

GFL.11546



23 July 2010

Dear Shareholder

Please find enclosed the 2010 Ricegrowers Limited Annual Report which covers the period from 1 May 2009 to 30 April 2010.

I am delighted that SunRice delivered a solid financial performance for the 2009/10 year, with consolidated revenue of \$817 million, and a net profit of \$11.7 million. The Company also delivered a record paddy price of \$550 per tonne, and declared a fully franked dividend of 22.5 cents per B Class Share.

As expected, the business has returned to more normal levels of performance following the extraordinary global rice price cycle that delivered last year's one-off record profit.

The 2009/10 results will be presented at the Ricegrowers Limited Annual General Meeting, to be held at the Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie at 10.30 am on Friday 27 August 2010. The Notice of Meeting is enclosed.

The matters to be considered at the Annual General Meeting include an increase in the remuneration of Non-Executive Directors along with the cancellation and "grandfathering" of the Directors' retirement allowance scheme.

I would like to provide some more detail regarding these important proposals.

## **1. Cancellation and "Grandfathering" of the Retirement Allowance Scheme**

The Retirement Allowance Scheme was approved by shareholders in 1993, and provides for Directors to accumulate a retirement benefit on a pro rata basis to a total of 3 years remuneration after 8 years of service. The Company's obligation is to make up the difference between the Company's superannuation contributions, including earnings on those contributions, and the total of the Directors' accumulated retirement benefit based 3 year's remuneration, or pro rata thereof.

Resolution 5 proposes that, subject to shareholder approval of the increase in Directors' remuneration in resolution 4:-

- The retirement allowance scheme will be cancelled with amounts owing to Directors as at April 2010 being "grandfathered" and paid out on retirement at the discretion of the Board
- No interest will be paid on the "grandfathered" amounts
- Directors appointed after 30 April 2010 will not participate in the scheme

The aggregate of SunRice's liability under the scheme, net of superannuation entitlements as at 30 April 2010, is approximately \$800,000 and a provision for this amount is included at note 21 of the financial statements within the 2010 Annual Report.

Please note that the Corporations Act has been amended to include provisions allowing retirement benefits of up to 1 years emoluments to be paid without shareholder approval, rather than the 3 years allowed previously.

In line with the above amendments shareholder approval is being sought for the Board to have the discretion to pay all, or part, of the "grandfathered" allowances to existing Directors on retirement.

...2/

## **2. Increase in Non-Executive Director Remuneration**

There have been minimal increases in Non-Executive Director remuneration since 1997, with the last increment approved by shareholders eight years ago, in 2002.

The Board is obligated to ensure that remuneration is structured to attract and retain the highest quality Directors to manage what is now a very large and complex international public company.

In light of this, expert remuneration consultants, Egan Associates, were engaged to assist with a review of Directors' remuneration. This review took into account:-

- Governance and remuneration practices of comparable companies
- The increased workload and responsibilities of Directors as a result of
  - o The Company's expanded international operations
  - o The transition from a co-operative to a listed public entity
  - o The increasingly complex regulatory and legislative requirements

The work conducted by Egan Associates indicated that:-

- Directors' fees of comparable companies have increased by 8%-10% annually over the last decade
- A total fee pool of around \$750,000 would see fees paid to Directors more aligned with comparable companies
- As SunRice has 9 Non-Executive Directors the fees paid to individual Directors may be below the average of comparable companies. Comparable companies generally have 5 to 6 Non-Executive Directors

## **3. Interdependence**

It is evident that the retirement allowance is a fundamental component of the current Directors' remuneration and that the proposed change in fees and the allowance should be considered by shareholders as an integrated proposal.

## **4. The proposals**

On this basis, resolutions 4 and 5 incorporate the following proposals:-

- An increase in annual Directors' remuneration from the current system of allowances and sitting fees to a set amount of \$750,000 per annum
- The retirement allowance scheme will be cancelled with amounts owing to Directors as at April 2010 being "grandfathered" and paid out on retirement at the discretion of the Board

If the increase in annual Directors' remuneration is not approved then the current system of Directors' remuneration including the retirement allowance scheme will remain in place.

The manner in which the set amount of \$750,000 will be allocated amongst individual Directors will be determined by the Board, in line with current corporate practices.

The proposals are in contrast to the existing system of remuneration and retirement allowances which in 2009/10 comprised approximately \$511,000 as disclosed in the Remuneration Report. This balance is made up of \$425,800 cash and superannuation with a further \$85,000 being attributed as the estimated annualised value of the retirement allowance.

Directors will continue to be entitled to be reimbursed for travel and other expenses properly incurred by them in connection with the affairs of the Company.

On behalf of the Board, I encourage shareholders to consider and support the proposed changes to enable SunRice to attract and retain the highest quality Board members.

Our Board has been integral to the Company's success over the sustained drought period and will continue to shape our future in both the short and long term.

Please be assured of the ongoing commitment of the Board and management to maximise returns to our shareholders and our growers. I look forward to seeing you at the AGM.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Lawson', written in a cursive style.

Gerry Lawson  
Chairman