



The Rice Food Experts

## RICEGROWERS LIMITED PROSPECTUS



**For the Issue of B Class Shares to Existing  
SunRice Shareholders**

Ricegrowers Limited ABN 55 007 481 156 trading as SunRice

# CHAIRMAN'S LETTER

Dear Shareholder,

This Prospectus sets out an offer to existing Shareholders in Ricegrowers Limited, (trading as SunRice), to subscribe for additional B Class Shares in the Company to raise the level of permanent capital in the business.

SunRice is seeking to retain and grow the current level of Shareholder investment in the business and to restructure the profile of this investment from "semi-permanent" rollover funds, such as Rice Bonds, to "permanent" share capital.

As a company, it is imperative that we maintain, and further develop, a strong capital base to give us the necessary financial strength and flexibility to make sound decisions and long-term commitments, as we did recently with the acquisition of the Rice Marketing Board storage facilities.

In the past, SunRice relied on compulsory Rice Bonds to provide a "semi-permanent" source of rollover loan capital for the business. However, with changes in legislation, the use of compulsory Rice Bonds ceased to be a financially viable source of capital.

Approximately \$51 million is represented by the various series of Rice Bonds, which will mature over the next five years. The offer of B Class Shares made under this Prospectus is the start of a strategy to encourage Shareholders to convert their Rice Bonds into permanent share capital. Similar offers will be made over the next 5 years, if necessary, to ensure that the maximum conversion of Rice Bonds into B Class Shares is achieved.

As a means of encouraging further investment in SunRice, arrangements have been put in place to enable Shareholders to apply their 2007 RMB Equity Rollover Payment to pay up B Class Shares under this Prospectus.

In the current drought induced difficult conditions, the Board recognises that Shareholders may not have readily available cash to participate in the offer. Accordingly, the offer has been structured to enable Shareholders to apply and pay for Shares by using any Rice Bonds they own, or the 2007 RMB Equity Rollover Payment, or cash, or any combination of the foregoing.

Rice Bonds applied to the offer will earn the relevant interest up to the date on which the Shares are issued. Shares paid for in cash or by the application of Rice Bonds will be eligible to participate in any dividend paid in respect of the year ending 30 April 2007. This will not pertain to Shares issued in exchange for the 2007 RMB Equity Rollover Payment, however, these Shares will be eligible to participate in any dividend paid in respect of the year ending 30 April 2008.

Further, it is the Board's current intention to establish a Share Trading Facility in July 2007 to provide B Class Shareholders with a means of trading their Shares with other Shareholders of the Company.

The SunRice Board regards Grower ownership as an important part of our business structure and success. Through this offer, Directors are providing the opportunity for existing Shareholders to further grow their investment in SunRice.

I encourage you to read this Prospectus and to continue to support your business by subscribing for Shares under the Share Issue. Your completed Application Form and Payment Direction Form(s), (if applicable), must be received by 30 November 2006.

Yours sincerely,

Gerry Lawson



Chairman

## **IMPORTANT INFORMATION**

This Prospectus is dated 27 October 2006 and was lodged with ASIC on that date. ASIC does not take any responsibility for the contents of this document.

Pursuant to Section 712 of the Corporations Act, the Financial Report, Directors Report and Auditor's Report of the Company for the financial year ended 30 April 2006 have been lodged with ASIC and are taken to be included in this Prospectus. The Company will provide a copy of these documents free of charge on request by contacting the Company on 1800 654 557.

Applications for Shares under this Prospectus must be received by the Company by 5.00pm on 30 November 2006. No Shares will be allotted or issued on the basis of this Prospectus later than 31 December 2006 being the expiry date of this Prospectus.

It is important that you read this Prospectus carefully and in full before deciding to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the financial performance of the Company in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser.

### **Foreign Jurisdictions**

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify Shares or to otherwise permit a public offer of Shares outside Australia.

### **Disclaimer**

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or the Directors.

### **Exposure Period**

In accordance with Section 727(3) of the Corporations Act 2001, this Prospectus is subject to an exposure period of seven (7) days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of up to seven (7) days. Applications received prior to the expiration of the exposure period will not be processed until the exposure period has finished. No preference will be conferred on Applications received during the exposure period. The purpose of the exposure period is to enable examination of the Prospectus by market participants prior to the offering of Shares. That examination may result in the identification of deficiencies in the Prospectus, in which case any Application received may need to be dealt with in accordance with Section 724 of the Corporations Act.

This Prospectus will be made available to Australian residents during the Exposure Period at [www.sunrice.com.au](http://www.sunrice.com.au). A paper copy of this Prospectus will be provided free of charge to any person who requests a copy by contacting the Company on 1800 654 557.

## **Electronic Prospectus**

This Prospectus may be viewed online at [www.sunrice.com.au](http://www.sunrice.com.au). The offer constituted by this Prospectus in electronic form is only available to Shareholders who receive the electronic version of this Prospectus in Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of this Prospectus. Applications for Shares may only be made on the Application Form attached to this Prospectus. A paper copy of this Prospectus will be provided free of charge to any person who requests a copy by contacting the Company on 1800 654 557.

## **Forward Looking Statements**

This Prospectus may contain forward looking statements which have not been based solely on historical facts but on the Company's expectations about future events and results. You should consider that as such statements relate to future matters they are subject to various inherent risks, uncertainties and assumptions that could cause actual results or events to differ materially from expectations described in the forward looking statement. Neither the Company, the Directors, nor any other person named, with their consent, in this Prospectus can assure you that any forward looking statement or implied result will be achieved.

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# 1. INVESTMENT OVERVIEW

The information in this Section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. Shareholders must read this entire Prospectus in order to make an informed investment decision, including the risks described in Section 6.

## 1.1 The Offer

Under the Share Issue, New Shares are offered for subscription by Shareholders or their Approved Entities.

The issue price of all New Shares will be \$2.14. Shareholders may apply the following to pay up the issue price of New Shares:

- (a) Cheque or bank draft or electronic funds transfer; and/or
- (b) Rice Bonds at face value (including the CCC Series of Rice Bonds for which payment has been deferred until December 2006); and/or
- (c) The RMB Equity Rollover Payment, due to be paid in July 2007

If you choose to apply the RMB Equity Rollover Payment to pay up the issue price of New Shares, those Shares will be initially issued with no amount paid up on them, with the full issue price being payable when the RMB Equity Rollover Payment is received (and in any event no later than 31 July 2007). New Shares paid up in this manner will not be entitled to dividends until the issue price is paid up. If you choose another payment option (cheque or bank draft or electronic funds transfer or Rice Bonds) your New Shares will be issued as fully paid up and will be entitled to any dividends declared after their date of issue. Rice Bonds applied to pay up New Shares will be entitled to pro rata interest up to the date on which the New Shares are issued.

No brokerage, commission or stamp duty is payable by Applicants for Shares under the Offer.

You should refer to Section 2 for full details of the Offer.

## 1.2 Purpose of the Offer

The purpose of the Share Issue is to raise capital to ensure that the company maintains and further develops a strong capital base to provide it with the necessary financial strength and flexibility to make sound decisions and long-term commitments.

Traditionally, SunRice has relied on its member base to provide capital for the business. SunRice initially relied on compulsory Rice Bonds, whereby growers provided annual contributions that were paid out, or redeemed, in later years. In turn those redemptions were funded by further ongoing contributions. In this way a pool of “semi-permanent” or “rollover” capital was provided by growers to fund the business.

As a result of legislative changes, compulsory Rice Bonds became an inefficient source of capital and SunRice began to issue voluntary Rice Bonds. This change coincided with the onset of the drought and there was a relatively low uptake of these voluntary Rice Bonds. Consequently as compulsory Rice Bonds have matured there has been a net depletion of “semi-permanent” capital.

Going forward SunRice is seeking to effectively maintain the same level of Shareholder investment in the business but is seeking to restructure the profile of its capital base from “semi-permanent” rollover funds to “permanent” share capital.

Consequently SunRice is now proposing to replace the existing “rollover” debt capital (i.e. Rice Bonds), which is maturing over the coming years, with permanent share capital.

The SunRice Board regards Grower ownership as an important part of our business structure. Through this offer Directors are providing the opportunity for existing Shareholders to further grow their investment in SunRice.

By allowing Shareholders to apply their Rice Bonds and their RMB Equity Rollover Payment, due to be paid in July 2007, to pay for all, or part of, the issue price of their New Shares, the Company will be facilitating the conversion of Rice Bonds and RMB Equity into B Class Shares, thereby strengthening its permanent capital base.

### **1.3 Capital Structure**

The Company has 1,704 A Class Shares and 24,093,505 B Class Shares on issue at the date of this Prospectus. As there is no minimum or maximum number of B Class Shares offered under this Prospectus, the number of additional B Class Shares on issue after the Share Issue will depend on the number of New Shares that are subscribed for and issued.

### **1.4 Business Overview**

The Company was registered as a co-operative on 24 July 1950 under its original name Ricegrowers’ Co-operative Mills Limited, with the primary objective of receiving, processing and marketing rice supplied by its members. Ricegrowers’ Co-operative Limited registered as a company under the Corporations Act on 14 December 2005 and changed its name to Ricegrowers Limited.

The Company sources paddy rice for processing and marketing globally under the SunRice brand and subsidiary brands. SunRice’s processing and storage facilities in Australia are structured to deal with a rice crop of approximately 1.2 million tonnes of paddy rice supplied by Growers using efficient and sustainable farming systems.

SunRice has evolved to become a substantial Australian exporter of processed branded food products. As a vertically integrated agribusiness, SunRice produces and markets an extensive range of table rice and value-added food products to more than 60 countries worldwide. The SunRice brands and operations are recognised not only in Australia but also around the world, particularly in the markets of Asia, the Pacific, the Middle East and New Zealand. In a normal year SunRice exports approximately 80% of the crop delivered.

SunRice has a tradition of strong growth and value creation. The Board has implemented a number of major strategic initiatives in recent years to streamline the business infrastructure to further grow the profitability and value of the SunRice business.

The Board’s vision for SunRice is for it to become the ‘world’s favourite rice food company’.

The Board and management have developed a strategic framework for defending and growing the business profitably across existing and new markets and products, ensuring valuable differentiation from competitors.

You should refer to Sections 3.1 and 3.2 for further information regarding the SunRice business, the Board’s vision and strategic plan and to Section 5 for detailed financial information of the Ricegrowers Group.

## 1.5 Dividend Policy

The Company's business activities are divided into the following two revenue streams:

- the Rice Milling and Marketing business including milling, marketing, packaging and rice trading; and
- the Complementary Businesses, including rice foods (rice cakes, flour, specialty rice foods), CopRice and dividends received from subsidiary companies such as Riviana and Trukai. Further, the Complementary Businesses profits include the proceeds from an Asset Financing Charge. This Asset Financing Charge is levied against the Rice Milling and Marketing business, to reflect the cost of capital (Shareholders' funds) utilised by the Rice Milling and Marketing business.

The total pool of funds from which payments are made to Growers and Shareholders comprises the surplus generated from Rice Milling and Marketing and the net profit generated from Complementary Businesses. The Paddy Price will, as a minimum, be represented by the surplus generated by the Rice Milling and Marketing business.

The net profit generated from the Complementary Businesses will be available for distribution based on an assessment by the Board of the needs of the Growers and the business as a whole. This may be applied in any combination of the following:

- (a) To supplement the paddy return;
- (b) Paid as dividends to B Class Shareholders, on fully paid up Shares; and/or
- (c) Retained in the business to be used for capital expenditure, repaying debt, or other uses.

Directors believe that the dividend paid should provide Shareholders with a competitive return on their investment and will encourage them to participate in any future equity capital raisings. The payment of dividends is, however, primarily dependent upon the profitability of the Complementary Businesses.

A dividend of approximately \$5 million (representing 21.5c per share) was paid to B Class Shareholders in respect of the financial year ended 30 April 2006.

It remains the Board's objective to continue to pay a dividend of at least 21.5c per issued B Class Share. The Board will annually determine an appropriate dividend rate per share after considering the needs of the business and Shareholders as a whole at that time. However, the ability of the Company to pay dividends depends on its profitability, the need to supplement Paddy Prices and other funding requirements. Further information on the risk factors that may affect the profitability of the Company is set out in Section 6.

You should refer to Section 3.5 for detailed information regarding the Company's key policies including dividend policy.

## 1.6 Share Trading Policy

It is the Board's current intention to establish a Share Trading Facility in July 2007 to provide B Class Shareholders with a means of trading their Shares with other Shareholders of the Company (subject to maximum Shareholding limits). However, until that Share Trading Facility is established B Class Shares will not be quoted on any financial market and Shareholders will not be able to trade or transfer B Class Shares (except in limited circumstances – refer to Section 7.1).



Refer to Section 3.5 for further details on the Company's policy regarding establishing a Share Trading Facility.

## **1.7 Investment Risks**

There are a number of factors, both specific to the Company and of a general nature which may affect the future operating and financial performance of the Company and the outcome of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives or that forward looking statements will be realised.

Before deciding to invest in the Company, Shareholders should read the entire Prospectus and, in particular the risks described in Section 6.

Although the Constitution and the terms of this Offer allow Approved Entities (superannuation funds) of Shareholders to take up B Class Shares, Shareholders and their Approved Entities should seek their own advice on the legal and regulatory requirements affecting superannuation funds and their right to invest in B Class Shares. The Company gives no representation or assurance that these requirements enable Approved Entities of Shareholders to invest in B Class Shares.

## **2. DETAILS OF THE OFFER**

### **2.1 Description of the Offer**

Under the Share Issue, New Shares are offered for subscription by Shareholders or their Approved Entities.

The issue price of all New Shares will be \$2.14. Shareholders may apply the following to pay up the issue price of New Shares:

- (a) Cheque, bank draft or electronic funds transfer; and/or
- (b) Rice Bonds at face value (including the CCC Series of Rice Bonds for which payment has been deferred until December 2006); and/or
- (c) The RMB Equity Rollover Payment, due to be paid in July 2007.

No brokerage, commission or stamp duty is payable by Applicants for Shares under the Offer.

As there is no minimum or maximum number of B Class Shares offered under this Prospectus, the number of additional B Class Shares on issue after the Share Issue will depend on the number of New Shares that are subscribed for and issued.

### **2.2 Eligibility**

New Shares can only be subscribed for and issued to Shareholders or their Approved Entities in accordance with the terms of the Share Issue. New Shares will not be issued if it would result in a breach of the maximum Shareholding restrictions in the Constitution, as outlined in Section 2.4.

### **2.3 Issue Price and Payment Options**

The issue price of each New Share is \$2.14. Shareholders may apply to pay up the issue price of New Shares by means of cheque or bank draft or electronic funds transfer, Rice Bonds at face value, or the RMB Equity Rollover Payment, due to be paid in July 2007.

If you choose to apply the RMB Equity Rollover Payment to pay up the issue price of New Shares, those Shares will be initially issued with no amount paid up on them, with the full issue price being payable when the RMB Equity Rollover Payment is received (and in any event no later than 31 July 2007). New Shares paid up in this manner will not be entitled to dividends until the issue price is paid up. This means that these New Shares will not be entitled to any dividend declared in respect of the financial year ended 30 April 2007.

If you choose another payment option (cheque, bank draft or electronic funds transfer or Rice Bonds) your New Shares will be issued as fully paid up and will be entitled to any dividends declared after their date of issue. This means that these New Shares will be entitled to a dividend in respect of the financial year ended 30 April 2007.

Rice Bonds applied to pay up New Shares will be entitled to pro rata interest up to the date on which the New Shares are issued. This means that pro rata interest will be paid on the Rice Bonds from 1 July 2006, until the date of issue of the New Shares, with those New Shares being entitled to any dividend declared in respect of the financial year ended 30 April 2007.

In order to apply Rice Bonds, or the RMB Equity Rollover Payment to pay all or part of the issue price of New Shares, Applicants must complete both the Application Form and the Payment Direction Form.

## **2.4 The Shares**

There are two classes of Shares in the Company, A Class Shares and B Class Shares. The Offer relates to B Class Shares only. The rights attached to A Class Shares and B Class Shares are outlined below.

You should also refer to Section 7.1 that provides a summary of the major provisions of the Constitution.

### **A Class Shares**

Voting control of the Company is conferred upon A Class Shareholders. A Class Shares are voting Shares that can only be held by Active Growers or persons whom the Directors believe, on reasonable grounds, will become Active Growers.

A Class Shares are redeemable preference Shares and may be redeemed (by repayment of the issue price, if any) if a holder has not delivered at least one tonne of paddy rice to the Company for at least 2 years. A Class Shares do not confer any rights to capital distributions or dividends.

### **B Class Shares**

B Class Shares represent the economic ownership of the Company having rights to capital distributions and dividends. B Class Shares do not carry any voting rights (except in very limited circumstances associated with changing the rights attached to B Class Shares) and are not redeemable.

B Class Shares can only be issued to:

- (a) A Class Shareholders or persons to whom the Directors have agreed to issue an A Class Share;
- (b) Persons who, at the time of the issue, are existing B Class Shareholders; and
- (c) Approved Entities (in relation to Shareholder superannuation funds approved by the Board).

A person cannot hold a number of B Class Shares that exceeds 1% of the total number of issued B Class Shares. A person cannot hold a number of B Class Shares that, when aggregated with any B Class Shares held by all Associates of that person, exceeds 2% of the total number of issued B Class Shares.

Prior to the establishment of a Share Trading Facility, B Class Shares will only be transferable in limited circumstances. Shareholders will be able to trade Fully Paid B Class Shares, with other Shareholders, on the Share Trading Facility when it is established. You should refer to Sections 2.12 and 3.5 for details regarding the proposed Share Trading Facility.

If you choose to apply the RMB Equity Rollover Payment to pay up New Shares, those Shares will be issued without any amount paid up on them with the full issue price being payable when the RMB Equity Rollover Payment is received (and in any event no later than 31 July 2007). It is important to note that New Shares issued on this basis:

- (a) Will not be entitled to dividends until the issue price is paid up;
- (b) Will not be able to be traded if a Share Trading Facility is established until the issue price is paid up; and

- (c) will be liable to be forfeited in accordance with the terms of the Company's constitution if the issue price is not paid up.

## **2.5 Share Capital Structure**

The Company has the following Share capital structure as at the date of this Prospectus:

<b>Issued Share Capital</b>	<b>Number of Issued Shares</b>	<b>Amount Paid Up A\$</b>
A Class Shares	1,704	Nil
B Class Shares	24,093,505	32,560,360

As there is no minimum or maximum number of B Class Shares offered under this Prospectus, the number of additional B Class Shares on issue after the Share Issue will depend on the number of New Shares that are subscribed for and issued.

## **2.6 How to Apply for Shares Under the Offer**

Applications under the Offer will only be accepted on the Application Form attached to this Prospectus. The Application Form includes detailed instructions on how to complete the form. An Application constitutes an offer to the Company to subscribe for Shares on the terms and conditions set out in this Prospectus.

The completed Application Form must be delivered to the registered office of the Company by 5pm on the Closing Date.

## **2.7 Closing Date**

The Closing Date specified in the Application Form is 30 November 2006. However, the Company reserves the right to extend the Closing Date in its sole discretion.

## **2.8 Allotment and Issue**

New Shares applied will be issued as soon as possible after the Closing Date, subject to payment of the issue price. New Shares will not be issued if the issue would result in a breach of the Constitution or any law.

## **2.9 Application Monies**

In accordance with Section 722 of the Corporations Act, all Application Monies will be held in trust by the Company until the Shares are issued.

No interest will be paid on any Application Monies refunded as a result of withdrawal of the Offer, unsuccessful Application or otherwise.

Any refunds will be mailed to unsuccessful Applicants as soon as practicable.

## **2.10 Proposed Application of Funds Raised**

The Company proposes to apply the funds raised from the allotment of Shares pursuant to the Offer to raise funds to replace Rice Bonds and for use in the ongoing growth of the SunRice business.

## **2.11 Shareholding Ownership Statements**

The Company will mail Shareholding ownership statements to successful Applicants within two months following the issue and allotment of the Shares.

## **2.12 Share Trading**

It is the Board's current intention to establish a Share Trading Facility in July 2007 to provide B Class Shareholders a means of trading their Shares with other Shareholders of the Company (subject to maximum shareholding limits). However, until that Share Trading Facility is established B Class Shares will not be quoted on any financial market and Shareholders will not be able to trade or transfer B Class Shares (except in limited circumstances – refer to Section 7.1).

Refer to Section 3.5 for further details on the Company's policy regarding establishing a Share Trading Facility.

## **2.13 Exposure Period**

In accordance with Section 727(3) of the Corporations Act 2001, this Prospectus is subject to an exposure period of seven (7) days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of up to seven (7) days. Applications received prior to the expiration of the exposure period will not be processed until the exposure period has finished. No preference will be conferred on Applications received during the exposure period. The purpose of the exposure period is to enable examination of the Prospectus by market participants prior to the offering of Shares. That examination may result in the identification of deficiencies in the Prospectus, in which case any Application received may need to be dealt with in accordance with Section 724 of the Corporations Act.

This Prospectus will be made available to Australian residents during the Exposure Period at [www.sunrice.com.au](http://www.sunrice.com.au). A paper copy of this Prospectus will be provided free of charge to any person who requests a copy by contacting the Company on 1800 654 557.

## **2.14 Electronic Prospectus**

This Prospectus may be viewed online at [www.sunrice.com.au](http://www.sunrice.com.au). Persons who receive the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Offer constituted by this Prospectus in electronic form is only available to Shareholders who receive the electronic version of this Prospectus in Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. A paper copy of this Prospectus will be provided free of charge to any person who requests a copy by contacting the Company on 1800 654 557.

## **2.15 Taxation**

The acquisition and disposal of Shares in the Company will have taxation consequences, which will differ depending upon the personal circumstances of each Shareholder. Shareholders should seek their own taxation advice from a suitably qualified advisor in relation to the taxation consequences of subscribing for Shares under this Prospectus.

## **2.16 Discretion Not to Proceed**

The Company reserves the right not to proceed with the Offer at any time. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of withdrawal of the Offer or otherwise.

## **2.17 Enquiries**

Questions relating to this Prospectus should be directed to the Company on 1800 654 557.

Applicants with questions on how to complete the Application Form, or on the contents of this Prospectus, should contact their stockbroker, accountant, lawyer or other professional adviser.

## **3. PROFILE OF THE COMPANY AND ITS BUSINESS**

### **3.1 General**

The Company was registered as a co-operative on 24 July 1950 under its original name Ricegrowers' Co-operative Mills Limited, with the primary objective of receiving, processing and marketing rice supplied by its members. Its name was changed to Ricegrowers' Co-operative Limited on 13 December 1985 and, after successfully operating for 55 years, had approximately 1734 members. Following approval by its members on 4 October 2005, Ricegrowers' Co-operative Limited registered as a company under the Corporations Act on 14 December 2005 and changed its name to Ricegrowers Limited.

The Company sources paddy rice for processing and marketing globally under the SunRice brand and subsidiary brands. SunRice's processing and storage facilities in Australia are structured to deal with a rice crop of approximately 1.2 million tonnes of paddy rice supplied by Growers using efficient and sustainable farming systems.

The Australian rice industry is internationally competitive and operates without any production or export subsidies, unlike many of SunRice's foreign competitors.

SunRice has evolved to become a substantial Australian exporter of processed branded food products. As a vertically integrated agribusiness, SunRice produces and markets an extensive range of table rice and valued-added food products to more than 60 countries worldwide. The SunRice brands and operations are recognised not only in Australia but also around the world, particularly in the markets of Asia, the Pacific, the Middle East and New Zealand. In a normal year SunRice exports approximately 80% of the crop delivered.

SunRice has a tradition of strong growth and value creation. The Board has implemented a number of major strategic initiatives in recent years to streamline the business infrastructure to further grow the profitability and value of the SunRice business.

The recent business strategy of SunRice has been anchored on two key pillars:

- Operating excellence; and
- Innovation.

In recent years SunRice has undertaken intensive capital investment programs focused on milling and packing capacity upgrades and automation. Substantial operational cost reductions through efficiency and productivity gains have been achieved.

SunRice has continued to build on a heritage of product innovation and market expansion. It has maintained a stance of delivering highly differentiated product offerings across its markets. In particular, SunRice has delivered value (average sell price per tonne) growth in rice and rice foods across retail, food service and food ingredient channels in Australian and New Zealand.

### **3.2 Future Business Directions**

#### **Business Strategy**

The Board's vision for SunRice is for it to become the 'world's favourite rice food company'. This will involve continuing to be committed to being:

- Internationally focused;

- A favoured employer, producing popular products and brands; and
- A supplier of rice foods for all eating occasions including breakfast, lunch, dinner and snacking opportunities.

The Board and management have developed a strategic framework for defending and growing the business profitably across existing and new markets and products, ensuring valuable differentiation from competitors.

The strategic imperatives that will ensure the future strength of the SunRice business include:

- Ensuring Australian operations remain highly efficient and profitable;
- Building and growing presence in branded rice foods in domestic and international consumer markets;
- Building alliances with partners in retail, food service and food ingredient market channels;
- Expanding the range of value-added rice foods; and
- Enhancing SunRice's position as a strategic international trader of rice to complement domestic rice production. Whilst Australian rice will always be given priority access to the highest returning markets, the rice trading business has made a significant contribution to the net profits of the business in the three financial years ended April 2006.

### Strategic Plan

SunRice has a strategic plan to deliver its stated vision. The plan's key initiatives can be summarised as follows:

- **Existing markets:** Defend and grow its market leadership positions in existing markets, namely Australia/NZ, Asia, Pacific and the Middle East.
- **New markets:** Enter the U.S. and European rice food markets and establish a branded footprint across the two continents.
- **Value-Add products:** Grow the value-added rice food business e.g. rice based meals and snacks.
- **Global supply sourcing:** Secure long-term global supply sources of rice to market and distribute under its portfolio of international brands. In doing this, SunRice will adhere to a policy and philosophy of giving Australian grown rice priority access to profitable markets.
- **Strategic investments:** Establish a portfolio of strategic investments in other complementary businesses, including by-products, food products and distribution infrastructure.

The Company is currently investigating investment opportunities in the USA and Asia to further secure its global supply sourcing and grow the distribution of its brands in international markets.

### 3.3 Relationship with the Rice Marketing Board

In November 2005, the New South Wales Government passed the Rice Marketing Amendment (Prevention of National Competition Policy Penalties) Act 2005, which amended the Marketing of Primary Products Act (now called the Rice Marketing Act) as from 1 July 2006 in a manner designed to deregulate the sale of rice produced in New South Wales within the Australian domestic market.



These amendments facilitate the appointment of additional authorised buyers of rice from producers and remove any exclusivity that the Company has in respect of the sale or supply of rice within Australia. New authorised buyers will be able to purchase rice from producers as from the 2007 harvest.

The terms of appointment of authorised buyers will include a condition prohibiting any sale or supply of New South Wales rice to persons outside of Australia except with the RMB's written approval.

With effect from 1 July 2006, RMB has appointed the Company as an authorised buyer of rice under these revised legislative provisions and has identified the Company as the exclusive exporter of rice for a period of at least 10 years. A Sole and Exclusive Export Agreement has been entered into by the Company and RMB under which these exclusive export rights are confirmed and the Company has agreed to purchase all rice delivered to it.

### **3.4 Purchase of Rice Storage Assets**

On 30 June 2006 a wholly owned subsidiary of the Company acquired the RMB's network of rice receival and storage facilities for a purchase price of approximately \$125 million. Components of this purchase price are payable over a ten year period to align with RMB's commitment to pay amounts owing to growers under the Capital Equity Rollover Scheme. RMB's right to receive the outstanding proportion of the purchase price is secured by a second mortgage over the facilities.

The Company will utilise the rice storage capabilities of these facilities to receive and store rice purchased by it, as it did in the past when the facilities were owned by RMB. Rice storage services will also be made available to any new authorised buyers of rice appointed by RMB on terms acceptable to SunRice.

### **3.5 Key Policies of the Company**

#### **Paddy Pricing Policy**

The Company will continue to aim to maximise returns to Active Growers for paddy rice supplied. As part of the strategy to achieve this goal, Australian rice will continue to be given priority access to the highest returning markets. Consistent with its commitment to Active Growers and with a view to encouraging rice production in the current drought conditions, the Board has announced that the minimum Paddy Price for the 2007 Crop Year will be \$320 per tonne.

The Company's business activities are divided into two revenue streams, "Rice Milling and Marketing" and "Complementary Businesses":

- The Rice Milling and Marketing business include milling, marketing, packaging and rice trading; and
- The Complementary Businesses include rice foods (rice cakes, flour, specialty rice foods), CopRice and dividends received from subsidiary companies such as Riviana and Trukai. Further, its profits include the proceeds from an Asset Financing Charge, levied against the Rice Milling and Marketing business to reflect the cost of capital (Shareholders' funds) utilised by the Rice Milling and Marketing business.

The Board may approve changes to this allocation from time to time as the scope of the business conducted via a subsidiary, division or investment changes.

This separation is expected to improve, amongst other things, the accountability of the business activities, and the transparency in determining the Paddy Price and Grower returns. As the interests of the A Class Shareholders and B Class Shareholders are not completely aligned, it is

necessary to ensure that there be full accountability and transparency in the methodology used to determine the annual Paddy Price.

In order to provide B Class Shareholders, as providers of capital, with a return on the proportion of their Shareholders' funds utilised by the Rice Milling and Marketing business, an Asset Financing Charge will be levied against the Rice Milling and Marketing business and paid to the Complementary Businesses. This Asset Financing Charge represents a charge against the Rice Milling and Marketing business for the use of Shareholders' funds utilised to finance its fixed assets.

The Asset Financing Charge will be determined by the Directors each year by applying a food industry benchmark financing rate, expected to be a rate of approximately 10%, to the current level of Shareholders' funds employed in Rice Milling and Marketing activities. Based on the current levels of funds employed, the Directors expect the Asset Financing Charge to be approximately \$3.6 million p.a.

Any transfer of product between the respective business activities is made on an arm's length basis. A transfer pricing policy is in place to ensure these transactions reflect prevailing market prices.

The total pool of profits from which payments will be made to Growers and Shareholders will comprise the profits from Rice Milling and Marketing and the profits from Complementary Businesses. The Paddy Price will, as a minimum, be represented by the net pool generated by the Rice Milling and Marketing business.

The profits from the Complementary Businesses will be available for distribution based on an assessment by the Board of the needs of the Growers and the business as a whole. The Complementary Businesses' profit may be applied in any combination of the following:

- (a) To supplement the paddy return;
- (b) Paid as dividends to B Class Shareholders; and/or
- (c) Retained in the business to be used for capital expenditure, repaying debt, or other uses.

Directors may decide that it is in the best interests of the business as a whole to re-allocate profits from the Complementary Businesses to supplement the Rice Milling and Marketing business. This may be necessary because the reliable supply of rice is vital to the success of the SunRice business as a whole. If SunRice does not receive paddy, the Rice Milling and Marketing assets will be underutilised and the Complementary Businesses may not be able to operate effectively, thereby reducing returns to Growers and B Class Shareholders. Accordingly, where the Board believes that the circumstances are such that it is necessary to apply profits from the Complementary Businesses to supplement the Paddy Price, it will do so.

### **Dividend Policy**

The Directors will annually consider and determine the dividend to be declared for the year taking into account a number of factors including:

- The need to supplement the Paddy Price;
- The need to retain profit for capital expenditure;
- The need to maintain an appropriate gearing ratio; and

- Benchmarking dividend payout ratios from companies of similar size, risk profile and business activities.

Directors expect the dividend to be unfranked until the Company utilises its accumulated tax losses. Once the Company commences paying tax, franked dividends will be paid.

Directors believe that the dividend paid should provide Shareholders with a competitive return on their investment and will encourage them to participate in any future equity capital raisings. The payment of dividends is, however, primarily dependent upon the profitability of the Complementary Businesses.

The maximum future potential dividend will be:

- Complementary Businesses' profit; less
- Any supplement to the Paddy Price; less
- Any retention; less
- Company tax.

A dividend of approximately \$5 million (representing 21.5c per share) was paid to B Class Shareholders in respect of the financial year ended 30 April 2006.

It remains the Board's objective to continue to pay a dividend of at least 21.5c per issued and fully paid B Class Share. The Board will annually determine an appropriate dividend rate per share after considering the needs of the business and Shareholders as a whole at that time. However, the ability of the Company to pay dividends depends on its profitability, the need to supplement Paddy Prices and other funding requirements. Further information on the risk factors that may affect the profitability of the Company is set out in Section 6.

## **Share Trading**

It is the Board's current intention to establish a Share Trading Facility in July 2007 to provide B Class Shareholders a means of trading their Shares with other Shareholders of the Company (subject to maximum shareholding limits). However, until that Share Trading Facility is established B Class Shares will not be quoted on any financial market and Shareholders will not be able to trade or transfer B Class Shares (except in limited circumstances – refer to Section 7.1).

The Company will outsource the operation of the Share Trading Facility to a suitably qualified operator who holds an Australian Financial Services licence. Further details of a Share Trading Facility will be advised to Shareholders following any future decision to commence share trading.

A Share Trading Facility would provide a means by which Shareholders could offer to buy or sell B Class Shares. The price at which Shareholders would be able to sell their B Class Shares would be determined by the availability of buyers and the price that they would be willing to pay for those Shares. The price that buyers would be prepared to pay would be influenced by a number of factors including the dividend rate. Whilst a Share Trading Facility may unlock some of the value of the Shares, the price payable and hence value unlocked would be restricted because of the following factors:

- (a) Shares would only be tradeable amongst the Shareholders;
- (b) Only Shareholders could purchase B Class Shares;
- (c) A person cannot hold a number of B Class Shares which exceeds 1% of the total number of issued B Class Shares;

- (d) A person cannot hold a number of B Class Shares which, when aggregated with any B Class Shares held by all Associates of that person, exceeds 2% of the total number of issued B Class Shares; and
- (e) The absence of voting rights for B Class Shares.

### **Treatment of Rice Bonds**

During the seven year period up to and including the 2003 financial year (i.e. Crop Year 2002), the Company made an annual deduction from the crop proceeds of each Grower member of the Co-operative and facilitated investment of those funds in Rice Bonds. The Rice Bonds are subordinated debt instruments, and are due for repayment seven years after their original investment. Series AA and BB Rice Bonds were repaid at their relevant maturity dates and Shareholders have been given the opportunity to “rollover” their AA and BB series Rice Bonds into a new voluntary Rice Bond scheme, offered to Shareholders in 2004 and 2005. In June 2006 Shareholders who held CC Series Rice Bonds were given the opportunity to extend the maturity date until December 2006. Those Shareholders who did not take up this opportunity to extend the maturity date redeemed their Rice Bonds.

Under the terms of the Share Issue, Shareholders who hold Rice Bonds will be able to apply them (refer Section 2.1), to pay the issue price of New Shares. This is designed to encourage Shareholders to convert their Rice Bonds into B Class Shares. Rice Bonds that are not applied in this manner will continue to exist and be paid in accordance with their terms. Following is a summary of Rice Bonds outstanding as at 31 August 2006:

<b>Bond Series</b>	<b>Maturity Date</b>	<b>Balance Outstanding \$'000's</b>
CCC	31/12/06	2,356
DD	30/06/07	10,856
HH	30/06/07	3,345
EE	30/06/08	8,541
II	30/06/08	2,315
FF	30/06/09	13,742
GG	30/06/10	9,873
		<u>51,028</u>

### **Treatment of RMB Equity Rollover Payment**

As outlined in Section 3.4 on 30 June 2006 a wholly owned subsidiary of the Company acquired the RMB's network of rice receival and storage facilities. Components of the purchase price are payable over a ten year period to align with RMB's commitment to pay amounts owing to growers under the Capital Equity Rollover Scheme.

Shareholders who are eligible to receive a RMB Equity Rollover Payment, due to be paid in July 2007, will be able to apply the payment (refer Section 2.1), to pay the issue price of New Shares. This is designed to encourage Shareholders to convert their RMB Equity into B Class Shares. RMB Equity Rollover Payments that are not applied in this manner will be paid in accordance with their terms.

## 4. BOARD

### 4.1 Directors' Profiles

#### **GERRY LAWSON LDA MAICD**

Mayrung rice grower. Director since 1985. Chairman since 2001. Directors' Committee: Member, Remuneration. Chairman, Riviana Foods Pty Ltd. Director, Silica Resources Pty Ltd; SunRice Trading Pty Ltd; SunRice Australia Pty Ltd; Riviana (Australia) Pty Ltd; SunArise Insurance Company Limited; Aqaba Processing Company Ltd (Jordan); Herto nv (Belgium); and Sunshine Rice Inc (USA). Member of the Rice Marketing Board. SunRice representative to the Ricegrowers' Association of Australia Inc.

#### **MARK ROBERTSON MAICD**

Berriquin rice grower. Director since 1996. Deputy Chairman since 2001. Directors' Committees: Chairman, Grower Services; Member, Remuneration, Finance and Audit and Due Diligence. Chairman, Trukai Industries Limited (PNG); Director, Solomons Rice Company Limited (Solomon Islands), Riviana (Australia) Pty Ltd; SunRice Australia Pty Ltd and SunRice Trading Pty Ltd. Member, Rice Industry Co-ordination Committee.

#### **BRUCE BARBER FAICD Cert Ag**

Warrawidgee rice grower. Director since 1984. Directors' Committees: Member, Finance and Audit, Grower Services and Due Diligence. Director, Rice Research Australia Pty Ltd; Stockfeed Manufacture and Distribution Pty Ltd; Trukai Industries Limited (PNG). Chairman, Solomons Rice Company Limited (Solomon Islands). Member, Rice Industry Co – ordination Committee. Chairman, Benerembah Irrigation District Environment Protection Trust, Director Abitibi Pty Ltd.

#### **NOEL GRAHAM FAICD**

Caldwell rice grower. Director since 2001. Directors' Committees: Member, Finance and Audit; Grower Services and Due Diligence. Chairman, Rice Marketing Board. Rice Marketing Board representative to Ricegrowers' Association of Australia Inc.

#### **GARY HELOU BE (Hons) MComm FAICD FAIM**

Director since 2003. Director, Riviana Foods Pty Ltd, Trukai Industries Limited (PNG); Solomons Rice Company Limited (Solomon Islands); Herto nv (Belgium); Aqaba Processing Company (Jordan); and Sunshine Rice Inc (USA). Member, Asia Society AustralAsia Centre; Australian Homegrown Limited.

#### **RUSSELL HIGGINS AO BEc FAICD**

Director since 2005. Directors' Committees: Member, Finance and Audit and Due Diligence, Director, Australian Pipeline Trust; Australian Biodiesel Group; Chairman, CRC for Coal in Sustainable Development; CSIRO Energy Transformed Flagship Advisory Committee. Former Chairman Snowy Mountains Hydro - Electric Scheme.

#### **GILLIAN KIRKUP MAICD**

Yanco rice grower. Director since 2005. Directors' Committee: Member, Grower Services. Member, Rice Marketing Board. Member, RIRDC Rice Research and Development Committee. Central Executive Delegate to Ricegrowers' Association of Australia Inc. Director, Murrumbidgee Irrigation Limited. Member Riverina Agricultural Women Steering Committee.

**GRANT F LATTA AM FAICD FAIM ASA/CPA AAMI MBA DipBus DipEng**

Director since 1999. Directors' Committees: Chairman, Remuneration; Finance and Audit and Due Diligence. Executive Chairman, GCMCorp Pty Ltd. Chairman, Europcar Asia Pacific, Optiscan Imaging Ltd, Kailis and France Foods Pty Ltd, TP Health Pty Ltd; Deputy Chairman, Vision Systems Ltd; Director, Biota Holdings Ltd. Member, Australian Competition Tribunal (Federal Court).

**NORM McALLISTER Dip App Sc Ag FAICD**

Berriquin rice grower. Director since 1997. Chairman, Rice Research Australia Pty Ltd. Director Riviana Foods Pty Ltd, Silica Resources Pty Ltd. Director, Rural Industries Research and Development Corporation. Member, Rice Industry Co-ordination Committee.

**ALAN WALSH FAICD**

Berriquin and Coleambally rice grower. Director since 2000. Directors' Committee: Member, Grower Services, Director, Rice Research Australia Pty Ltd. Member, Rural Industries Research and Development Corporation, Rice Research and Development Committee. Central Executive Delegate to Ricegrowers' Association of Australia Inc. Secretary, Ricegrowers' Association of Australia Inc (Deniliquin Branch). Delegate to Irrigation Research Extension Committee. Member, Rice Industry Co-ordination Committee.

## 5. FINANCIAL INFORMATION

### 5.1 Introduction

The financial position of the Company is set out in the Financial Report of the Company for the financial year ended 30 April 2006. A copy of that Financial Report together with the Directors' Report and the Auditor's Report have been lodged with ASIC and are taken to be included in this Prospectus. The Company will provide a copy of those documents free of charge on request by contacting the Company on 1800 654 557.

The following table shows a comparison of the balance sheet and other key financial statistics over the last three financial years.

All financial information shown in Table 1 and Table 2 is reported under Australian Equivalents to International Financial Reporting Standards.

**Table 1: Ricegrowers Limited – Balance Sheet**

	<b>30 April 2006</b> <b>\$'000</b>	<b>30 April 2005</b> <b>\$'000</b>	<b>30 April 2004</b> <b>\$'000</b>
<b>Current Assets</b>			
Cash and cash equivalents	661	738	2,058
Receivables	105,822	109,640	76,734
Inventories	303,202	108,248	177,372
Derivative financial instruments	2,054	-	-
<b>Total Current Assets</b>	<b>411,739</b>	<b>218,626</b>	<b>256,164</b>
<b>Non Current Assets</b>			
Receivables	25,649	26,769	7,270
Available-for-sale financial assets	380	-	-
Inventories	-	1,052	-
Other financial assets	6,071	6,090	946
Property, plant and equipment	104,912	110,672	115,106
Investment properties	7,475	6,725	6,675
Intangible assets	3,324	3,283	3,516
Deferred tax assets	21,359	22,054	25,816
Investments accounted for using the equity method	3,588	3,588	3,588
<b>Total Non Current Assets</b>	<b>172,758</b>	<b>180,233</b>	<b>162,917</b>
<b>TOTAL ASSETS</b>	<b>584,497</b>	<b>398,859</b>	<b>419,081</b>
<b>Current Liabilities</b>			
Payables	32,135	29,928	41,662
Grower payables	109,636	66,992	76,486
Borrowings	162,322	52,649	34,714
Provisions	7,859	8,971	7,672
<b>Total Current Liabilities</b>	<b>311,952</b>	<b>158,540</b>	<b>160,534</b>

	30 April 2006 \$'000	30 April 2005 \$'000	30 April 2004 \$'000
<b>Non Current Liabilities</b>			
Grower payables	55,670	18,132	30,322
Borrowings	131,601	139,767	147,362
Deferred tax liabilities	6,303	4,985	8,974
Provisions	2,016	1,675	928
<b>Total Non Current Liabilities</b>	<b>195,590</b>	<b>164,559</b>	<b>187,586</b>
<b>TOTAL LIABILITIES</b>	<b>507,542</b>	<b>323,099</b>	<b>348,120</b>
<b>NET ASSETS</b>	<b>76,955</b>	<b>75,760</b>	<b>70,961</b>
<b>Equity</b>			
Contributed Capital	31,036	31,449	32,180
Reserves	20,421	18,657	18,657
Retained profit	25,498	25,654	20,124
<b>Total parent equity interest</b>	<b>76,955</b>	<b>75,760</b>	<b>70,961</b>
Minority interest	-	-	-
<b>TOTAL EQUITY</b>	<b>76,955</b>	<b>75,760</b>	<b>70,961</b>



The following table shows a comparison of Ricegrowers Limited's Consolidated Group Balance sheet and other key financial statistics over the last three financial years.

**Table 2: Ricegrowers Limited's Consolidated Group – Balance Sheet**

	<b>30 April 2006 \$'000</b>	<b>30 April 2005 \$'000</b>	<b>30 April 2004 \$'000</b>
<b>Current Assets</b>			
Cash and cash equivalents	3,519	2,811	4,992
Receivables	77,221	74,601	72,898
Inventories	384,577	193,811	221,702
Derivative financial instruments	2,054	-	-
<b>Total Current Assets</b>	<b>467,371</b>	<b>271,223</b>	<b>299,592</b>
<b>Non Current Assets</b>			
Receivables	-	-	-
Available-for-sale financial assets	394	-	-
Inventories	-	1,052	-
Other financial assets	556	612	713
Property, plant and equipment	136,738	136,738	139,932
Investment properties	7,475	6,725	6,675
Intangible assets	5,772	5,854	4,984
Deferred tax assets	22,075	22,555	26,194
Investments accounted for using the equity method	4,287	3,897	3,578
<b>Total Non Current Assets</b>	<b>177,297</b>	<b>177,433</b>	<b>182,076</b>
<b>TOTAL ASSETS</b>	<b>644,668</b>	<b>448,656</b>	<b>481,668</b>
<b>Current Liabilities</b>			
Payables	49,671	43,210	51,141
Grower payables	109,636	66,992	76,486
Borrowings	176,728	61,004	49,866
Current tax liabilities	-	-	1,988
Provisions	8,855	11,417	10,177
Derivative financials instruments	186	-	-
<b>Total Current Liabilities</b>	<b>345,076</b>	<b>182,623</b>	<b>189,658</b>
<b>Non Current liabilities</b>			
Payables	1,863	1,799	1,950
Grower payables	55,670	18,132	30,322
Borrowings	135,101	144,267	147,362
Deferred tax liabilities	6,933	6,594	9,928
Provisions	3,008	2,633	1,709
<b>Total Non Current Liabilities</b>	<b>202,575</b>	<b>173,425</b>	<b>191,271</b>
<b>TOTAL LIABILITIES</b>	<b>547,651</b>	<b>356,048</b>	<b>380,928</b>
<b>NET ASSETS</b>	<b>97,017</b>	<b>92,608</b>	<b>100,740</b>

	30 April 2006 \$'000	30 April 2005 \$'000	30 April 2004 \$'000
<b>Equity</b>			
Contributed Capital	31,036	31,449	32,180
Reserves	22,602	19,929	20,878
Retained profit	38,261	36,593	42,425
Total parent equity interest	91,899	87,971	95,483
Minority interest	5,118	4,637	5,257
<b>TOTAL EQUITY</b>	<b>97,017</b>	<b>92,608</b>	<b>100,740</b>
Co-operative / B Class Shares on issue (000's)	23,359	15,725	16,090
<b>NET TANGIBLE ASSET BACKING PER SHARE *</b>	<b>\$3.91</b>	<b>\$5.52</b>	<b>\$5.95</b>

\* Net Tangible Asset Backing Per Share represents (Total Equity – Intangible Assets)/ Number of Issued Shares

## 5.2 Historical Financial Information

The following table provides key historical financial statistics and performance information for the SunRice business over the last five years. This historical actual information has been presented to reflect the Paddy Pricing policy adopted on the conversion of the Co-operative to a Company in December 2005.

**Table 3: Historical financial statistics**

<b>Financial year end</b>	<b>Apr 2006</b>	<b>Apr 2005</b>	<b>Apr 2004</b>	<b>Apr 2003</b>	<b>Apr 2002</b>
Relevant Crop Year	<b>CY05</b>	<b>CY04</b>	<b>CY03</b>	<b>CY02</b>	<b>CY01</b>
Paddy Tonnes delivered	304,867	528,984	390,079	1,241,710	1,744,066
Total payments based on paddy tonnes delivered \$,000's	89,650	153,026	123,016	313,082	350,936
<b>Rice Milling and Marketing pool \$'000's</b>	<b>77,045</b>	<b>139,142</b>	<b>117,207</b>	<b>302,803</b>	<b>348,481</b>
Minimum Paddy Price payable \$/t (inc. varietal premiums)	\$252.72	\$263.03	\$300.47	\$243.86	\$199.81
Plus supplement to Paddy Price \$/t	\$41.34	\$26.25	\$14.89	\$8.28	\$1.41
Paddy Price \$/ t (inc. varietal premiums)	\$294.06	\$289.28	\$315.36	\$252.14	\$201.22
Dividends / Management fees from subsidiary companies \$,000's (Note 2)	7,186	12,936	3,400	3,589	2,190
Other Complementary Businesses' profit \$,000's	10,441	5,980	7,557	11,891	5,165
<b>Total Complementary Businesses' profit \$,000's</b>	<b>17,627</b>	<b>18,916</b>	<b>10,957</b>	<b>15,480</b>	<b>7,355</b>
Less supplement to Paddy Price \$,000's	12,605	13,884	5,809	10,279	2,455
Net Profit (available for distribution) \$,000's	5,022	5,032	5,148	5,201	4,900
Dividend paid \$,000's	5,022	5,032	5,148	5,201	4,900
Co-operative / B Class Shares on issue ,000's	23,359	15,725	16,090	16,254	15,311
Dividend per share	21.5c	32c	32c	32c	32c

Note 1: The historical financial statistics in Table 3 relate to the Company (and prior to April 2006 the Co-operative), not the consolidated group. The results include dividends received from subsidiaries.

Note 2: These amounts reflect the after tax distributions made by the relevant subsidiaries. During the year ended 2005, Riviana Foods Pty Ltd fully distributed its profits and, in addition, made a distribution of \$5m from its retained earnings. During the year ended 2006, Riviana Foods Pty Ltd fully distributed its profits to SunRice through a management fee. In the year ending 30 April 2007 it is currently envisaged that Riviana Foods Pty Ltd will revert to its normal retention policy and only distribute the equivalent of 50% of its net profit to SunRice through a management fee.

### **5.3 Financial Forecast Information**

While the Board has set a minimum Paddy Price for the 2007 Crop Year (refer Section 3.5), the Board does not regard it as appropriate to include a forecast of the final Paddy Price, Complementary Businesses' profits or any supplement to the Paddy Price in this Prospectus. This is due to the variable nature of many factors that may impact the SunRice business and which are outside of the control of the Directors, including actual rice crop size, currency movements, global rice supply and world rice prices.

### **5.4 Significant Financial Transaction Post 30 April 2006 – Purchase of Rice Storage Assets**

As noted in Section 3.4, on 30 June 2006 the Company, through a wholly owned subsidiary Australian Grain Storage Pty Ltd, acquired the RMB's network of rice receival and storage facilities for a purchase price of approximately \$125 million. The purchase price is payable over a period of ten years and does not attract any interest.

It is proposed that Australian Grain Storage Pty Ltd will become responsible for all paddy management activities of SunRice including harvest receival, storage and maintenance of the paddy. The paddy management costs will be recovered by Australian Grain Storage Pty Ltd charging Ricegrowers Limited for the services rendered. As in the previous years these paddy management costs will continue to be allocated as a cost of the Rice Milling and Marketing business of SunRice.

In summary this transaction has the following financial impact:

- At 30 June 2006:
  - the assets of the Group increased by approximately \$125 million
  - the liabilities of the Group increased by approximately \$125 million
- Commencing from 1 May 2007 the Company will:
  - incur an asset usage charge of \$10.2 million per annum and bank interest of approximately \$2.0 million per annum
  - cease to incur the storage asset usage charge from the RMB of approximately \$5.2 million per annum

In addition, effective from the 2007 crop, the RMB equity contributions deducted by SunRice from the annual grower return will cease. Part of this contribution, approximately \$2 million per annum, was used by the RMB to fund interest payable on its bank loans and was not refundable to growers.

Table 4 on the following page presents the financial position of the Company as at 30 April 2006 adjusted for the impact of the acquisition of the RMB's network of rice receival and storage facilities.

**Table 4: Balance Sheet as at 30 April 2006 updated to reflect the acquisition of the RMB storage assets on June 30, 2006.**

	<b>As at 30 April 2006 \$'000's</b>	<b>Dr</b>	<b>Cr</b>	<b>Pro Forma Balance Sheet \$'000's</b>
<b>Current Assets</b>				
Cash and cash equivalents	3,519			3,519
Receivables	77,221			77,221
Inventories	384,577			384,577
Derivative financial instruments	2,054			2,054
<b>Total Current Assets</b>	<b>467,371</b>			<b>467,371</b>
<b>Non Current Assets</b>				
Receivables				
Available-for-sale financial assets	394			394
Other financial assets	556			556
Property, plant and equipment	136,738	125,771		262,509
Investment properties	7,475			7,475
Intangible assets	5,772			5,772
Deferred tax assets	22,075			22,075
Investments accounted for using the equity method	4,287			4,287
<b>Total Non Current Assets</b>	<b>177,297</b>			<b>303,068</b>
<b>TOTAL ASSETS</b>	<b>644,668</b>	<b>125,771</b>	<b>0</b>	<b>770,439</b>
<b>Current Liabilities</b>				
Payables	49,671		13,358	63,029
Grower payables	109,636			109,636
Borrowings	176,728			176,728
Current tax liabilities				0
Provisions	8,855			8,855
Derivative financials instruments	186			186
<b>Total Current Liabilities</b>	<b>345,076</b>	<b>0</b>	<b>13,358</b>	<b>358,434</b>
<b>Non Current liabilities</b>				
Payables	1,863		84,613	86,476
Grower payables	55,670			55,670
Borrowings	135,101		27,800	162,901
Deferred tax liabilities	6,933			6,933
Provisions	3,008			3,008
<b>Total Non Current Liabilities</b>	<b>202,575</b>	<b>0</b>	<b>112,413</b>	<b>314,988</b>
<b>TOTAL LIABILITIES</b>	<b>547,651</b>	<b>0</b>	<b>125,771</b>	<b>673,422</b>
<b>NET ASSETS</b>	<b>97,017</b>	<b>125,771</b>	<b>125,771</b>	<b>97,017</b>

	<b>As at 30 April 2006 \$'000's</b>	<b>Dr</b>	<b>Cr</b>	<b>Pro Forma Balance Sheet \$'000's</b>
<b>Equity</b>				
Contributed Capital	31,036			31,036
Reserves	22,602			22,602
Retained profit	38,261			38,261
<b>Total parent equity interest</b>	<b>91,899</b>			<b>91,899</b>
Minority interest	5,118			5,118
<b>TOTAL EQUITY</b>	<b>97,017</b>	<b>125,771</b>	<b>125,771</b>	<b>97,017</b>

## 5.5 Financial Impact of Funds Received Under the Share Issue

As noted in Section 1.2, the purpose of the Share Issue is to:

- Raise capital to ensure that the company maintains and further develops a strong capital base to provide it with the necessary financial strength and flexibility to make sound decisions and long-term commitments; and
- To facilitate the conversion of Rice Bonds and the RMB Equity Rollover Payment, due to be paid in July 2007 into B Class Shares, thereby further strengthening the Company's permanent capital base.

The Share Issue is expected to have the following impact on the financial position of SunRice:

- Total proceeds of the Share Issue received will be utilised to reduce the company's liabilities in respect of Rice Bonds and/or Bank Debt. The quantum of the reduction and the liability to be reduced can only be determined at the closing date of the Share Issue;
- The total number of B Class Shares after the Share Issue will be determined at the closing date of the Share Offer;
- The resulting reduction in liabilities and increase in paid up capital is expected to improve the ability of SunRice to access additional debt facilities to assist in making the business strong and financially secure; and
- Rice Bond interest payments will reduce on the Rice Bonds redeemed. The quantum of the reduction can only be determined at the closing date of the Share Offer.

## **6. INVESTMENT RISKS**

Every investment in Shares in a company involves an element of risk. Before accepting the Offer, you should consider whether the Shares are suitable securities for you to acquire, having regard to your own investment objectives and financial circumstances.

The business activities of SunRice give rise to a number of significant business and financial risks which are inherent in the Australian rice industry and the international market for rice foods. To minimise industry-specific risks the Company has established risk management procedures which are internally and externally reviewed on a regular basis.

The factors detailed below should not be taken as exhaustive of the risks faced by the Ricegrowers Group or its investors. These factors and others not specifically referred to may materially affect the profitability of the Ricegrowers Group and the value of the Shares.

### **6.1 Supply of Rice**

SunRice is exposed to fluctuations in the volume and quality of rice supplied by its Growers. Fluctuations in volumes of supply may, when surplus to expectation, 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 milling overheads.

SunRice is continuing its efforts to build its international presence and relationships in order to ensure that increasing volumes of high quality Australian rice can be placed in stable and profitable high returning markets. SunRice has also established a rice trading strategy which, in times of low Australian rice crops, allows it to maintain a presence in some of these high returning markets by supplying quality assured SunRice branded product.

### **6.2 Availability of Water/Drought**

In recent Crop Years, the volume of rice available from Growers has been adversely affected by drought conditions and the resultant limited access to water from the irrigation schemes that service Growers.

SunRice seeks to mitigate the risk of short crops by carrying over rice from the preceding Crop Year, where this is possible, primarily to support the important domestic and strategic export markets, and through its rice trading operations and alliances which enable it to access rice from international suppliers to meet market requirements in overseas markets. However, the success of the rice trading strategy is dependent upon the ability to source regular supplies of high quality rice (especially medium grain) at a competitive price. Fluctuations in world prices can significantly adversely impact the profitability of rice trading.

In addition to rice trading, SunRice has, in recent years, participated in a water procurement program in conjunction with the Snowy Hydro Limited to mitigate the shortage of water caused by the current drought. This program has generated a level of rice production needed to primarily support the important domestic and most profitable export markets. SunRice continues to work closely with the relevant water authorities in the region to seek to maximise the availability of water for the production of rice.

### **6.3 Domestic Deregulation**

In accordance with amendments to the Marketing of Primary Products Act (now called the Rice Marketing Act), which took effect on 1 July 2006, the RMB may appoint additional authorised buyers who will have the right to purchase rice from producers in New South Wales. This has the potential to affect the Company's market share of domestic rice sales. However, as the Company

has retained its position as the sole exporter of New South Wales rice, the effect will be limited to the Australian domestic market. Refer to Section 3.3 for further details regarding the arrangements with the RMB.

## **6.4 Exclusive Export Agreement Risk**

Effective 1 July 2006, the Company was appointed by RMB as the exclusive exporter of rice grown in New South Wales for an initial term of five years under the Sole and Exclusive Export Agreement. This agreement can be terminated after that initial five-year period by RMB giving at least 5 years notice. This effectively gives the Company the exclusive export rights for rice grown in NSW for a minimum period of 10 years.

## **6.5 Credit Risk**

SunRice manages the credit risk on sales to end customers through a range of credit instruments, credit checks, risk assessments and intelligence monitoring. Sales to offshore entities are settled through high-ranking credit instruments such as Irrevocable Letters of Credit and Cash Against Documents, wherein the credit risk to SunRice is limited to a short period of time. The Company does not have significant exposure to any individual customer or counterparty, and has a history of negligible default in international business transactions.

## **6.6 Rice Price and Foreign Currency Exchange Risk**

SunRice is exposed to the risks of global rice supply and demand fluctuations which affect the prices which can be gained in export markets. Australian dollar receipts are also exposed to the risk of currency fluctuations. When considered appropriate, SunRice actively participates in foreign currency hedging to manage its exposure and mitigate adverse movements in exchange rates.

## **6.7 Interest Rate Risk**

SunRice has significant core borrowings and a large seasonal borrowing requirement as a result of the nature of its business and its Grower lending activities. The exposure to movement in interest rates on these borrowings is managed by hedging/fixing the interest rate on a proportion of this debt portfolio.

## **6.8 Saleability of Shares**

An investment in the Shares is an illiquid investment as the Shares are not listed on any stock exchange at this time. Until a Share Trading Facility is established B Class Shares will not be quoted on any financial market and Shareholders will not be able to trade or transfer B Class Shares (except in limited circumstances – refer to Section 7.1).

## **6.9 Determination of Share Price**

It is the current Board's intention to establish a Share Trading Facility in July 2007 to provide Shareholders a means of trading their B Class Shares with other Shareholders of Ricegrowers Limited (subject to maximum shareholding limits). Refer to Section 3.5 for further discussion in relation to share trading.

If established, a Share Trading Facility would provide B Class Shareholders with a means of trading their Shares (subject to maximum individual shareholding limits) and the Share price would be determined by market forces.

The price of B Class Shares would be influenced by a variety of factors including:

- The profitability and prospects of the Complementary Businesses;



- The rate of dividend declared from time to time by the Board; and
- The liquidity of trading in the B Class Shares.

The realisable value of B Class Shares would be the price that Shareholders are able to sell B Class Shares on a Share Trading Facility.

## **6.10 Ricegrowers Group Profitability**

The Ricegrowers Group's profitability is subject to both internal and external factors. Some of these factors can be mitigated by appropriate commercial action, but many are outside the Company's control.

### **Internal Factors**

Internal factors that may affect the Ricegrowers Group's profitability include:

- The profitability of individual business units and profit centres of the Ricegrowers Group;
- The adoption of policies and practices within the Ricegrowers Group.

### **External Factors**

External factors that may affect the Ricegrowers Group's profitability include:

- The economic health of Australia and other countries, particularly those in which the Ricegrowers Group operates;
- The stability of governments and changes in fiscal, monetary and regulatory policies of those governments;
- The strength of the global rice and food industry; and
- The level of competition in the markets in which the Ricegrowers Group operates.

## **7. ADDITIONAL INFORMATION**

### **7.1 Constitution**

The following is a summary of the key provisions of the Company's constitution. The Company will provide a copy of the constitution free of charge on request by contacting the Company on 1800 654 557.

#### **Board Composition**

The Board will comprise the following directors, all of whom must be natural persons and at least 18 years old:

- (a) Up to three (3) Directors who are elected members of RMB and who hold, or are the representative of a body corporate that holds, an A Class Share;
- (b) Up to three (3) Directors who are, in the opinion of the Directors, appropriately experienced and who are nominated for election by the Directors, provided that only one (1) of such Directors may be an employee of the Company; and
- (c) Up to four (4) Directors who hold, or are the representative of a body corporate that holds, an A Class Share, excluding the elected members of RMB.

(Refer to Rule 11.1(a) of the Constitution).

The remuneration of non-executive Directors will initially be the remuneration of the non-executive Directors as previously approved by members of the Co-operative. Any change to that remuneration must be approved by A Class Shareholders (refer to Rule 11.4 of the Constitution).

#### **A Class Shares**

A Class Shares can only be issued to Active Growers or persons whom the Directors believe, on reasonable grounds, will become Active Growers (refer to Rule 3.2 and Rule 3.3 of the Constitution).

A Class Shares cannot be transferred (refer to Rule 9.1 of the Constitution).

#### **Rights Attaching to A Class Shares**

Each A Class Share confers on its holder:

- (a) The right to receive notice of, attend and vote (one vote per A Class Shareholder) at all general meetings of the Company;
- (b) The right to be repaid the amount paid up on the A Class Share, if any, on redemption or winding up of the Company in preference to all other Shareholders; and
- (c) No right to participate in any dividends or other distributions made by the Company.

(Refer to Rule 5.1 of the Constitution)

## **Redemption of A Class Shares**

The Company may redeem the A Class Shares held by a Shareholder in accordance with the Constitution (for no consideration) if, on the date of redemption:

- (a) The whereabouts of the Shareholder is not presently known to the Company and has not been known to the Company for a continuous period of at least two years before that date; or
- (b) At any time after 30 June 2006 the Shareholder is not an Active Grower; or
- (c) The Shareholder or their Approved Entity (approved superannuation fund) does not hold or has not entered into an agreement to acquire the minimum B Class Shareholding (defined in the Constitution to mean 1,000 B Class Shares for all new Active Growers who become Shareholders after conversion to the Company); or
- (d) The Shareholder has a Relevant Interest in more than five A Class Shares.

A Class Shares must be redeemed upon the occurrence of a Transmission Event (death, bankruptcy or mental incapacity). (Refer to Rule 5.3 of the Constitution).

## **B Class Shares**

B Class Shares can only be issued to:

- (a) Initial Shareholders upon implementation of the Restructure;
- (b) A Class Shareholders or persons to whom the Directors have agreed to issue an A Class Share;
- (c) Persons who, at the time of the issue, are existing B Class Shareholders; or
- (d) Approved Entities (in relation to Shareholder superannuation funds approved by the Board).

(Refer to Rule 3.4 of the Constitution).

## **Rights Attaching to B Class Shares**

Each B Class Share confers on its holder:

- (a) The right to receive dividends declared and other distributions made by the Company from time to time;
- (b) The right to participate equally with other B Class Shareholders in the distribution of surplus funds on a winding up the Company; and
- (c) No right to receive notice of, attend or vote at any general meeting of the Company.

(Refer to Rule 5.2 of the Constitution).

## **Transfer of B Class Shares**

Prior to the establishment of a Share Trading Facility (or an earlier date set by the Directors) B Class Shares can only be transferred:

- (a) As a result of a Transmission Event (death, bankruptcy and mental capacity);

- (b) To an Approved Entity of a Shareholder (approved superannuation fund);
- (c) As part of an Approved Re-arrangement (restructure of Shareholder's rice farming business); or
- (d) Pursuant to a buy back of B Class Shares by the Company.

(Refer to Rule 9.2 and 9.3 of the Constitution).

If a Share Trading Facility is established, Fully Paid B Class Shares may be transferred between Shareholders.

The Directors may, at their discretion, refuse to register any transfer of B Class Shares and need not assign a reason for such refusal (refer to Rule 9.6 of the Constitution). The Directors must not approve a transfer of B Class Shares if, as a result of that transfer, a person would breach the maximum B Class Shareholding limit as prescribed in the Constitution and outlined below (refer to Rule 4.3 of the Constitution).

### **New Share Issues**

Subject to the Corporations Act and the Constitution, the Directors may issue, allot or grant options in respect of, or otherwise dispose of, Shares to such persons, for such price, on such conditions, at such times and with such preferred, deferred or other special rights or special restrictions, whether with regard to dividend, voting, return of capital, participation in the property of the Company on a winding up or otherwise, as the Directors think fit. Shares other than A Class Shares and B Class Shares can only be issued with the prior approval of A Class Shareholders by special resolution (refer to Rule 3.7 and 3.8 of the Constitution).

### **New A Class Shareholders**

New A Class Shareholders or their Approved Entity (approved superannuation fund) are required to purchase and hold a minimum of 1,000 B Class Shares. The minimum shareholding for Initial Shareholders is the lesser of 1,000 B Class Shares and the number of B Class Shares issued to them in the Restructure (refer to Rule 3.6 of the Constitution).

### **Acquisition of B Class Shares by A Class Shareholders**

The Directors may take steps and implement measures to encourage and facilitate the acquisition of B Class Shares by A Class Shareholders (refer to Rule 3.13 of the Constitution).

### **Suppliers Share Plan**

Subject to the Corporations Act, the Directors may:

- (a) Require Supplier Shareholders to subscribe for additional B Class Shares in accordance with the Suppliers Share Plan as set out in the Constitution; and
- (b) Apply amounts payable by the Company to a Supplier Shareholder, in respect of their supply of paddy rice to the Company, in payment for additional B Class Shares that the Supplier Shareholder is obliged to subscribe for under the Suppliers Share Plan.

(Refer to Rule 3.14 of the Constitution).

If the Suppliers Share Plan is activated, Supplier Shareholders will be required to subscribe for additional B Class Shares at a price determined by the Directors and at a maximum rate of \$10.00 per tonne of paddy rice delivered. The Suppliers Share Plan is binding on all current and future Supplier Shareholders (refer to Rule 3.14 and Schedule 1 of the Constitution).

## **Dividend Reinvestment Plan**

The Directors may, subject to the Corporations Act and the Constitution:

- (a) Establish a dividend reinvestment plan on terms determined by the Directors and issue B Class Shares under that plan; and
- (b) From time to time amend, suspend or terminate such plan.

(Refer to Rule 3.12 of the Constitution).

## **Payment of Dividends**

The Directors may from time to time declare and pay interim and final dividends (refer to Rule 14.1 of the Constitution). Subject to any rights or restrictions attached to Shares, dividends are paid in proportion to the amounts paid up on Shares.

## **Dealing with Supplier Shareholders**

The Company will acquire paddy rice from Supplier Shareholders (refer to Rule 6.1 of the Constitution).

The Company may enter into contracts with Supplier Shareholders in connection with the production or supply of paddy rice. The Directors may declare and pay bonuses to Supplier Shareholders in respect of their supply of paddy rice to the Company (refer to Rule 6.1 and 6.2 of the Constitution).

## **Restrictions on Shareholdings**

A person must not:

- (a) Have a relevant interest in more than five A Class Shares;
- (b) Have a relevant interest in a number of B Class Shares which exceeds 1% of the total number of issued B Class Shares; or
- (c) Have a relevant interest in a number of B Class Shares which, when aggregated with any B Class Shares in which all Associates of that person have a relevant interest, exceeds 2% of the total number of issued B Class Shares.

Breach of these Shareholding restrictions results in a loss of voting and dividend entitlements (refer to Rule 4 of the Constitution).

## **Forfeiture of Shares**

If a Shareholder fails to pay the amount of the issue price of a Share which is payable pursuant to a call or at a fixed date, the Share is subject to forfeiture in accordance with the procedures set out in the Constitution (refer to Rule 8). A person whose Shares have been forfeited remains liable to pay to the Company the amount unpaid on the forfeited Share together with interest on the unpaid amount at the rate fixed by the Directors.

## **7.2 Interests and Fees of Certain People Involved in the Restructure**

Other than as set out opposite or elsewhere in this Prospectus, no director or proposed director of the Company and none of the persons involved in the Offer and referred to opposite has, or has had, in the last two years, any interest in:

- (a) The formation or promotion of the Company;
- (b) Property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- (c) The Offer.

Other than as set out below or elsewhere in this Prospectus, no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given:

- (a) To any Director or proposed Director to induce them to become, or to qualify as, a Director; or
- (b) To any Director or proposed Director for services provided by him in connection with the formation or promotion of the Company or the Offer; or
- (c) To any of the persons involved in the Offer for services provided by them in connection with the formation or promotion of the Company or the Offer.

### **Directors' Fees**

Current Directors' remuneration rates were approved by members of the Co-operative at the 2002 Annual General Meeting as follows:

- A Director attending a duly convened meeting of the Board or a meeting of a committee of the Board will receive a sitting fee of \$252 per meeting;
- A Director attending to the business of the Company under direction from the Board shall receive \$252 per day together with travelling and out-of-pocket expenses;
- The Chairman of Directors shall receive an additional allowance of \$58,400 per annum;
- The Deputy Chairman of Directors shall receive an additional allowance of \$36,150 per annum;
- External Directors shall receive an additional allowance of \$36,150 per annum; and
- Each other member of the Board shall receive an additional allowance of \$25,030 per annum.

### **Directors' Interests**

The number of Shares in the Company in which each Director has a Relevant Interest are set out in the following table:

<b>Name of Director</b>	<b>How Held</b>	<b>Total Number of A Class Shares</b>	<b>Total Number of B Class Shares</b>
GF Lawson	Direct	1	101,920
DM Robertson	Direct	1	40,465
BL Barber	Direct	1	117,903
NG Graham	Direct	1	44,223
G Helou	N/A	N/A	N/A

Name of Director	How Held	Total Number of A Class Shares	Total Number of B Class Shares
RA Higgins	N/A	N/A	N/A
GL Kirkup	Indirect	1	12,339
GF Latta	N/A	N/A	N/A
N McAllister	Direct	1	2,019
AD Walsh	Direct	2	53,508

### Interest and Fees of Professionals

This Section applies to persons named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus.

Dibbs Abbott Stillman has acted as lawyers to the Company and has performed work in connection with the Offer, for which it will be paid approximately \$40,000 (excluding GST) plus disbursements.

PriceWaterhouseCoopers has acted as auditors to the Company and has performed work in connection with the Offer, for which it will be paid approximately \$18,670 (excluding GST) plus disbursements.

## 7.3 Consents

Written consents to the issue of this Prospectus have been given and at the date of this Prospectus have not been withdrawn by the following parties:

- (a) Dibbs Abbott Stillman has given and has not withdrawn its consent to be named in this Prospectus as Lawyers to the Company in the form and context in which it is named. It has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than references to its name;
- (b) PricewaterhouseCoopers has given and has not withdrawn its consent to be named in this Prospectus as Auditors to the Company in the form and context in which it is named. It has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than references to its name; and
- (c) Each of the Directors has given and has not withdrawn his or her consent to be named in this Prospectus in the form and context in which he or she is named.

## 8. STATEMENT BY DIRECTORS

The issue of this Prospectus was authorised by all of the Directors of Ricegrowers Limited at a meeting on 26 October 2006.



GERRY LAWSON



RUSSELL HIGGINS



MARK ROBERTSON



GILLIAN KIRKUP



BRUCE BARBER



GRANT LATTA



NOEL GRAHAM



NORM McALLISTER



GARY HELOU



ALAN WALSH

Signed for the purposes of Section 351 of the Corporations Act 2001 by:



Gary Helou  
Director of Ricegrowers Limited



## 9. GLOSSARY

**“A Class Shares”** means redeemable preference Shares in the capital of the Company having rights described in Sections 2.4 and 7.1.

**“Active Grower”** means any person who, on a particular date (“Test Date”), has supplied not less than one tonne of paddy rice (being the produce of that Grower and not acquired for delivery) to the Company during the period from and including the beginning of the Two Year Delivery Period up to and including the day before the Test Date.

**“Applicant”** means a Shareholder or an Approved Entity of a Shareholder who submits an Application Form.

**“Application”** means an application made by a Shareholder to acquire New Shares pursuant to this Prospectus.

**“Application Form”** means the application form attached to or accompanying this Prospectus.

**“Application Monies”** means monies received from Applicants in respect of their Applications.

**“Approved Entity”** means in relation to a Shareholder, the trustee of a superannuation fund:

- (a) Of which the person is a beneficiary; and
- (b) That has been approved by the Directors.

**“Asset Financing Charge”** represents a charge against the Rice Milling and Marketing business for the use of Shareholders funds utilised to finance its fixed assets.

**“Associate”** means, in relation to a person (“primary person”):

- (a) If the primary person is a body corporate, a director or secretary of the body corporate, its related bodies corporate and a director or secretary of any of its related bodies corporate;
- (b) A person with whom the primary person has entered into, or proposes to enter into, a relevant agreement, as defined in the Corporations Act, for the purpose of controlling or influencing the composition of the Board or the conduct of the company’s affairs;
- (c) A person with whom the primary person is acting, or proposes to act, in concert in relation to the company’s affairs.

For the purposes of this definition, “body corporate”, “control”, “relevant agreement” and “related body corporate” have the same meaning as in the Corporations Act.

**“ASIC”** means the Australian Securities and Investments Commission.

**“B Class Shares”** means B Class Shares in the capital of the Company.

**“Board”** means the board of Directors of the Company.

**“Closing Date”** means 5.00pm on 30 November 2006, as specified in the Application Form.

**“Company”** means Ricegrowers Limited ABN 55 007 481 156.

**“Complementary Business”** means business activities conducted by SunRice which are not “Rice Milling and Marketing” activities, including CopRice, rice cakes, flour, specialty rice foods group (SRFG), Riviana Foods Pty Ltd and Trukai Industries Limited.

**“Co-operative”** means Ricegrowers’ Co-operative Limited that was converted into the Company on 14 December 2005.

**“Corporations Act”** means the Corporations Act 2001 (Cth).

**“Crop Year”** means the period during which a rice crop is planted, grown and harvested. A particular Crop Year is identified by the calendar year in which the rice crop is harvested.

**“Delivery Period”** means the period from and including 1 July in a year up to and including 30 June in the following year.

**“Direction Form”** means the written form prescribed by the Company under which a person directs that an RMB Equity Rollover Payment or Rice Bonds be applied to pay up New Shares.

**“Directors”** means the directors of the Company.

**“Dollars”** and the sign “\$” mean Australian Currency.

**“Existing Shares”** means the B Class Shares held by Shareholders as at the Record Date.

**“Exposure Period”** means the period between the date of lodgement of this Prospectus with ASIC and ending seven days after lodgement, unless the period is extended by ASIC.

**“Grower”** means a grower of rice.

**“Initial Shareholder”** means each person who received B Class Shares upon conversion of the Co-operative into the Company.

**“Members’ Explanatory Booklet”** means the disclosure document prepared by the Co-operative setting out all material information, in compliance with Chapter 6D of the Corporations Act, in relation to the Restructure.

**“New Shares”** means the new B Class Shares issued under the Share Issue.

**“Offer”** means the offer of New Shares in accordance with this Prospectus.

**“Paddy Price”** means the return paid to Growers of paddy rice.

**“Paddy Rice”** means harvested rice in an unprocessed state.

**“Record Date”** means 31 July 2006.

**“Relevant Interest”** has the same meaning as that term is defined in the Corporations Act. In broad terms, a person has a relevant interest in a Share if the person:

- (a) Is the holder of the Share;
- (b) Has the power to exercise or control the exercise of, a right to vote attached to the Share;
- (c) Has the power to dispose of, or control the exercise of a power to dispose of, the Share;  
or
- (d) Has voting power of above 20% in, or controls, a body corporate that owns the Share.

**“Restructure”** means the restructure of the Co-operative approved by the members of the Co-operative on 4 October 2005 pursuant to the Members’ Explanatory Booklet, involving, amongst other things, the conversion of the Co-operative into the Company, the issue of A Class Shares

and B Class Shares to members of the Co-operative, the adoption of a new Constitution and the change in the name to 'Ricegrowers Limited'.

**"Rice Bond"** means a rice bond in the Company.

**"Rice Milling and Marketing"** means business activities conducted by SunRice which include milling, marketing, packaging, branding, which includes all activities relating to the process of transforming raw paddy into bulk or packaged milled rice (Australian and non-Australian rice).

**"Ricegrowers Group"** means the Company and its controlled entities.

**"Share Issue"** means the offer of New Shares as set out in this Prospectus.

**"RMB"** means the Rice Marketing Board for the State of New South Wales.

**"RMB Equity Rollover Payment"** means a payment to be made to a Shareholder under the RMB Capital Equity Rollover Scheme.

**"Share Trading Facility"** means a financial market facility operated by an entity that holds an Australian financial markets license that at the discretion of the Board may be established in the future to allow Shareholders to trade B Class Shares.

**"Shareholder"** means a holder of Shares in the Company.

**"Shares"** means issued Shares in the capital of the Company, including A Class Shares and B Class Shares.

**"SunRice"** means the business carried on by the Company.

**"Supplier Shareholder"** means a Shareholder who supplies paddy rice to the Company and a person who has been admitted as a Shareholder on the basis that the Board believes they will become an Active Grower.

**"Transmission Event"** means:

- (a) In respect of a Shareholder who is an individual:
  - (i) the death of the Shareholder;
  - (ii) the bankruptcy of the Shareholder;
  - (iii) the Shareholder becoming of unsound mind; or
  - (iv) the Shareholder becoming liable to be dealt with in any way under the law relating to mental health; and
- (b) In respect of a Shareholder who is a body corporate, the dissolution of the Shareholder or the succession by another body corporate to the assets and liabilities of the Shareholder.

**"Two Year Delivery Period"** means the two most recently completed Delivery Periods.

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**The Rice Food Experts**

Ricegrowers Limited  
trading as SunRice ABN 55 007 481 156