalised and the outcomes communicated during the 2017/18 reporting period.

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 has been refreshed during the current reporting period to align with the transformation journey of the Company's strategy to deliver growth and build on what has already been achieved at SunRice. It 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 in place for the reporting period and is 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

- Substantially increase annual revenue within the next 10 years
- Maintain or improve return on capital employed (ROCE)
- Maximise paddy price by optimising market, channel and varietal mix
- Achieve top quartile, year on year profitability

Total Fixed Remuneration (TFR)

Remuneration Framework for the FY17 reporting period

Total Fixed Remuneration is set at a competitive level to attract retain and maintain engagement at all levels, with superior offerings for our key talent and employees considered critical to the long term growth of the company. Remuneration takes into consideration:

- size and complexity of the role
- skills and competencies needed to generate results
- Internal and external alignment
- Performance of the Company, and individual
- Succession planning and retention

In some circumstances, the local economic and market conditions may require further refined positioning compared to the market.

Variable 'at risk' remuneration

Short Term Incentive (STI)

Aligned to the achievement of Ricegrowers Limited's business objectives measured over the short term.

Financial and non-financial KPIs based on performance goals consisting of:

- Maximising net profit across the Group and within each Business Unit or Subsidiary.
- Measuring Net Working Capital across the Group
- The achievement of Safety, Health and Environment targets.
- Individual performance aligned with the performance management philosophy of measuring both the 'what' and 'how'.

Long Term Incentive (LTI)

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.

Reward Strategy

New initiatives and adjustments to the remuneration framework will be implemented in the upcoming financial year to support the revised Reward Strategy:

- Deliver on our Rewards Philosophy and Total Rewards Strategy whilst supporting the Group with achieving our SunRice strategic goals
- Build great foundations for leaders to have the knowledge, processes and tools to make informed Rewards decisions
- Flex our strategic offer as required to the ever changing workforce
- Consider opportunities for Thought Leadership whilst aligning the financial interests of executives and shareholders
- Ensure our strategy balances risk and reward to deliver ongoing company sustainability and growth
- At all times, embed our values, in "what" we do and "how" we do it

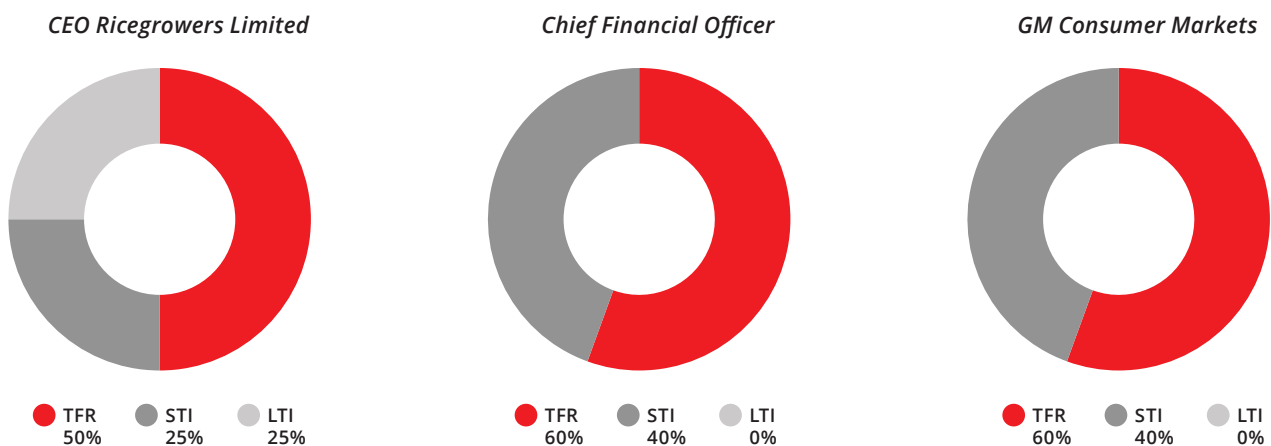
The Strategy will be delivered across all aspects of our SunRice Total Rewards Offer including: Remuneration, Incentives, Benefits, Health and Well-being, Recognition and Career Paths.

The Total Rewards offers aims to provide a competitive offer across all aspects of Total Rewards, inclusive of all life stages and accommodating of a diverse workforce.



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 as at the end of the FY17 reporting period are expressed as a percentage of total target reward, as follows:



4.2. Total Fixed Remuneration

Total Fixed Remuneration includes base salary, 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 (where applicable).

The company's remuneration policy is to offer competitive Total Fixed Remuneration and utilise 'at risk' variable pay to reward outstanding performance and contribution.

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

- I. Relative size and complexity of the role
- II. Skills and competencies needed to generate results
- III. Sustained contribution to the team and organisation performance
- IV. The value of the role and contribution of the individual in the context of the external market
- V. Strategic planning including succession and retention of corporate knowledge, or critical skills required for long term strategic organization direction

The remuneration offer for employees targetted as our "talent group" will be at a more attractive remuneration position as part of the Total Rewards Philosophy, including career development opportunities where appropriate nationally and/or internationally.

4.3. Short-Term Incentive (STI) 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	<ol style="list-style-type: none"> To support Ricegrowers Limited strategic goals by rewarding executives for the achievement of objectives directly linked to the business strategy. Drive Company performance with acceptable risk and appropriate governance 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 TFR for CFO and GM Consumer Markets;	Maximum: 50% TFR for CFO and GM Consumer Markets																									
Performance Period	1 May 2016 to 30 April 2017																										
Gateway	Threshold Group NPBT (after applying a fixed paddy price) of 95% target must be achieved before any STI may be paid.																										
Assessment of performance	<p>Each period, KPIs are selected using a scorecard approach of both financial and non-financial measures of performance.</p> <p>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 2017 were:</p> <table border="1"> <thead> <tr> <th></th> <th>Weighting</th> <th>Link to strategy</th> <th>Detail</th> </tr> </thead> <tbody> <tr> <td>Group Net Profit Before Tax</td> <td>25%-40%</td> <td>Strong financial growth will lead to sustainable returns to shareholders.</td> <td>Awarded on a stepped scale approach 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>Group Net Working Capital</td> <td>10%</td> <td>Strong financial position to enable long term growth and sustainability</td> <td>A Group wide Net working Capital target is set (at which point 100% is awarded) up to Stretch Target (at which point 125% is awarded)</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 in 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> <tr> <td>Individual</td> <td>25% - 40%</td> <td>The continuous development of our leadership team is imperative to ensuring the Group continues to adapt to strategic challenges.</td> <td>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.</td> </tr> </tbody> </table>				Weighting	Link to strategy	Detail	Group Net Profit Before Tax	25%-40%	Strong financial growth will lead to sustainable returns to shareholders.	Awarded on a stepped scale approach 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.	Group Net Working Capital	10%	Strong financial position to enable long term growth and sustainability	A Group wide Net working Capital target is set (at which point 100% is awarded) up to Stretch Target (at which point 125% is awarded)	Business Unit - Safety, Health & Environment (SHE)	10%	SunRice is committed to achieving Zero Harm. Achieving this goal is important in 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.	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.
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Assessment	The Remuneration Committee reviews and approves the performance assessment and STI payments for the executives.																										

4.5 FY17 CEO STI Plan

The CEO participates in a cash settled STI plan. The CEO's target STI opportunity is 50% of TFR and may increase to 58% of TFR where stretch performance outcomes for the year have been achieved. Stretch STI payments are not available for the FY17 reporting period. 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 CEO's KPIs, relative weighting and key achievements for FY17 are outlined below:

Objective	Rationale link to strategy	STI Measurement	Target Value	Total Value Percentage	FY17 Achievement Value	FY17 Achievement Percentage
#1 Maximise Grower Returns	Achieve fixed paddy price to ensure sustainable returns for shareholders	Fixed paddy price per tonne	\$125,400	20%	\$125,400	100%
#2 Maximise Group Net Profit After Tax (NPAT)	Strong financial growth will lead to sustainable returns to shareholders.	Group NPAT	\$125,400	20%	\$0	0%
#3 Ensure the Welfare and Safety of our People	Creating a safe workplace is essential to ensure sustainable business performance	Reduction in SunRice Group's Lost Time Injury Severity Rate (LTISR) and Lead indicators	\$62,700	10%	\$62,700	100%
#4 Grower Services, Agronomy and Sourcing Capability	An enhanced agronomic and supply capability will enable the Company to achieve quality, cost-effective international rice sources	Various KPIs. Determined by the Board	\$156,750	25%	\$156,750	100%
#5 Critical Strategic Business Priorities	Achieving strategic priorities will ensure a long term sustainable organisation	Various KPIs. Determined by the Board	\$156,750	25%	\$156,750	100%
			\$627,000	100%	\$501,600	80%

4.6 FY17 STI Outcomes

KMP	Target STI opportunity	As a % of TFR	STI Outcome	% Achieved	% Forfeited
CEO	\$627,000	50%	\$501,600	80%	20%
CFO	\$236,808	40%	48,546	20.5%	79.5%
General Manager – Consumer Markets	\$185,546	40%	85,583	46.1%	53.9%

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 for the FY17 reporting period. The participation in an LTI incentive plan will be considered in FY18 for a broader group.

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	<p>The Board have selected the following performance measures to ensure that the CEOs remuneration are aligned with increased shareholder value and growers interests.</p> <ul style="list-style-type: none"> • 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 Group's 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.
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.
Termination	The Board retains discretion to cancel any unpaid, unvested or deferred LTI in part or in full in the event of financial misstatements.

5. Remuneration tables

Name	Short term benefits			Post-employment benefits	Termination Benefit	Share-based payments	Other long-term benefits ¹	Total Paid and Payable
	Cash Salary and fees	Cash Bonus	Non-Monetary Benefits ²	Super-annuation				
	\$	\$	\$	\$	\$	\$	\$	\$
R Gordon								
2017	1,219,000	501,600	9,272	35,000	-	-	296,417	2,061,289
2016	1,162,667	630,000	8,808	37,333	-	-	630,000	2,468,808
J Brennan								
2017	556,239	48,546	9,272	35,781	-	-	-	649,838
2016	534,376	257,400	8,808	37,624	-	-	-	838,208
M Bazley³								
2017	264,197	-	-	13,026	-	-	-	277,223
2016	396,052	107,909	-	19,782	-	-	-	523,743
D Keldie								
2017 ⁴	441,366	85,583	9,272	25,000	-	-	-	561,221
2016	418,891	203,746	8,808	25,000	-	-	-	656,445
Former Executives								
G Woods^{5&6}								
2017	-	-	-	-	-	-	-	-
2016	153,479	-	50,186	28,676	269,980	-	-	502,321

1. In accordance with accounting standards, the Ricegrowers 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 second 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. M Bazley ceased as KMP on 31 December 2016.
4. D Keldie remuneration includes an allowance for additional duties effective from 1 March 2017 for a period of 6 months.
5. G Woods ceased employment on 12 November 2015.
6. The Cash bonus for G Woods reflect pro-rated amount based on length of service during the year.

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

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.

6.1. Non-Executive Director (NEDs) Remuneration Fees

In setting remuneration, the Remuneration Committee undertakes an annual process to ensure:

- Remuneration is reflective of the market;
- Financial interests of executives and shareholders are aligned.

During the reporting period, the Remuneration Committee completed a review of the fees, specifically for the NEDs based on an independent market analysis conducted by AON Hewitt during the 2015/16 period.

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

- Ricegrowers Limited Board fees were below all comparator groups at the bottom quartile
- The number of regular meetings were aligned to the comparator group at the median
- There are more Board members compared to the comparator group
- Overall fee pool for the organization size is between the 25th percentile and median of the comparator group.

Consequently, the above factors results in a low fee compared to the comparator groups. A higher than average adjustment (4%) was applied to the Chairman's Fees on the basis that the Chairman's fees were below the 25th percentile, effective 1 January 2017. All other fees were reviewed in line with the annual review process as the above factors were deemed to be suitable for the ideal Board composition for Ricegrowers Limited. All remaining fees were increased by 3.1% effective 1 January 2017.

6.2. 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 \$909,921 (utilising 82.7% 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.

6.3. Directors 2017 fee structure

The Directors' fees (excluding superannuation) for FY17 are set out in the table below.

	Chair fee \$	Member fee \$
Board	166,842	71,494
Finance and Audit Committee	14,939	7,470
Remuneration Committee	7,470	3,735
Grower Services Committee	7,470	3,735
Safety Health and Environment Committee	7,470	3,735
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 \$10,025 (Kina 25,000), and Mr Bradford received \$8,020 (Kina 20,000).

6.4. 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.

Current Directors	Cash Salary and fees \$	Cash Salary and fees Other Controlled Entities \$	Post-employment benefits	Total
			Superannuation \$	\$
LJ Arthur				
2017	166,842		15,850	182,692
2016	160,425	5,360	15,240	181,025
NG Graham				
2017	86,434		8,211	94,645
2016	95,738		9,095	104,833
GA Andreazza				
2017	81,455		7,738	89,193
2016	76,591		7,276	83,867
GL Kirkup				
2017	86,434		8,211	94,645
2016	86,250	2,415	8,423	97,088
GF Latta				
2017	96,395		9,157	105,552
2016	94,704		8,997	103,701
DM Robertson				
2017	75,230	10,025	7,146	92,401
2016	75,383	14,117	7,391	96,891
JMJ Bradford				
2017	75,230	8,020	7,147	90,397
2016	48,538	4,001	4,611	57,150
LK Vial				
2017	80,209		7,620	87,829
2016	50,571		4,804	55,375
ID Glasson¹				
2017	82,748		7,861	90,609
2016	12,383		1,176	13,559

1. I Glasson total 2017 fees include a back pay of \$1,417 related to committee fees from 25 February 2016 to 30 April 2017. I Glasson joined F&A Committee effective 25 February 2017.

Former Directors	Cash Salary and fees \$	Cash Salary and fees Other Controlled Entities \$	Post-employment benefits Superannuation \$	Total \$
P M Margin				
2017	-	-	-	-
2016	25,949	2,243	2,678	30,870
AD Walsh				
2017	-	-	-	-
2016	25,530	1,122	2,532	29,184

Service Agreements

During 2016, the CEO's contract was due for renewal. An ongoing contract has been issued dated 8 September 2016 with a termination period of 6 months if initiated by the CEO. The employment contract is capable of termination by the Company on 12 months' written notice.

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 ¹	Rolling contract with no fixed end date	6 months
J Brennan, Chief Financial Officer	Rolling contract with no fixed end date	6 months
D Keldie, General Manager – Consumer Markets	Rolling contract with no fixed end date	3 months

1. R Gordon was issued a rolling contract dated 8 September 2016.

Share holdings

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

Director	Held at 30 April 2017			Held at 1 May 2016	
	A Class Shares	B Class Shares	Net Change in period	A Class Shares	B Class Shares
LJ Arthur	1	233,818	0	1	233,818
NG Graham	1	100,897	0	1	100,897
GA Andrezza	2	80,279	1	1	80,279
GL Kirkup	1	67,424	0	1	67,424
GF Latta AM	-	29,838	0	-	29,838
DM Robertson	1	224,539	0	1	224,539
LK Vial	2	104,570	0	2	104,570
J Bradford	2	30,663	0	2	30,663

R Gordon and I Glasson do not hold any shares.

Other Key Management Personnel	2017 B Class Shares	2016 B Class Shares
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.

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	2017	2016
Ricegrowers Limited	886,822	886,821

Transactions with Directors and other Key Management Personnel

Transaction type and class of other party	2017 \$000's	2016 \$000's
Purchases of rice from Directors	4,477	4,503
Sale of inputs to Directors	165	49
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 2016 AGM held on 25 August 2016 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 auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 61.

20. Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument 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
22 June 2017

R Gordon
Director

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 62 to 115 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian 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 2017 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 39 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 39.

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
22 June 2017



R Gordon
Director

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Ricegrowers Limited for the year ended 30 April 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) 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
22 June 2017

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Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2017

	Note	2017 \$'000	2016 \$'000
Sales revenue	6	1,109,266	1,265,908
Other revenue	6	3,549	4,244
Revenue from continuing operations		1,112,815	1,270,152
Other income	7	38	26
Impairment of assets	5	(3,223)	(23)
Changes in inventories of finished goods		(30,016)	13,127
Raw materials and consumables used		(676,613)	(774,437)
Freight and distribution expenses		(97,307)	(140,947)
Employee benefits expenses		(122,015)	(122,365)
Depreciation and amortisation expenses	8	(21,451)	(22,086)
Finance costs		(10,921)	(12,911)
Other expenses	8	(111,057)	(137,425)
Share of net profit of associate accounted for using the equity method	14	39	61
Profit before income tax		40,289	73,172
Income tax expense	9	(6,053)	(21,170)
Profit for the year		34,236	52,002
Profit for the year is attributable to:			
Ricegrowers Limited shareholders	24	34,201	49,077
Non-controlling interests		35	2,925
		34,236	52,002
Earnings per share for profit attributable to B Class Shareholders			
Basic and diluted earnings (cents per share)	32	61.3	88.0

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 2017

	Note	2017 \$'000	2016 \$'000
<hr/>			
Profit for the year		34,236	52,002
<hr/>			
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges	24	3,532	(1,843)
Exchange differences on translation of foreign operations	24	986	(9,842)
Income tax relating to items of other comprehensive income	24	(1,060)	553
Other comprehensive income for the year, net of tax		3,458	(11,132)
Total comprehensive income for the year		37,694	40,870
<hr/>			
Total comprehensive income for the year is attributable to:			
Ricegrowers Limited shareholders		37,373	41,087
Non-controlling interests		321	(217)
		37,694	40,870

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

CONSOLIDATED BALANCE SHEET

AS AT 30 APRIL 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	10	59,978	120,117
Receivables	11	123,076	144,092
Inventories	12	371,572	453,521
Current tax receivable		8,175	-
Derivative financial instruments	13	466	-
Total current assets		563,267	717,730
Non-current assets			
Other financial assets		43	47
Property, plant and equipment	15	217,977	217,966
Investment properties	17	1,150	1,150
Intangibles	16	9,064	8,831
Deferred tax assets	18	17,251	23,171
Investments accounted for using the equity method	14	1,750	1,684
Total non-current assets		247,235	252,849
Total assets		810,502	970,579
Current liabilities			
Payables	19	101,498	119,270
Amounts payable to Riverina Rice Growers	19	114,361	97,991
Borrowings	20	65,817	218,007
Current tax liabilities		830	22,249
Provisions	21	16,823	22,466
Derivative financial instruments	13	1,306	3,123
Total current liabilities		300,635	483,106
Non current liabilities			
Payables	19	1,871	1,834
Amounts payable to Riverina Rice Growers	19	20,387	13,242
Borrowings	20	79,061	79,550
Provisions	21	3,673	2,619
Total non-current liabilities		104,992	97,245
Total liabilities		405,627	580,351
Net assets		404,875	390,228
Equity			
Contributed equity	23	107,819	107,819
Reserves	24	4,641	9,425
Retained profits	24	269,632	253,833
Capital & resources attributable to Ricegrowers Limited shareholders		382,092	371,077
Non-controlling interests		22,783	19,151
Total equity		404,875	390,228

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 2017

Attributable to Ricegrowers Limited shareholders

	Contributed equity \$000's	Reserves \$000's	Retained Profits \$000's	Total \$000's	Non- controlling interests \$000's	Total Equity \$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)
Balance as at 30 April 2016	107,819	9,425	253,833	371,077	19,151	390,228
Balance as at 1 May 2016	107,819	9,425	253,833	371,077	19,151	390,228
Profit for the year	-	-	34,201	34,201	35	34,236
Other comprehensive income	-	3,172	-	3,172	286	3,458
Total comprehensive income for the year	-	3,172	34,201	37,373	321	37,694
Transactions with owners in their capacity as owners:						
Transaction with non-controlling interests	-	(7,956)	-	(7,956)	3,311	(4,645)
Dividends paid	-	-	(18,402)	(18,402)	-	(18,402)
	-	(7,956)	(18,402)	(26,358)	3,311	(23,047)
Balance as at 30 April 2017	107,819	4,641	269,632	382,092	22,783	404,875

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 2017

	Note	2017 \$000's	2016 \$000's
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,131,466	1,298,957
Payments to suppliers (inclusive of goods and services tax)		(606,982)	(803,224)
Payments to Riverina Rice Growers		(219,134)	(303,064)
Payments of wages, salaries and on-costs		(122,541)	(122,747)
Interest received		581	586
Interest paid		(11,029)	(12,900)
Income taxes paid		(30,583)	(28,932)
Net cash inflow from operating activities	31	141,778	28,676
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(21,919)	(24,301)
Proceeds from sale of property, plant and equipment		243	278
Payment for acquisition of business	36	(2,600)	-
Net cash outflow from investing activities		(24,276)	(24,023)
Cash flows from financing activities			
Proceeds from borrowings		177,781	307,389
Repayment of borrowings		(335,000)	(234,093)
Repayment of finance leases		(624)	(491)
RMB equity redemptions	19	(4,425)	(1,290)
Transaction with Non-Controlling Interests		(4,645)	-
Dividends paid to company's shareholders		(18,402)	(14,498)
Net cash (outflow)/inflow from financing activities		(185,315)	57,017
Net (decrease)/increase in cash and cash equivalents		(67,813)	61,670
Cash and cash equivalents at the beginning of the financial year		115,067	65,403
Effect of exchange rate changes on cash and cash equivalents		2,626	(12,006)
Cash and cash equivalents at end of year	10	49,880	115,067

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2017

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 controlled entities.

(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 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 its annual reporting period commencing 1 May 2016.

AASB 2015-1 Amendments to Australian Accounting Standards

Amendments to clarify minor points in various accounting standards, including AASB 5, AASB 7, AASB 119 and AASB 134. 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.

AASB 2015-2 Amendments to AASB 101

These amendments clarify guidance principally on materiality, aggregation and the disclosures of accounting policies. 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.

Other amendments to accounting standards are also applicable from 1 May 2016 but are not relevant to Ricegrowers Limited.

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 subsidiaries 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.

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

(iii) Change in ownership interests without change in control

The Group treats transactions with non-controlling interests that do not result in a loss or gain of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the consideration paid or received is recognised in a separate reserve account within equity attributable to owners of Ricegrowers Limited.

(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 consolidated 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.

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.

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.

(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 consolidated 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 consolidated 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 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 consolidated 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 comprise the next financial year's pool payments where paddy rice for next year's 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.

Grower payables 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.

(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 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 the consolidated income statement.

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 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 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.

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 are 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 consolidated 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 include 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.

(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 consolidated 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. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

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

(t) Business Combinations

The acquisition 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 comprises the fair value of the assets acquired, 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 measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. 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 consolidated 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 reliably be 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.

(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 consolidated 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) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(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 potential dilutive B Class shares.

(ab) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 April 2017 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 Group.

(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 application of AASB 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Management is currently assessing the impact of the new rules and more specifically the treatment of freight. In numerous cases the Group is responsible for delivering the goods after the date at which control of the goods passes to the customer at the loading port. If the shipment was considered a separate performance obligation, the portion of revenue related to the freight would therefore be recognised overtime.

(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.

As at the reporting date, the group has non-cancellable operating lease commitments of \$16,357,000, see note 27. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

There are no other standards that are effective for periods beginning on or after 1 May 2017 and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(ac) Parent entity information

The financial information for the parent entity, Ricegrowers Limited, disclosed in note 34 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.

(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, expressed in the foreign currency.

	2017 USD \$000's	2016 USD \$000's
Cash	2,628	5,174
Trade receivables	94,320	173,077
Trade payables	(51,149)	(102,804)
Forward exchange contracts:		
- selling foreign currency	(168,900)	(207,170)
- buying foreign currency	44,475	73,534
Net exposure - (selling currency)/buying currency	(78,626)	(58,189)

Sensitivity analysis

At 30 April 2017, 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 \$1,472,000 higher (2016: \$6,096,000 higher) and other equity would have been \$3,564,000 higher (2016: \$3,987,000 lower).

At 30 April 2017, 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 \$1,813,000 lower (2016: \$5,637,000 lower) and other equity would have been \$7,220,000 lower (2016: \$1,807,000 higher).

The lack of USD liquidity in PNG eased in 2017 allowing Trukai to repay a large portion of its intercompany payable balance. As at 30 April 2017 the outstanding amount due was USD24,996,000 (USD83,675,000 as at 30 April 2016) reducing the foreign exchange risk. If the USD/PGK exchange rate was 5 cents lower (0.257 instead of 0.307), 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 \$4,651,000 (2016: \$14,730,000).

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

(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:

30 April 2017	Weighted average interest rate %	Balance \$000's
Cash at bank	0.7	23,060
Bank loans and bank overdrafts	2.9	(144,932)
Interest rate swap (notional principal amount)	4.0	31,000
Net exposure to cash flow interest rate risk		(90,872)

30 April 2016	Weighted average interest rate %	Balance \$000's
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)

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

Sensitivity analysis

At 30 April 2017, 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 \$343,000 lower/higher (2016: \$391,000 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, 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 11.

(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 relation to the liquidity risk, the availability of USD in PNG has improved in 2017 allowing Trukai to repay a large portion of its intercompany trade payable. As of 30 April 2017 the total of cash and cash equivalents held by Trukai amounts to PGK 57,907,000 (AUD 23,742,000) compared to PGK 200,095,000 (AUD 81,105,000) at 30 April 2016. Management continue to closely monitor economic conditions in PNG to proactively manage the liquidity risk.

SunRice has renegotiated the amount of available borrowing facilities, taking into account the improvement in PNG liquidity.

Financing arrangements

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

	2017 \$000's	2016 \$000's
Floating rate:		
Bank overdraft - expiring within one year	17,247	839
Bank loans - expiring within one year	316,669	217,100
Bank loans - expiring beyond one year	71,000	71,000
	404,916	288,939

For additional information on significant terms and conditions of bank facilities refer to note 20.

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.

	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
30 April 2017						
Non-derivatives						
Non-interest bearing	215,859	20,387	-	1,871	238,117	238,117
Variable rate	69,809	45,667	36,106	-	151,582	144,932
Fixed rate	521	289	179	-	989	947
Total non-derivatives	286,189	66,343	36,285	1,871	390,688	383,996
Derivatives						
Interest rate swaps - net settled	-	1,079	138	-	1,217	1,217
Foreign currency contracts - gross settled						
inflow	358,587	-	-	-	358,587	-
(outflow)	(358,964)	-	-	-	(358,964)	(377)
Total derivatives	(377)	1,079	138	-	840	840
30 April 2016						
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	445,360	17,738	85,199	1,834	550,131	530,728
Derivatives						
Interest rate swaps - net settled	306	1,171	120	-	1,597	1,597
Foreign currency contracts - gross settled						
inflow	380,911	-	-	-	380,911	1,526
(outflow)	(379,385)	-	-	-	(379,385)	-
Total derivatives	1,832	1,171	120	-	3,123	3,123

3. Fair value measurement

The Group's assets and liabilities carried at fair value are mainly related 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. Beside only the investment property is classified as level 3 as the fair value is determined by an independent valuation.

	2017			2016		
	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	466	-	466	-	-	-
Total assets	466	1,150	1,616	-	1,150	1,150
Liabilities						
Derivatives used for hedging			-			-
Foreign exchange contracts	89	-	89	1,526	-	1,526
Interest rate swaps	1,217	-	1,217	1,597	-	1,597
Total liabilities	1,306	-	1,306	3,123	-	3,123

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 of land and building and plant and equipment in SunFoods and Brandon mill assets that have been valued using fair value less cost of disposal.

These calculations required the use of assumptions. Refer to note 16 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 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 Directors' most recent estimate of the performance of the paddy pool.

(iii) Deferred tax assets not recognised for capital losses and USA ordinary 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 fully recognised deferred tax assets for ordinary tax losses in the USA as the Group considers uncertainty remain in the ability of the entity to generate, in the foreseeable future, enough taxable income against which these losses can be utilised. Refer to note 9(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. Significant events of the period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- the acquisition of SunFoods minority shareholders resulting in the release in the consolidated income statement of a dispute settlement provision of \$4,710,000 (note 8 and note 24).
- the reversal of Wacol impairment for \$1,624,000 (note 15).
- the impairment of Brandon mill goodwill and partial impairment of Brandon mill assets for \$3,648,000 (notes 15 and 16), partially offset by the reversal of contingent consideration on acquisition of \$455,000.
- the impairment of production assets following a change in the sourcing strategy for \$1,100,000 (note 15).
- a low effective tax rate as a result of SunFoods LLC utilising previously unrecognised losses carried forward and profits generated in jurisdictions with a lower statutory tax rate (note 9).

6. Revenue

	2017 \$000's	2016 \$000's
Sales revenue		
Sale of goods	1,109,266	1,265,908
	1,109,266	1,265,908
Other revenue		
Interest received	581	587
Other sundry items	2,968	3,657
	3,549	4,244
	1,112,815	1,270,152

7. Other income

	2017 \$000's	2016 \$000's
Net gain on disposal of property, plant and equipment	38	26
	38	26

8. Expenses

Profit before income tax includes the following specific expenses:

	2017 \$000's	2016 \$000's
Contributions to employee superannuation plans	(3,219)	(3,120)
Depreciation and amortisation		
Buildings	(7,310)	(7,565)
Leased assets	(550)	(552)
Plant and equipment	(10,988)	(11,419)
Leasehold improvements	(964)	(998)
Patents/brands and software	(1,639)	(1,552)
Total depreciation and amortisation expense	(21,451)	(22,086)
Other expenses		
Energy	(12,147)	(15,522)
Contracted services	(19,524)	(22,021)
Operating lease expenditure and equipment hire	(13,836)	(10,555)
Research and development	(1,055)	(2,606)
Advertising and artwork	(22,532)	(22,281)
Repairs and Maintenance	(11,144)	(12,433)
Insurance	(3,583)	(2,466)
Training	(1,798)	(2,396)
Internet, telephone and fax	(2,645)	(3,060)
Motor vehicle and travelling expenses	(7,492)	(7,972)
Capital restructuring costs	(84)	(2,896)
Other	(15,217)	(33,217)
Total other expenses	(111,057)	(137,425)

The dispute settlement provision of \$4,710,000 with SunFoods minority shareholders has been accrued in 2016 and reversed in 2017 against "Other".

9. Income tax expense

(a) Income tax expense	2017 \$000's	2016 \$000's
Current tax expense	(2,731)	(29,633)
Deferred tax (expense)/benefit	(4,689)	7,885
Adjustments for current tax of prior periods	1,367	578
Income tax expense attributable to profit from continuing operations	(6,053)	(21,170)

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

(Decrease)/Increase in deferred tax assets (note 18)	(5,935)	7,600
Decrease in deferred tax liabilities (note 22)	1,246	285
	(4,689)	7,885

(b) Numerical reconciliation of income tax expense to prima facie tax payable	2017 \$000's	2016 \$000's
Profit from continuing operations before related income tax	40,289	73,172
Income tax expense calculated at the Australian rate of tax of 30% (2016: 30%)	(12,087)	(21,952)

Tax effect of amounts which are not taxable/(deductible) in calculating taxable income:

Entertainment	(41)	(22)
Research & development	272	318
Overseas attributable income	(874)	(133)
Impairment of assets (net of reversal)	(120)	-
Difference in overseas tax rates	909	185
Sundry items	100	674
	246	1,022

Tax effect of tax losses and temporary differences not recognised	-	(818)
Previously unrecognised tax losses now recouped or recognised	4,421	-
Adjustments for current tax of prior periods	1,367	578
Income tax expense	(6,053)	(21,170)

(c) Tax relating to items of other comprehensive income	2017 \$000's	2016 \$000's
Cash flow hedges	(1,060)	553
	(1,060)	553

(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 a portion of deferred tax assets for ordinary tax losses of \$3,517,040 (2016: \$7,439,000) 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.

10. Cash and cash equivalents

	2017 \$000's	2016 \$000's
Cash at bank and on hand	59,978	120,117
	59,978	120,117

(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 consolidated statement of cash flows as follows:

Cash and cash equivalents	59,978	120,117
Less: Bank overdraft (note 20)	(10,098)	(5,050)
Balances per consolidated statement of cash flows	49,880	115,067

(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 the availability of USD in Papua New Guinea. Further details are presented in note 2.

11. Receivables

	2017 \$000's	2016 \$000's
Current		
Trade receivables	110,363	119,768
Provision for impairment of receivables (note a)	(1,121)	(1,416)
	109,242	118,352
Other receivables	4,904	1,216
GST receivable	5,694	7,301
Prepayments	3,236	17,223
	123,076	144,092

The 2016 prepayment balance includes \$12,374,000 of rice purchases overseas, but for which the Group did not take ownership before 30 April 2016 (nil in 2017).

(a) Impaired trade receivables

	2017 \$000's	2016 \$000's
Nominal value of impaired trade receivables is as follows:		
1 to 3 months	22	24
3 to 6 months	5	94
Over 6 months	1,094	1,298
	1,121	1,416

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

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

	2017 \$000's	2016 \$000's
At 1 May	1,416	1,451
Provision for impairment recognised during the year	54	157
Receivables written off during the year as uncollectible	(105)	(36)
Amounts subsequently collected	(260)	(7)
Foreign currency difference on translation	16	(149)
At 30 April	1,121	1,416

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the consolidated 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 90% (2016: 93%) are current, 9% (2016: 5%) are 30 days overdue, 0% (2016: 0%) are 60 days overdue and 1% (2016: 2%) are 90 days overdue and over. The directors have no reason to believe amounts not provided for will not be collected in full.

(b) Past due but not impaired

	2017 \$000's	2016 \$000's
The ageing of trade receivables past due and not impaired is as follows:		
1 to 3 months	10,111	5,244
3 to 6 months	369	1,113
	10,480	6,357

The other classes within receivables are not impaired or 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.

12. Inventories

	2017 \$000's	2016 \$000's
Current		
Raw materials	241,047	291,760
Finished goods	110,172	138,412
Packaging materials	11,218	14,901
Engineering and consumable stores	9,135	8,448
	371,572	453,521

13. Derivative financial instruments

	2017 \$000's	2016 \$000's
Current assets		
Forward foreign exchange contracts (cash flow hedges)	466	-
	466	-
Current liabilities		
Interest rate swaps (cash flow hedges)	1,217	1,597
Forward foreign exchange contracts (cash flow hedges)	89	1,526
	1,306	3,123

(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 consolidated Income statement are materially the same.

Interest rate swaps cover 39.2% as at 30 April 2017 (2016: 50.6%) of the Obligor Group core debt. The fixed interest rates range between 2.48% - 4.10% (2016: 2.48% - 4.805%) and the variable rates are between 3.05% and 3.73% (2016: 3.71% and 3.94%).

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 Foods Pty Ltd
- Australian Grain Storage Pty Ltd
- Rice Research Australia Pty Ltd
- Solomons Rice Company Limited
- Sunshine Rice Inc.
- Ricegrowers Singapore Pte Ltd
- Silica Resources Pty Ltd
- Sunshine Rice Pty Ltd
- SunFoods LLC

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.

(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 firm commitments or highly probable purchase and sale denominated in foreign currencies. The timing of cash flows and the effect on the consolidated Income statement are materially the same.

(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 in relation to favourable contracts outstanding at the reporting date is the carrying amount of the derivative financial assets.

14. Investments accounted for using the equity method

	2017 \$000's	2016 \$000's
Shares in associates	1,750	1,684

Information relating to the associate is set out below.

Name of company	Principal activity	Ownership Interest	
		2017	2016
Pagini Transport (incorporated in Papua New Guinea)	Transport	28.85%	28.85%

	Consolidated	
	2017 \$000's	2016 \$000's
Carrying amount at the beginning of the financial year	1,684	1,861
Share of profit after related income tax	39	61
Foreign exchange difference on translation	27	(238)
Carrying amount at the end of the financial year	1,750	1,684

(b) Share of associates' losses

Profit after income tax	39	61
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(c) Summarised financial information of Pagini Transport (100%)

	Assets \$000's	Liabilities \$000's	Revenues \$000's	Profits \$000's
2017	14,589	8,523	2,714	134
2016	13,492	7,655	2,470	212

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.

15. Property, plant and equipment

	2017 \$000's	2016 \$000's
Freehold land		
At cost	15,610	14,217
	15,610	14,217
Buildings		
At cost	204,481	201,283
Less accumulated depreciation and impairment	(98,740)	(91,283)
	105,741	110,000
Leasehold improvements		
At cost	17,409	15,359
Less accumulated depreciation and impairment	(7,184)	(6,217)
	10,225	9,142
Plant and equipment		
At cost	252,273	243,584
Less accumulated depreciation and impairment	(175,863)	(162,498)
Under finance lease	3,191	2,878
Less accumulated depreciation	(2,453)	(1,897)
	77,148	82,067
Capital works in progress		
At cost	9,253	2,540
	9,253	2,540
	217,977	217,966

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 \$000's	Leasehold Improvements \$000's	Plant & Equipment \$000's	Assets under construction \$000's	Totals \$000's
Carrying amount at 1 May 2016	124,217	9,142	82,067	2,540	217,966
Additions	-	1,935	2,811	16,480	21,226
Recognition of finance lease	-	-	237	-	237
Capital works in progress reclassifications	3,286	62	6,408	(9,756)	-
Transfers/disposals/scrapping	(162)	(10)	(237)	-	(409)
Depreciation expense	(7,310)	(964)	(11,538)	-	(19,812)
Impairment	1,103	-	(2,851)	-	(1,748)
Foreign exchange difference on translation	217	60	251	(11)	517
Carrying amount at 30 April 2017	121,351	10,225	77,148	9,253	217,977

In October 2014 an impairment charge of \$1,994,000 was recognised on land, building and plant and equipment of a division of Riviana as a consequence of lower trading performance.

Since then several initiatives have taken place to improve costs, increase pricing and sign new distribution contracts. The improved financial performance of this division supported the reversal of the initial impairment charge up to the net book value of the assets (\$1,624,000).

This reversal is offset by the recognition of an impairment charge of \$2,173,000 on the land, building and plant and equipment of Brandon, our rice milling operations in North Queensland.

The development of a sustainable rice industry in the region is slower than expected and the mill is facing manufacturing challenges increasing the cost of production. An impairment charge against the goodwill has also been recognised (note 16).

The residual carrying value of the Brandon fixed assets is supported by an independent valuation.

An impairment of \$1,100,000 was also recognised on a specific manufacturing line subsequent to a change of sourcing strategy.

The remaining impairment amount is mainly explained by idle or damaged individual assets.

	Land & Buildings \$000's	Leasehold Improvements \$000's	Plant & Equipment \$000's	Assets under construction \$000's	Totals \$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/scrapping	(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

Assets pledged as security

There are fixed and floating charges over fixed assets as disclosed in note 20.

16. Intangibles

	2017 \$000's	2016 \$000's
Goodwill	4,829	4,299
Patents and brands	9,623	8,815
Less accumulated amortisation	(6,782)	(6,235)
	2,841	2,580
Software	8,149	7,975
Less accumulated amortisation	(6,987)	(6,055)
	1,162	1,920
Other	412	1,000
Less accumulated amortisation	(180)	(968)
	232	32
	9,064	8,831

	Goodwill \$000's	Brands \$000's	Software \$000's	Other \$000's	Total \$000's
Carrying amount at 1 May 2016	4,299	2,580	1,920	32	8,831
Additions	2,005	584	159	545	3,293
Impairment	(1,475)	-	-	-	(1,475)
Amortisation charge	-	(367)	(917)	(355)	(1,639)
Foreign exchange difference on translation	-	44	-	10	54
Carrying amount at 30 April 2017	4,829	2,841	1,162	232	9,064

	Goodwill \$000's	Brands \$000's	Software \$000's	Other \$000's	Total \$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 is specific to each cash generating unit (CGU) and allocated as follows:

	2017 \$000's	2016 \$000's
Global Rice	34	34
Brandon Mill	-	1,475
Riviana Foods	4,610	2,605
CopRice	185	185
	4,829	4,299

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

Key assumptions used for value in use calculations

CGU	Long-term Growth Rate		Pre Tax Discount Rate	
	2017 %	2016 %	2017 %	2016 %
Global Rice	1.5	2.0	11.9	11.8
Riviana Foods	1.5	2.0	12.5	12.4
CopRice	1.5	2.0	12.7	12.4

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

17. Investment properties

At fair value	2017 \$000's	2016 \$000's
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.

18. Deferred tax assets

	2017 \$000's	2016 \$000's
The balance comprises temporary differences attributable to:		
Provisions	5,617	7,494
Accruals	3,227	2,971
Depreciation	4,603	4,961
Foreign exchange	14	1,450
Inventories	3,380	6,874
Tax losses	1,780	-
Other	825	1,656
	19,446	25,406
Interest rate swaps	274	1,180
Total deferred tax assets	19,720	26,586
Set-off of deferred tax liabilities pursuant to set-off provisions (note 22)	(2,469)	(3,415)
Net deferred tax assets	17,251	23,171
Deferred tax assets expected to be recovered within 12 months	13,537	20,687
Deferred tax assets expected to be recovered after more than 12 months	6,183	5,899
	19,720	26,586
Movements		
Opening balance at 1 May	26,586	18,116
(Charged)/credited to income statement	(5,935)	7,600
Foreign exchange differences on translation	75	452
(Charged)/credited to other comprehensive income	(1,006)	418
Closing balance at 30 April	19,720	26,586

19. Payables

	2017 \$000's	2016 \$000's
Current		
Trade and other payables	101,498	114,845
Amounts owing to the Rice Marketing Board (RMB) for RMB Equity Certificates	-	4,425
Total external trade payables	101,498	119,270
Amounts payable to Riverina Rice Growers	114,361	97,991
	215,859	217,261
Non-current		
Trade and other payables	1,871	1,834
Total external trade payables	1,871	1,834
Amounts payable to Riverina Rice Growers	20,387	13,242
	22,258	15,076

(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.

20. Borrowings

	2017 \$000's	2016 \$000's
Current Secured		
Bank overdrafts	10,098	5,050
Bank loans	55,834	212,513
Net accrued interest and capitalised borrowing costs	(611)	(167)
Lease liability (note 27)	496	611
	65,817	218,007
Non current Secured		
Bank loans	79,000	79,736
Net accrued interest and capitalised borrowing costs	(390)	(667)
Lease liability (note 27)	451	481
	79,061	79,550

(a) Significant terms and conditions of bank facilities

During the 2017 financial year, Ricegrowers Limited renegotiated its Seasonal banking facilities. The seasonal debt facility (including trade and grower finance facility) of \$410,000,000 decreased by \$60,000,000 compared to the prior year (\$470,000,000) and the maturity date was extended to 21 April 2018 (except \$15,000,000 maturing 16 January 2018).

The Core debt facility is unchanged compared to the prior year (\$150,000,000).

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.

(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.

(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:

	2017 \$000's	2016 \$000's
Seasonal debt	55,834	213,249
Core debt	79,000	79,000
	134,834	292,249
Representing:		
Current bank loans	55,834	212,513
Non-current bank loans	79,000	79,736
	134,834	292,249

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.

21. Provisions

	2017 \$000's	2016 \$000's
Current		
Employee benefits (note 28)	16,310	17,142
Employee allowances	114	218
Directors' retirement benefits	399	399
Other	-	4,707
	16,823	22,466
Non current		
Employee benefits (note 28)	3,673	2,619
	3,673	2,619

	Employee benefits \$000's	Employee allowances \$000's	Directors' retirement benefits \$000's	Other \$000's	Total \$000's
Carrying amount at 1 May 2016	19,761	218	399	4,707	25,085
Additional provision recognised	212	-	-	-	212
Unused amount reversed	-	-	-	(4,707)	(4,707)
Amount used during the year	-	(104)	-	-	(104)
Foreign exchange difference on translation	10	-	-	-	10
Carrying amount at 30 April 2017	19,983	114	399	-	20,496

The reversal of the dispute settlement provision of \$4,710,000 with SunFoods minority shareholders has been recognised against "Other expenses" in the consolidated income statement.

	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

(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.

(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.

22. Deferred tax liabilities

	2017 \$000's	2016 \$000's
The balance comprises temporary differences attributable to:		
Prepayments	71	107
Inventories	1,764	2,936
Foreign Exchange	405	-
Other	-	372
	2,240	3,415
Foreign exchange contracts	229	-
Total deferred tax liabilities	2,469	3,415
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	(2,469)	(3,415)
Net deferred tax liabilities	-	-
Deferred tax liabilities expected to be settled within 12 months	2,469	3,415
	2,469	3,415
Movements		
Opening balance at 1 May	3,415	3,645
Credited to income statement	(1,246)	(285)
Foreign exchange difference on translation	71	185
Charged/(credited) to other comprehensive income	54	(130)
Business combination	175	-
Closing balance at 30 April	2,469	3,415

23. Contributed equity

(a) Share capital

	2017 \$000's	2016 \$000's
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.

The number of B class shares on issue remains unchanged at 55,762,392 (2016: 55,762,392).

Dividend Reinvestment Plan

The Company has reactivated the Dividend Reinvestment Plan under which holders of B Class shares may elect to have all or part of their dividend entitlements satisfied by the issue of new B Class shares rather than by being paid in cash. The issue price of B Class shares under the DRP will be based on the weighted average price of B Class shares traded on NSX over a selected period, subject to any discount determined by the Board.

A Class shares

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

At 30 April 2017, 806 (2016: 904) A Class shares were on issue.

(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 2017 and 30 April 2016 were as follows:

	Notes	2017 \$000's	2016 \$000's
Total borrowings	20	144,878	297,557
Add: amounts owing to the RMB for equity certificates	19	-	4,425
Less: cash and cash equivalents	10	(59,978)	(120,117)
Net debt		84,900	181,865
Total equity		404,875	390,228
Gearing ratio		17%	32%

24. Reserves and retained profits

Reserves	2017 \$000's	2016 \$000's
General reserve	28,453	28,453
Asset revaluation reserve	4,917	4,917
Foreign currency translation reserve	(20,491)	(21,191)
Hedging reserve - cash flow hedges	(282)	(2,754)
Transaction with non-controlling interests	(7,956)	-
	4,641	9,425
Retained profits	269,632	253,833

(a) Movements	2017 \$000's	2016 \$000's
Foreign currency translation reserve		
Balance 1 May	(21,191)	(14,491)
Net exchange difference on translation of overseas controlled entities	986	(9,842)
Non controlling interest in translation differences	(286)	3,142
Balance 30 April	(20,491)	(21,191)
Hedging reserve - cash flow hedges		
Balance 1 May	(2,754)	(1,464)
Revaluation and transfer to other comprehensive income	3,532	(1,843)
Deferred tax	(1,060)	553
Non controlling interest	-	-
Balance 30 April	(282)	(2,754)
Transaction with non-controlling interests		
Balance 1 May	-	-
Acquisition of additional ownership of SunFoods LLC	(7,956)	-
Balance 30 April	(7,956)	-

In September 2016 the Group purchased the non-controlling interests of SunFoods LLC (35%) for a consideration of \$4,645,000 (\$US 3,500,000).

In the course of the previous financial year the SunFoods minority shareholders initiated legal proceedings against SunRice seeking compensation for alleged damages. As at 30 April 2016 SunRice recognised a provision representing management's best estimate of a probable settlement of the dispute for \$4,710,000 (\$US 3,600,000).

During arbitration proceedings this year, SunRice made an offer to purchase the minority shareholders' stake in SunFoods LLC which was accepted and resulted in the minority shareholders withdrawing their claim. This withdrawal resulted in the reversal of the dispute settlement provision in the current financial year (included in Other expenses).

The acquisition of additional shares in SunFoods LLC is shown in the financial statements as a transfer of equity between non-controlling interests and the reserves attributable to Ricegrowers Limited (transaction with owners in their capacity as owners in accordance with the accounting standards).

Retained profits	2017	2016
	\$000's	\$000's
Balance 1 May	253,833	219,254
Net profit for the year	34,201	49,077
Dividends provided for or paid	(18,402)	(14,498)
Balance 30 April	269,632	253,833

(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.

25. Franked dividends

	2017 \$000's	2016 \$000's
Final dividend for the year ended 30 April 2016 of 33 cents (2015: 26 cents) per fully paid B class share	18,402	14,498
Total dividend paid	18,402	14,498

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 not recognised as a liability at year end is \$18,401,589.

The franked portions of the final dividend recommended after 30 April 2017 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 2018:

	2017 \$000's	2016 \$000's
Franking credits available for subsequent financial years based on a tax rate of 30% (2016 - 30%)	74,100	79,657

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 (2016 – \$7,886,000).

26. 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:

	2017 \$000's	2016 \$000's
Letters of credit	34,722	33,981
Guarantee of bank advances	2,774	6,909
	37,496	40,890

Letters of credit in both years are mainly contracted in relation to the purchase of rice in Asia.

27. Commitments for expenditure

	2017 \$000's	2016 \$000's
(a) Capital commitments (property, plant and equipment)		
Commitments for capital expenditure contracted for at reporting date but not recognised as liabilities	2,598	1,410
(b) Lease commitments		
Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	5,631	6,889
Later than one year but not later than five years	7,950	10,260
Later than five years	2,776	2,673
	16,357	19,822
Representing:		
Non-cancellable operating leases	16,357	19,822
Commitments in relation to finance leases are payable as follows:		
Within one year	521	644
Later than one year but not later than five years	469	497
Minimum lease payments	990	1,141
less: future finance charges	(43)	(49)
Recognised as a liability	947	1,092
Present value of lease liabilities:		
Current (note 20)	496	611
Non current (note 20)	451	481
	947	1,092

28. Employee benefits

	2017 \$000's	2016 \$000's
(a) Employee benefits and related on cost liabilities		
Provision for employee benefits (note 21)		
Current	16,310	17,142
Non-current	3,673	2,619
Aggregate employee entitlement benefits	19,983	19,761
Employee numbers		
Average number of employees during the year	2,190	2,178

(b) Superannuation plan/commitments

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

29. 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	
			2017 %	2016 %
SunRice Trading Pty Ltd	Australia	Distribution of rice	100	100
SunFoods LLC	USA	Processing and distribution of rice	100	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	100

* Entities part of a Deed of Cross Guarantee that are relieved under the ASIC Legislative Instrument 2016/785 for preparing financial report (see note 39).

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.

Summarised financial information for each subsidiary that has non-controlling interests that are material to the Group is disclosed in note 35.

30. 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 29.

(c) Directors and other Key Management Personnel

(i) Directors and other Key Management Personnel compensation

	2017 \$	2016 \$
Short term employee benefits	3,993,370	4,722,451
Post-employment benefits	187,748	220,638
Termination benefits	-	269,980
Other long-term benefits	296,417	630,000
	4,477,535	5,843,069

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	2017		2016	
	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 Andrezza	2	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	2	104,570
J Bradford	2	30,663	2	30,663

R Gordon and I Glasson do not hold any shares.

Other Key Management Personnel	2017 B Class Shares	2016 B Class Shares
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:

Issuing entity	2017	2016
Ricegrowers Limited	886,822	886,821

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

(iii) Transactions with Directors and other Key Management Personnel

Transactions and outstanding balances	2017 \$		2016 \$	
	Transactions	Outstanding Balances	Transactions	Outstanding Balances
Purchases of rice from Directors	4,476,783	3,104,389	4,503,074	2,143,025
Sale of inputs to Directors	164,849	-	48,805	-
Sale of stockfeed to Directors	-	-	27,536	-
	4,641,632	3,104,389	4,579,415	2,143,025

There were no transactions with other Key Management Personnel.

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

	2017 \$000's	2016 \$000's
Profit for the year	34,236	52,002
Depreciation and amortisation	21,451	22,086
Loss/(gain) on sale/disposal of property, plant and equipment	(38)	-
Net exchange differences	(731)	2,969
Impairment of non-current assets	3,223	23
Share of associate's net profit	(39)	(61)
Changes in operating assets and liabilities		
Decrease in trade and other receivables	10,717	9,859
Decrease/(increase) in other operating assets	10,299	(11,364)
Decrease in inventories	81,949	41,610
Increase/(decrease) in amounts payable to Riverina growers	23,515	(94,708)
(Decrease)/increase in trade and other creditors and employee entitlements	(17,899)	14,684
(Decrease) in current tax receivable and liability	(29,594)	(539)
Decrease/(increase) in deferred tax balances	4,689	(7,885)
Net cash inflows from operating activities	141,778	28,676

32. Earnings per share

(a) Basic and diluted earnings per share	2017 Cents	2016 Cents
Basic and diluted earnings per share	61.3	88.0
(b) Reconciliation of earnings per share	2017 \$000's	2016 \$000's
Profit for the year	34,201	49,077
(c) Weighted average number of shares used as a denominator	2017 000's	2016 000's
Weighted average number of B Class shares	55,762	55,762

33. Subsequent events

On 22 June 2017 the Directors recommended a fully franked final dividend of 33 cents per share.

The Board has also resolved to reactivate the Dividend Reinvestment Plan (DRP) allowing the B Class shareholders to elect for the payment of their dividend in B Class shares. The financial impact of this dividend will be recognised in the 2018 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.

34. Parent entity information

(a) Summary financial information

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

	2017 \$000's	2016 \$000's
Balance sheet		
Current assets	452,671	613,078
Total assets	618,938	781,633
Current liabilities	274,510	425,605
Total liabilities	377,055	520,262
Shareholders equity		
Issued capital	107,819	107,819
Reserves		
General reserve	18,657	18,657
Hedging reserve - cash flow hedges	(639)	(1,346)
Retained earnings	116,046	136,241
	241,883	261,371
(Loss)/profit for the year	(1,793)	30,951
Total comprehensive income	(1,086)	31,016

(b) Guarantees entered into by the parent entity

The parent entity has entered into cross guarantees in respect of all banking facilities, including bank loans, foreign exchange facilities and bank overdrafts with Riviana Foods Pty Ltd.

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 2017 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

	2017 \$000's	2016 \$000's
Letters of credit	-	33,981
Guarantee of bank advances	1,499	5,826
	1,499	39,807

(d) Contractual commitments for the acquisition of property, plant and equipment

As at 30 April 2017, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling \$2,446,000 (30 April 2016 – \$1,410,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

35. 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.

Set out below is summarised financial information for Trukai Industries Limited. The amounts disclosed are before inter-company eliminations but after homogenisation to the group accounting policies.

	2017 \$000's	2016 \$000's
Balance sheet		
Current assets	90,277	191,608
Non-current assets	26,313	25,486
Current liabilities	(45,589)	(144,520)
Non-current liabilities	(1,783)	(3,579)
Net Assets	69,218	68,995
Accumulated non-controlling interests	23,375	23,300
Statement of comprehensive income		
Revenue	268,179	364,013
(Loss)/profit after tax for the period	(601)	11,270
Other comprehensive income	824	(9,878)
Total comprehensive income	223	1,392
Non-controlling interest share of profit after tax for the period	(203)	3,806
Non-controlling interest share of total comprehensive income	75	470
Cash flows		
Cash flows from operating activities	(54,320)	57,786
Cash flows from investing activities	(4,027)	(2,773)
Cash flows from financing activities	(1,292)	(1,093)
Net increase in cash and cash equivalents	(59,639)	53,920

(b) Significant restrictions

In relation to the liquidity risk, the availability of USD in PNG has improved in 2017 allowing Trukai to repay a large portion of its intercompany trade payable. As of 30 April 2017 the total of cash and cash equivalents held by Trukai amounts to PGK 57,907,000 (AUD 23,742,000) compared to PGK 200,095,000 (AUD 81,105,000) at 30 April 2016. Management continue to closely monitor economic conditions in PNG to proactively manage the liquidity risk.

36. Business combination

On 14 September 2016 Riviana acquired Fehlbergs Fine Foods (Fehlbergs). Established in the early 1980s, Fehlbergs is a family owned business that ranges quality products in Australian supermarkets.

Pickled Onions represents the core business and the Fehlbergs brand has a strong and growing position in the market thanks to Jalapenos and Gherkins products, as well as private label contracts.

Synergies are expected between Riviana and Fehlbergs in the areas of manufacturing operations, importation and distribution processes, and brand and customer management activities.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	\$000's
Cash paid	2,600
Total purchase consideration	2,600

The fair value of assets and liabilities recognised as a result of the acquisition are as follows:	\$000's
Property, plant and equipment	185
Brand	585
Deferred tax	(175)
Identifiable net assets acquired	595
Add: Goodwill	2,005
Net assets acquired	2,600

37. Segment information

Business segments

The Corporate Management Team examines the group's financial performance from a product and 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.

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 and Ricegrowers Singapore, the global trading arms 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 distribute rice in their respective local markets. SunFoods also mills locally sourced rice and, in addition to selling domestically, exports to overseas 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.

Corporate

The Corporate segment captures the income from, and cost of, holding and financing the assets mainly utilised by the Rice Pool segment. It also captures royalty income from brands owned by the parent entity and other income and costs not allocated to other business segments, such as legal and Capital Restructure costs. AGS is aggregated into Corporate.

Performance

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.

The following table sets forth the segment results for the year ended 30 April 2017.

	Rice Pool \$000's	International Rice \$000's	Rice Food \$000's	Riviana \$000's	CopRice \$000's	Corporate \$000's	Total \$000's
Total segment revenue	280,874	505,948	113,030	126,333	103,927	29,371	1,159,483
Inter-segment revenue	(15,704)	(49)	(439)	(12)	(4,912)	(29,101)	(50,217)
Revenue from external customers	265,170	505,899	112,591	126,321	99,015	270	1,109,266
Other revenue							3,549
Total revenue from continuing operations							1,112,815
Contributed Net Profit Before Tax	(32,463)	27,647	7,892	8,514	(1,542)	25,925	35,973
Intersegment eliminations							4,316
Profit before income tax							40,289
Depreciation and amortisation	(4,183)	(4,905)	(2,277)	(555)	(1,474)	(8,057)	(21,451)
Impairment	(79)	(3,668)	(1,100)	1,624	-	-	(3,223)
Acquisitions of non-current assets*	8,995	7,933	1,343	3,056	1,407	1,785	24,519
Segment assets	363,502	236,294	45,124	60,968	41,347	175,974	923,209
Intersegment eliminations							(153,122)
Cash and cash equivalents							14,989
Current tax asset							8,175
Deferred tax assets							17,251
Total assets							810,502
Segment liabilities	197,678	178,832	10,720	22,751	5,732	65,163	480,876
Intersegment eliminations							(220,957)
Current tax liability							830
Borrowings							144,878
Total liabilities							405,627

* Other than financial assets and deferred tax

Australian cash and borrowing balances are not allocated to 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.

No single external customer represents more than 10% of revenues.

The following table sets forth the segment results for the year ended 30 April 2016.

	Rice Pool \$000's	International Rice \$000's	Rice Food \$000's	Riviana \$000's	CopRice \$000's	Corporate \$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 NPBT	-	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 non-current assets*	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 and cash equivalents							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

* Other than financial assets and deferred tax

Other segment information - geographical areas

	Australia \$000's	PNG \$000's	Other \$000's	Total \$000's
2017				
Revenues from external customers	467,756	268,179	373,331	1,109,266
2016				
Revenues from external customers	494,745	364,013	407,150	1,265,908

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 \$190,291,000 (2016: \$191,365,000) and the total of these non-current assets located in other countries is \$39,696,000 (2016: \$38,314,000). Segment assets are allocated to countries based on where the assets are located.

38. 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:

(a) Assurance services

Audit services	2017 \$	2016 \$
Fees paid to PricewaterhouseCoopers Australian firm	453,000	377,050
Fees paid to related practices of PricewaterhouseCoopers Australian firm	104,873	115,379
Fees paid to non-PricewaterhouseCoopers audit firm	25,684	21,619
Total remuneration for audit services	583,557	514,048

(b) Accounting services

Fees paid to PricewaterhouseCoopers Australian firm	-	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm	4,944	8,736
Total remuneration for accounting services	4,944	8,736

(c) Taxation services

Fees paid to PricewaterhouseCoopers Australian firm	348,357	349,898
Fees paid to related practices of PricewaterhouseCoopers Australian firm	87,920	62,520
Total remuneration for taxation services	436,277	412,418

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.

39. 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 ASIC Legislative Instrument 2016/785.

(a) Consolidated statement of profit or loss, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a “closed group” for the purposes of the ASIC Legislative Instrument, 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 2017 of the closed group consisting of Ricegrowers Limited, Riviana Foods Pty Ltd and Australian Grain Storage Pty Ltd.

	2017 \$000's	2016 \$000's
Consolidated statement of profit or loss		
Sales revenue	700,932	1,124,047
Other revenue	13,344	4,063
Revenue from continuing operations	714,276	1,128,110
Other income	2	48
Changes in inventories of finished goods	(6,283)	67
Raw materials and consumables used	(424,603)	(711,311)
Employee benefits expenses	(98,200)	(101,795)
Depreciation and amortisation expense	(16,879)	(17,515)
Finance costs	(10,779)	(12,786)
Other expenses	(148,507)	(222,624)
Profit before income tax	9,027	62,194
Income tax expense	(3,685)	(19,138)
Profit for the year	5,342	43,056
Consolidated statement of comprehensive income		
Profit for the year	5,342	43,056
Items that may be reclassified to the profit or loss		
Changes in fair value of cash flow hedges	3,532	(1,843)
Income tax relating to items of other comprehensive income	(1,060)	553
Other comprehensive income for the year, net of tax	2,472	(1,290)
Total comprehensive income for the year	7,814	41,766
Summary of movements in consolidated retained earnings		
Retained profits		
Balance 1 May	199,749	171,191
Net profit for the year	5,342	43,056
Dividends provided for or paid	(18,402)	(14,498)
Balance 30 April	186,689	199,749

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 April 2017 of the closed group consisting of Ricegrowers Limited, Riviana Foods Pty Ltd and Australian Grain Storage Pty Ltd.

	2017 \$000's	2016 \$000's
Current assets		
Cash and cash equivalents	14,989	21,120
Receivables	178,730	320,135
Inventories	299,518	317,077
Current tax receivable	5,301	-
Derivative financial instruments	466	-
Total current assets	499,004	658,332
Non-current assets		
Receivables	628	615
Other financial assets	3,967	3,969
Property, plant and equipment	178,983	180,969
Investment properties	1,150	1,150
Intangibles	7,201	6,728
Deferred tax assets	11,463	15,727
Total non-current assets	203,392	209,158
Total assets	702,396	867,490
Current liabilities		
Payables	91,846	96,563
Amounts payable to Riverina Rice Growers	114,361	97,991
Borrowings	65,746	217,468
Current tax liabilities	-	14,029
Provisions	14,694	21,218
Derivative financial instruments	1,217	3,123
Total current liabilities	287,864	450,392
Non current liabilities		
Amounts payable to Riverina Rice Growers	20,387	13,242
Borrowings	78,877	78,749
Provisions	2,383	1,637
Total non-current liabilities	101,647	93,628
Total liabilities	389,511	544,020
Net assets	312,885	323,470
Equity		
Contributed equity	107,819	107,819
Reserves	18,377	15,902
Retained profits	186,689	199,749
Total equity	312,885	323,470

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

To the members of Ricegrowers Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Ricegrowers Limited (the Company or SunRice) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 April 2017 and of its financial performance for the year then ended;
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group's financial report comprises:

- the consolidated balance sheet as at 30 April 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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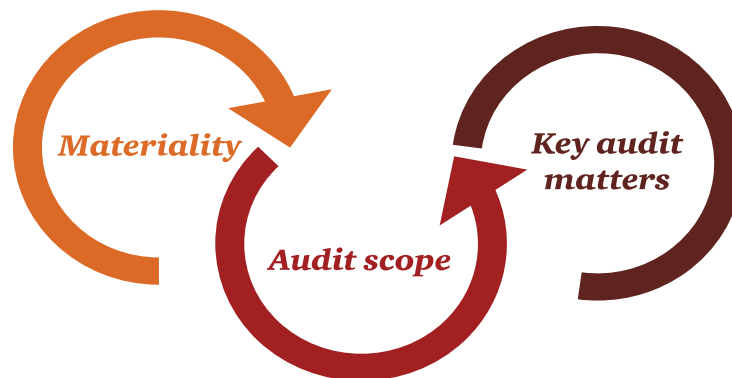
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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit, we used overall group quantitative materiality of \$4.5 million, which was based on a combination of profit before tax and revenue based benchmarks.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose a combination of profit before tax and revenue-based benchmarks, to better reflect the unique nature of SunRice's organisational structure. In our view, revenue is the metric against which the performance of the rice pool business is most commonly measured, because of its non-profit nature. In respect of the profit orientated businesses of the Group, in our view, profit before tax is the metric against which their performance is most commonly measured. By using both of these benchmarks, we determined a range of potential materiality outcomes, and applied our professional judgement to select a value at the lower end of this range which, in our view, reflected the relativity of the different businesses within the overall operations of the Group.

Audit scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We decided the nature, timing and extent of work that needed to be performed by us and the component auditor operating under our instructions. We then structured our audit approach as follows:
 - Given their financial significance, we and the component auditor audited the component financial information of Ricegrowers Limited (including SunRice and CopRice), Trukai (Papua New Guinea (PNG)) and Ricegrowers Singapore.



- We performed specific risk-focused audit procedures over selected balance sheet and income statement balances (including cash and cash equivalents, receivables, inventories, property, plant and equipment, payables, provisions and revenue) of Riviana Foods, SunFoods (United States of America) and Australian Grain Storage.
- We performed analytical procedures over the balance sheet and income statement balances of the remaining businesses of the Group.
- We performed further audit procedures at the Group level, including over the consolidation of the components' financial information and the preparation of the financial report.
- Work was performed by a component auditor in PNG. For these procedures, we decided on the level of involvement required from us to be able to conclude whether sufficient appropriate audit evidence had been obtained. Our involvement included issuing written instructions and maintaining an active and open dialogue with the component auditor, including receiving written reports, reviewing their work and attending meetings with local management.
- In planning our work, we ensured that the audit team possessed the appropriate skills, competencies and industry expertise which are needed for the audit of the SunRice Group.

Key audit matters

We communicated the key audit matters to the Finance and Audit Committee. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter

How our audit addressed the key audit matter

Impairment of assets

(Refer to notes 2, 5, 15 and 16)

We focused on the risk of impairment of property, plant and equipment and intangible assets because of the potential material impact on the profit for the year and because of the judgement involved in:

- Assessing whether indicators of impairment exist and whether there are conditions supporting the reversal of previously booked impairment charges
- Assessing the expected future use of the Group's assets and the expected future profitability of their related businesses
- Estimating the fair value of the Group's assets, which may require the Group to engage external experts to perform complex valuations.

We used our understanding of the business and the industry it operates in to evaluate the Group's assessment of the changes that affected each of its Cash Generating Units (CGU) and to evaluate whether indicators of impairment existed and whether there were conditions supporting the reversal of previously recognised impairment.

In relation to the \$2.1m impairment of the Brandon mill assets, we examined the independent asset valuation reports obtained by the Group and evaluated the competency, experience, objectivity and qualification of the valuers, as well as the appropriateness of the methodologies used.

Using our understanding of the past performance of this business, we also considered the outcome of the Group's recently completed strategic review of the Brandon mill which triggered the full impairment of goodwill of \$1.5m at 30 April 2017.



Key audit matter	How our audit addressed the key audit matter
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The performance of the Trukai business has been impacted by unfavourable macroeconomic factors, including exchange rates, availability of USD and the possible introduction of import quotas. These factors may trigger a risk of impairment of a number of Trukai's assets.

In relation to the impairment of other manufacturing assets which resulted in a \$1.1m impairment of a specific manufacturing line and a \$1.6m reversal of a previously recognised impairment of the Wacol assets, we used our understanding of the future use of the assets and expected performance of the underlying businesses to evaluate the appropriateness of the Group's decisions.

We also considered the adequacy of the Group's disclosures in the financial report in relation to impairment in the light of the requirements of Australian Accounting Standards.

With regards to PNG, we and the component auditor:

- Held discussions with local and group management and directors to develop an understanding of how the Group monitored the economic and political situation and considered its responses
- Observed stabilisation in the Kina/USD exchange rate and improved availability of USD in PNG
- Identified that the introduction of import quotas in the PNG domestic rice market would remain uncertain until the local elections later in the year
- Evaluated the adequacy of disclosures made in the financial report in relation to these areas of uncertainty.

Inventory valuation

(Refer to note 12)

We focused on this matter because:

- Inventory is a material asset to the Group and there are multiple types of inventory items requiring different costing techniques
- The valuation of current and prior seasons' paddy rice required the Group to assess current and expected future returns and to exercise discretion in setting an appropriate price for each crop year
- Judgement was required in estimating future selling prices used in valuing other finished product inventory at net realisable value

We performed the following procedures, amongst others:

- We assessed the reasonableness of the Group's valuation of the current and prior seasons' crops in the light of guaranteed rice prices in FY17 and actual and expected future returns
- We tested the costing of a sample of inventory items across the range of inventory types by tracing costs to the supporting documentation
- We recalculated, on a sample basis, the amount of the unrealised gains on transactions between group companies that was eliminated at year end



Key audit matter	How our audit addressed the key audit matter
<ul style="list-style-type: none"> - Providing for quality or obsolescence issues required assumptions on the potential future use of inventory items - As a normal part of the Group's operations, a significant amount of inventory was transferred between group entities, which required a material consolidation adjustment to eliminate unrealised intercompany profits at year end. 	<ul style="list-style-type: none"> - We discussed the Group's processes for identifying quality or obsolescence matters and assessed the appropriateness of the provisions raised through understanding the planned future use of the inventory - We considered a sample of sales adjustments processed in May 2017 for additional evidence of customer claims, quality or other net realisable value issues - For a sample of inventory items sold in May 2017, we compared the selling price to the carrying value of the sampled inventory item at year end.

Adequacy of trade allowances accruals
(Refer to note 1.r)

The Group sells products to customers (retailers and distributors) which are often sold using price promotions to final consumers. The Group's customers claim back the value of these promotions from the Group after the promotions have occurred (which may be subsequent to the period end). The Group estimates and accrues for these allowances at each reporting date, to the extent they relate to revenue recognised in the reporting period.

We focused on the trade allowances accruals due to their significance and because estimating the amount payable to customers at year end is complex and involves judgement to estimate the volume affected.

We updated our understanding of the different types of promotional arrangements the Group had in place and the processes established to capture these arrangements.

In order to assess the accuracy and the completeness of the balances accrued at year end:

- We compared a sample of accrued balances with the amounts claimed by the sampled customers subsequent to year end
- On a sample basis, we agreed that the amounts accrued at year end had been calculated in accordance with the terms of the underlying customer contractual arrangements
- On a sample basis, we considered the assumptions and judgments used by the Group in calculating year end accruals by reviewing historical trends of claims, and where available, external retail or distributor sales data
- We evaluated the historical reliability of the Group's estimates by comparing a sample of accruals raised in the prior reporting period with the amounts claimed in the current reporting period
- We selected a sample of claims received in May 2017, and, where they related to sales made by the Group before year end, we checked that they had been accrued at year end.



Key audit matter	How our audit addressed the key audit matter
<p><i>Tax effect accounting</i> <i>(Refer to notes 9, 18 and 22)</i></p> <p>The Group operates in a number of countries and is required to understand the tax laws in each jurisdiction and to appropriately apply these to each entities' tax calculations and the overall Group's tax position. The Group has recognised deferred tax assets relating to available tax losses in some of these jurisdictions.</p> <p>We focused on the accounting for taxes because of the complexity associated with different tax jurisdictions and because accounting for taxes requires the Group to make assumptions, in particular when determining whether there will be enough future taxable profits in order for recognised deferred tax assets to be realised.</p>	<p>We developed an understanding of the nature of the Group's tax structure and of the main tax jurisdictions in which it operates.</p> <p>For those individual entities in the Group with significant income tax expense or deferred tax balances, we agreed a sample of inputs in the tax calculations to relevant supporting information and assessed the appropriateness of a sample of permanent and timing differences based on our understanding of the relevant tax jurisdictions.</p> <p>We also evaluated the Group's assessment of the recoverability of deferred tax assets, in particular when they related to available tax losses, by considering the Group's forecasts of the future performance of the businesses they related to.</p>
<p><i>SunFoods - transaction with non-controlling interests</i> <i>(Refer to notes 5, 8 and 24)</i></p> <p>At 30 April 2016, SunRice recognised a provision of \$4.7m in respect of a legal dispute with the 35% minority shareholders of SunFoods. During FY17, SunRice purchased the remaining stake for \$4.6m. As a result, the legal provision was reversed in FY17 and the acquisition of the minority shares was recognised in equity as a movement between Non-Controlling Interests (NCI) and Reserves, at a value of \$7.9m, representing the cash payment of \$4.6m plus the share of the SunFoods accumulated losses now attributable to SunRice of \$3.3m.</p> <p>We focused on this matter because of its size and the complexity of the accounting treatment.</p>	<p>We agreed the terms of the arrangement in the accounting paper the Group prepared to support the proposed accounting treatment of the transaction to the signed settlement agreement.</p> <p>We assessed the Group's proposed accounting treatment and disclosures in the light of the requirements of the Australian Accounting Standards and considered possible alternative accounting treatments that could apply in the circumstances.</p>

Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 30 April 2017 comprises the director's report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. The other information also includes the chairman and CEO messages, information about SunRice's business, its five-year performance, its growers, its rice pool business, its profit businesses, its sustainability, its Board of directors, its corporate management team, the corporate



governance statement and the corporate directory, which are expected to be made available to us after the date of this report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 47 to 59 of the directors' report for the year ended 30 April 2017.

In our opinion, the remuneration report of Ricegrowers Limited, for the year ended 30 April 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

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

Paddy Carney
Partner

22 June 2017

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