



# Scheme Booklet

For a recommended proposal for a Scheme of Arrangement which will result in the acquisition of all of the A Shares and B Shares in SunRice by Ebro

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**The Board of SunRice unanimously recommends that you  
VOTE IN FAVOUR of the Proposal, in the absence of a Superior Proposal**

**RICEGROWERS LIMITED ABN 55 007 481 156**

**EBRO FOODS S.A.**

**SunRice Information Line:**

1800 643 604 (toll free in Australia)

or +61 2 8256 3383 (if overseas)

between 9.00am and 5.00pm (Local Time), Monday to Friday.

**This document is important and requires your immediate attention.**

You should read this document carefully and in its entirety before deciding whether or not to vote in favour of the Proposal. If you are in doubt as to what you should do or how to deal with this document, you should consult your legal, financial or other professional advisor immediately.

Financial Advisor



Legal Advisor



# Important notices

## Purpose of this Scheme Booklet

This Scheme Booklet is dated 19 April 2011 and is the explanatory statement required to be sent to Shareholders in relation to the Scheme under Part 5.1 of the Corporations Act. The purpose of this Scheme Booklet is to explain the effect and terms of the Proposal (including the Scheme and the Supporting Resolutions) and the manner in which it will be implemented (if approved) and to provide information as is prescribed or otherwise materially relevant to the decision of Shareholders regarding whether to approve the Proposal.

## No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without consideration of your investment objectives, financial situation, taxation position and other needs. It is important that you read this Scheme Booklet carefully and in its entirety before making any investment decisions and decide whether or not to vote in favour of the Proposal. If you are in any doubt about these matters, you should consult your legal, financial or other professional advisor.

## Disclosure regarding forward looking statements

This Scheme Booklet contains both historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. These statements may sometimes be identified by the use of forward looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential" or similar words or phrases. Similarly, statements that describe SunRice or Ebro's objectives, plans, goals or expectations are or may be forward looking statements. All forward looking statements in this Scheme Booklet (other than the Ebro Information and Annexure G) reflect the current expectations of SunRice concerning future results and events. All forward looking statements in the Ebro Information reflect the current expectations of Ebro concerning future results and events.

These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by these forward looking statements.

Any forward looking statements in this Scheme Booklet are made, and reflect views held, only as at the date of this Scheme Booklet. SunRice and Ebro believe that the views reflected in any forward looking statements are reasonable. Please note, however, that none of SunRice, Ebro, their officers nor any person named in this Scheme Booklet with their consent make any representation or warranty or assurance or guarantee that the occurrence of the events or the achievements of results expressed or implied in any forward looking statements will actually occur. You are cautioned not to place undue reliance on any forward looking statements, and all subsequent written or oral forward looking statements attributable to SunRice and Ebro or any person acting on their behalf are qualified by this cautionary statement. Subject to any continuing obligations under law or the Listing Rules or as contemplated in section 15.19, neither

SunRice nor Ebro give any undertaking to update or revise any forward looking statements after the date of this Scheme Booklet, to reflect any changes in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

## Responsibility for information

The information contained in this Scheme Booklet other than the Ebro Information and Annexure G has been prepared by SunRice and its Board and is the responsibility of SunRice. Neither Ebro nor its related bodies corporate, directors, officers or advisors assume any responsibility for the accuracy or completeness of the SunRice Information or the Annexures.

The Ebro Information has been provided by Ebro and is the responsibility of Ebro. Neither SunRice nor its related bodies corporate, directors, officers or advisors assume any responsibility for the accuracy or completeness of the Ebro Information.

Loneragan Edwards & Associates Limited has prepared an Independent Expert's Report set out in Annexure G and takes responsibility for that report.

## ASIC and NSX

ASIC has reviewed a copy of this Scheme Booklet and this Scheme Booklet has been registered by ASIC on 19 April 2011 in accordance with section 412(6) of the Corporations Act. Neither ASIC nor any of its officers are responsible for the contents of this Scheme Booklet.

SunRice has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. ASIC's policy in relation to statements under section 411(17)(b) of the Corporations Act is that it will not provide such a statement until the Second Court Date. This is because ASIC will not be in a position to advise the Court until it has had an opportunity to observe the entire Scheme process. If ASIC provides that statement, then it will be produced to the Court on the Second Court Date.

A copy of this Scheme Booklet has been lodged with NSX. Neither NSX nor its officers take any responsibility for the contents of this Scheme Booklet. B Shares in SunRice will continue to be quoted on NSX if the Proposal is not approved. However, B Shares will be delisted and will not continue to be quoted on NSX if the Proposal is approved.

### IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT

**The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that Scheme Meetings be convened and has approved this Scheme Booklet to accompany the notices of the meetings does not mean that the Court:**

- has formed any view as to the merits of the proposed Scheme or as to how Shareholders should vote (on this matter Shareholders must reach their own decision); or**
- has prepared, or is responsible for the content of, the Scheme Booklet.**

## Privacy and personal information

SunRice, Ebro and their respective share registries may collect personal information in the process of implementing the Proposal. This information may include the names, contact details and security holdings of Shareholders and the names of persons appointed by Shareholders to act as proxy, corporate representative or attorney at the Meetings. The primary purpose of collecting this information is to assist SunRice in the conduct of the Meetings and to enable the Proposal to be implemented in the manner described in this Scheme Booklet.

The collection of this personal information is authorised by the Corporations Act. Personal information may be disclosed to the Share Registry, to print and mail service providers, to authorised securities brokers, Ebro and to related bodies corporate of SunRice and Ebro. Shareholders have the right to access personal information that has been collected. They should contact the Share Registry in the first instance if they wish to exercise this right. Shareholders who appoint a named person to act as their proxy, corporate representative or attorney at the Meetings should ensure that they inform that person of the matters outlined above.

## SunRice Information Line

If you have any questions about your Shares or any other matter in this Scheme Booklet, please call the SunRice Information Line on 1800 643 604 (toll free in Australia) or +61 2 8256 3383 (if overseas) between 9.00am and 5.00pm (Local Time), Monday to Friday.

## Websites

SunRice and Ebro maintain internet websites. Any reference in this Scheme Booklet to a website is a textual reference for information only and does not form part of this Scheme Booklet.

## Time and dates

Unless otherwise stated, all references to time in this Scheme Booklet are references to Local Time.

All dates following the Meetings are indicative only and are subject to the Court approval process, any necessary NSX waivers and the satisfaction of, or, where applicable, waiver of, the Scheme Conditions to the implementation of the Scheme.

## Currency

References in this Scheme Booklet to \$ or cents means a reference to Australian dollars unless otherwise stated.

References in this Scheme Booklet to US\$ means a reference to the United States dollar.

References to € is a reference to Euros, the currency of Spain.

## Defined terms

A number of defined terms are used in this Scheme Booklet. These terms are explained in the Glossary of this Scheme Booklet. Documents reproduced in some of the Annexures to this Scheme Booklet, including the Independent Expert's Report, may have their own defined terms and these defined terms may differ from those in the Glossary.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this document. All numbers are rounded unless otherwise indicated.

# Letter from the Chairman of SunRice



19 April 2011

**Dear Shareholders,**

On 21 October 2010, we informed you of an unsolicited offer made by Ebro to acquire SunRice. The Board further announced on 26 November 2010 that SunRice had entered into a Scheme Implementation Agreement under which Ebro will acquire all of the issued capital of SunRice by a Scheme of Arrangement, subject to regulatory and Shareholder approval.

## **Why is the Board supporting the Ebro Proposal?**

In the absence of a Superior Proposal, the Board believes the Scheme will deliver greater benefits to SunRice Shareholders than other available options, including SunRice continuing as it is, an Australian Securities Exchange (ASX) listing, delisting from the National Stock Exchange of Australia (NSX) and divesting certain businesses.

## **Changed funding circumstances**

During the last five years we have actively sought to raise equity capital for SunRice by offering the opportunity to convert maturing Rice Bonds and RMB Equity to SunRice Shares. The low uptake (of 28% for RMB Equity and 21% for Rice Bonds) left \$120 million of RMB Equity and Rice Bonds to be repaid and has contributed to increased bank debt.

RMB Equity as a form of industry funding is interest free. Payments to the Rice Marketing Board for the State of New South Wales (RMB) for the Storage Sheds to meet maturing RMB Equity have been funded by the SunRice Group through bank borrowings, the issue of B Shares and SunRice cashflow. The increased bank borrowings, higher bank margins and dividends on converted RMB Equity have increased SunRice's overall cost of funding by approximately \$10 million per annum when compared to April 2005. The total cost of servicing debt and equity for the 2010 financial year was \$31 million.

The recent drought, tightening credit markets arising from the "global financial crisis" and the difficulties of raising additional equity capital if the current share structure is maintained, inhibits SunRice's ability to fund future business growth and leaves SunRice vulnerable to profit shocks, interest rate increases and credit market volatility.

## **Cash payment**

If the Proposal is implemented, holders of A Shares will receive a cash payment of \$50,000 per A Share. Holders of B Shares will receive \$5.025 per B Share which represents a significant premium to SunRice's recent B Share trading price.

## **Ongoing Grower commitments**

Ebro has made very important commitments to Growers which it has enhanced after its first offer.

The commitments include a rolling seven year paddy price mechanism for up to 800,000 tonnes of medium grain rice calculated by reference to Californian medium grain rice prices. Under the Paddy Purchase and Pricing Rules, Ebro can only elect to terminate this commitment at the end of a seven year rolling period if there has been a material adverse change in business conditions during that period. The Paddy Purchase and Pricing Rules also allow for the commitment to be varied or terminated earlier if there is a change in regulatory conditions.

Ebro has also undertaken to support the NSW rice industry, the Ricegrowers' Association of Australia Inc. (RGA) and research and development.

These arrangements and Ebro's ongoing relationship with Growers will be governed by the Ebro Group Undertaking which provides significant protection to Growers, including the establishment of a Grower Advisory Board.

# Letter from the Chairman of SunRice



## RMB consent

The RMB has given its consent to the continuation of the Sole and Exclusive Export Agreement after the change of control of SunRice which will occur if the Proposal is implemented. The RMB also agreed to continue the term of the Sole and Exclusive Export Agreement to 30 June 2016. A copy of the letter from the RMB to the Shareholders of SunRice is attached at Annexure H.

## Directors' recommendation

SunRice Directors unanimously recommend that Shareholders vote in favour of the Scheme and the Supporting Resolutions in the absence of a Superior Proposal. The Directors intend to vote Shares which are held by them or on their behalf in favour of the Proposal.

Your Directors' recommendation to vote in favour of the Proposal is based on a number of important considerations, including the following:

- a. **Shareholder value** (section 2.2 and Annexure G): The Independent Expert has concluded that the value of the Scheme Consideration represents a significant premium for B Shares and, for A Shares, is at the top of the Independent Expert's assessed valuation range;
- b. **Paddy price** (section 9): The binding commitments to the Californian paddy price mechanism are of benefit to Growers;
- c. **Risk** (section 2.14): Shareholders will no longer be exposed to the investment risks associated with SunRice's:
  - (i) prevailing high debt level;
  - (ii) limited ability to raise further equity capital; and
  - (iii) capacity to sustain Riverina rice production as a result of water variability (for example, through further periods of drought, potential enforced reduction of water availability due to Murray Darling Basin regulation and competing uses of water);
- d. **Rice industry support** (sections 7.2, 9.7 and 11.7): Ebro's commitment to the ongoing support of the Australian rice industry, Grower Services, RGA, and research and development;
- e. **Access to global markets** (section 11): SunRice will become part of the world's largest rice company group which enhances its access to world markets; and
- f. **Ebro's commitment to rice and Growers** (section 11): We have had a long association with Ebro's major shareholder and we believe that Ebro is committed to rice, Growers and industry services. Ebro's access to capital and world markets will allow SunRice to continue to grow.

## Independent Expert

Lonergan Edwards & Associates Limited was appointed as the Independent Expert to evaluate the merits of the Proposal. The Independent Expert has concluded that *"the Scheme is fair and reasonable and in the best interests of both the A and B Class shareholders in SunRice in the absence of a superior proposal"*. The Independent Expert's conclusions are based primarily on share value considerations. It has assessed the value range for A Shares at \$37,500 to \$51,875 and B Shares at \$4.54 to \$5.30. A complete copy of the Independent Expert's Report is included in Annexure G.

# Letter from the Chairman of SunRice



## If the Proposal does not succeed

If Shareholders do not vote in favour of the Proposal, the Proposal will fail.

In this case, the Board will take action to address SunRice's high debt and enable SunRice to continue to grow. This action will include any one or more of the following to raise additional capital: paddy price deductions, lower dividend pay-outs and issuing external equity which may include an ASX listing. Some of these options may not involve the issue of new Shares. This is discussed further in section 5.

Notwithstanding the advantages of the Proposal, there are potential disadvantages if the Proposal is implemented, including the following:

- a. Grower control of SunRice will cease and Growers' interests will be represented through the Grower Advisory Board;
- b. SunRice will become a Subsidiary member of a listed foreign company which must take account of a large range of interests; and
- c. the Paddy Purchase and Pricing Rules for medium grain paddy based on Californian paddy prices may not result in a better paddy pricing outcome in the future.

## Pre-Meeting updates

Not less than 10 Business Days before the Meetings, SunRice will provide Shareholders with the following information:

- a. the Pool Price for the Number 2 Pool 2010 (see section 9.9);
- b. an indicative (medium grain) price for the 2011 Pool which will be a minimum price if the Proposal is implemented (see section 9.10); and
- c. an update on SunRice's financial performance for the year ending 30 April 2011.

## How to vote

The Scheme requires Court approval and the approval of Shareholders at Meetings to be held on **Tuesday, 31 May 2011 at the Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie, New South Wales from 10.00am.**

The voting process involves meetings of both the holders of A Shares and the holders of B Shares. The voting process is explained for you on pages 10 and 11 and in section 8.

Your vote is important and I encourage you to vote by attending the Meetings or completing the proxy forms accompanying this Scheme Booklet.

Please read this Scheme Booklet carefully. It contains important information and will assist you in making an informed decision on how to vote.

## Further information

If you require any further information, please contact the SunRice Information Line on 1800 643 604 (toll free in Australia) or +61 2 8256 3383 (if overseas) between 9.00am and 5.00pm (Local Time), Monday to Friday.

Yours faithfully,

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

**Gerry Lawson**  
Chairman, Ricegrowers Limited



# Medium Grain

White Rice



SERVING  
SUGGESTION

5 kg

For recipes go to  
[www.sunrice.com.au](http://www.sunrice.com.au)

- energy source ✓
- 99% fat free\* ✓
- cholesterol free\*\* ✓
- gluten free\*\* ✓
- low salt ✓

Medium Grain



Medium Grain



5 kg

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# Overview of the Proposal

## Key elements of the Proposal

### 1. Proceeds per Share under the Proposal

	A SHARE	B SHARE
Scheme Consideration	\$50,000	\$3.618
SunRice Dividend <sup>1</sup>	nil	\$1.407
<b>Total cash consideration</b>	<b>\$50,000</b>	<b>\$5.025</b>
Franking credits <sup>2</sup>	nil	\$0.603

- SunRice/Ebro has committed to purchase paddy rice from Growers.
- The Proposal provides Growers with a medium grain paddy price based on the premium medium grain Californian market.
- SunRice's support of the Australian rice industry will be maintained, including support for the rice growing communities, the RGA and research and development.
- A Grower Advisory Board will be established, comprising three Grower Representatives and three Ebro Group representatives. During the term of the Sole and Exclusive Export Agreement, at least one Elected RMB Member who consents to act will be appointed as a Grower Representative.
- The Grower Advisory Board will determine elements of the medium grain paddy price and has other functions in support of Growers.
- As a member of the Ebro Group, SunRice will have improved access to capital and the opportunity for continued growth.
- SunRice will become a wholly owned Subsidiary of Ebro.

## The Board's recommendation

The Board of SunRice at the date of this Scheme Booklet is Gerry Lawson (Chairman), Mark Robertson (Deputy Chairman), Laurie Arthur, Noel Graham, Gary Helou, Russell Higgins, Gillian Kirkup, Grant Latta, Norm McAllister and Alan Walsh.

The Directors recommend that, in the absence of a Superior Proposal, holders of A Shares and B Shares vote in favour of:

- the Scheme at the Scheme Meetings; and
- the Supporting Resolutions at the Extraordinary General Meeting.

In the absence of a Superior Proposal, the Directors intend to vote in favour of the Scheme and the Supporting Resolutions for all A Shares and B Shares held by them or on their behalf.

The interests of Directors in A Shares and B Shares are set out in section 15.3 and more details of their voting intentions are set out in section 15.7.

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1. This dividend will not be paid if the Scheme is not implemented.

2. SunRice has applied for a Class Ruling from the ATO in relation to the availability of the franking credits in connection with the SunRice Dividend. If the franking credit is available and you are eligible to claim franking credits, you will include an amount equal to the franking credit attached to your dividend in your assessable income. Please refer to section 14 for an explanation of the tax implications in relation to the SunRice Dividend.



### What the Independent Expert's Report has concluded

1. The Independent Expert has concluded *"the Scheme is fair and reasonable and in the best interests of the A and B Class shareholders of SunRice in the absence of a superior proposal"*.
2. The Scheme Consideration of \$50,000 per A Share is at the top end of the Independent Expert's assessed valuation range of \$37,500 to \$51,875.
3. The cash payment of \$5.025 per B Share is above the midpoint of the Independent Expert's assessed valuation of \$4.92. The valuation range is \$4.54 to \$5.30.
4. The Independent Expert believes that, without the Proposal, holders of A Shares will have limited ability to realise monetary value for their A Shares. The Independent Expert has also concluded that the Proposal provides holders of B Shares with an opportunity to realise cash for their B Shares which is consistent with their full underlying value.
5. The Independent Expert considers the Proposal to be a *"superior outcome for Shareholders and Growers"* compared to the alternative options considered by the Board.
6. The Independent Expert has concluded that *"if the Scheme is implemented SunRice shareholders (as shareholders) will no longer be exposed to the risks associated with the SunRice business, including its prevailing high debt level and limited ability to raise further equity capital when required"*.

The conclusions of the Independent Expert are based primarily on value considerations. The Independent Expert has recognised, however, that while the value of shareholdings is important to SunRice Shareholders, the ongoing commitments of Ebro in the Ebro Group Undertaking are likely to be a matter of significance to Shareholders who are Growers (see paragraphs 26 to 29 of the Independent Expert's Report).

The full Independent Expert's Report is contained in Annexure G.

# A guide to this Scheme Booklet

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## Important information

This Scheme Booklet contains important information for you to consider before you vote. The following is an overview of important matters and refers you to sections which contain details of these matters.

**Please read this Scheme Booklet carefully.**

## The Proposal

If the Proposal is implemented, SunRice Shareholders will sell all their Shares to Ebro and receive cash. SunRice will cease to be controlled by Growers and become a wholly owned Subsidiary of Ebro. SunRice / Ebro will enter into the Ebro Group Undertaking, giving commitments in respect of paddy pricing, rice industry and Riverina community support and Grower dialogue.

## Cash

Under the Proposal, holders of A Shares will receive \$50,000 cash per A Share and holders of B Shares will receive \$5.025 cash per B Share (see sections 1.1, 1.4 and 9.2). Part of the total cash of \$5.025 cash to be received by the holders of B Shares is expected to be a fully franked dividend of \$1.407 per B Share (**SunRice Dividend**) (see sections 1.4 and 14).

The SunRice Dividend can only be paid if it is funded by Ebro and for this purpose Ebro will subscribe for C Shares in the capital of SunRice. The C Shares will only be subscribed by Ebro after the conditions of the Proposal have been satisfied, the Proposal has been approved by Shareholders and by the Court and so as to enable payment of the SunRice Dividend to the holders of B Shares (see sections 1.1, 9.2 and 9.18).

## Control of SunRice

If Ebro takes control of SunRice under the Proposal, Growers will cease to exercise legal rights as Shareholders (see section 9.3).

The legal relationship between SunRice and Growers will instead stem largely from the Ebro Group Undertaking (see sections 1.10 and 9.7).

## Paddy pricing

Under the Ebro Group Undertaking, medium grain rice acquired by SunRice / Ebro from Growers following the 2011 crop will be priced in accordance with a new mechanism. Under this mechanism, the price to be paid for the medium grain rice crop by SunRice / Ebro will be calculated by reference to three pools, depending on the size of the crop. The first two pools of 400,000 tonnes each will be priced by reference to Californian medium grain rice prices. The price for the balance of the medium grain crop will reflect the market prices in the locations it is sold. Deliveries from each Grower will be pro-rated across the three pools (or two, if there is no third pool). Ebro may only terminate the mechanism on two years' notice if in the fifth year of a seven year period there is, or continues to be, a material adverse change in business conditions. A change in regulatory conditions (for example, cessation of vesting) may also result in termination or change to the Paddy Purchase and Pricing Rules (see sections 1.2, 7.3, 9.7 to 9.11).

In section 6, the proposed medium grain paddy pricing mechanism is modelled on the basis of certain assumptions against paddy prices that have been paid by SunRice in the past. Section 6.4 provides background information about Californian rice prices.

## Grower and industry dialogue

SunRice/Ebro will establish a Grower Advisory Board of six members. Three of those members, including the Chairman, will be Grower Representatives. During the term of the Sole and Exclusive Export Agreement at least one Elected RMB Member who consents to act as a member of the Grower Advisory Board will be appointed as a Grower Representative. The functions of the Grower Advisory Board will include determination of elements of the price SunRice/Ebro will pay to Growers for their paddy and continuation of the dialogue between Growers and SunRice/Ebro in respect of Grower interests (see sections 1.3, 7, 9.7, 9.12 and 15.11).

## Review of holdings of A Shares

SunRice has assessed and addressed all complaints it has received from former holders of A Shares which were redeemed in February 2010. Ebro is aware that some former holders of A Shares have continued to press their complaints. Ebro has included a mechanism in the Ebro Group Undertaking (**Review Mechanism**) under which, after implementation of the Proposal, a retired Judge will be appointed to hear applications from any eligible person claiming financial compensation in connection with the redemption in February 2010 of their A Share (see sections 1.4, 9.19 and 13.11). No additional A Shares will be issued by SunRice prior to the Meetings.

## Report on the Proposal

The Independent Expert has been asked by the Board to consider and provide a report for inclusion in the Scheme Booklet as to whether the Scheme is fair and reasonable and in the best interests of Shareholders. This report is contained in Annexure G.

## The Board's considerations

This Scheme Booklet also contains sections setting out factors for and against the Proposal. Section 1 contains questions and answers addressing matters the Board believes are important considerations for Shareholders. Summaries of issues and risks you may consider are set out in sections 2 and 3. Section 5 describes the high debt and gearing of SunRice, the evolution of this position and the various capital raising initiatives previously undertaken by SunRice. Section 10 gives background in relation to SunRice including structural limitations which inhibit its ability to raise capital. Section 1.5 highlights some of the structural issues facing SunRice. Section 4 sets out structural alternatives that the Board has considered in the context of providing the capital base believed necessary for future SunRice growth.

## Regulatory impact of the Proposal

The RMB has consented to the change of control of SunRice that will occur on implementation of the Proposal. If the Proposal is implemented, Ebro will guarantee the performance of SunRice and AGS under the Sole and Exclusive Export Agreement and the term of the Sole and Exclusive Export Agreement will be continued to 30 June 2016.

Vesting of rice grown in New South Wales expires on 31 January 2013 regardless of whether or not the Proposal is implemented. If vesting is not continued by a decision of the New South Wales Government, the Sole and Exclusive Export Agreement can be terminated. A review of the Rice Marketing Act has recently been completed. The Rice Marketing Act Review (made public in January 2011) has found that the policy objectives of the Rice Marketing Act remain valid and the provisions of the Rice Marketing Act (which include vesting and the single export desk (often called the sole export right)) remain efficient for the purpose of achieving these objectives. Further information in relation to RMB approval and the regulatory environment in which SunRice operates is contained in sections 1.8, 3.13, 9.4 and 10.6.

## Regulation of the rice industry

SunRice, whether owned as it is now or by Ebro, will be affected by changes to the structure of the regulation of the New South Wales rice industry. Section 10.6 outlines the current structure and potential regulatory risks.

# How to vote on the Proposal

The voting process is explained more fully in section 8.

There will be three meetings of Shareholders:

1. a meeting of the holders of A Shares to consider the Proposal;
2. a meeting of the holders of B Shares to consider the Proposal; and
3. a general meeting of the holders of A Shares to approve changes to the Constitution and the issue of the Implementation Shares to Ebro so that the Proposal can be implemented.

These Meetings will be held one after the other, and the results of each may not be known until after the conclusion of all the Meetings. All Shareholders are invited to attend each Meeting, regardless of whether they are entitled to vote at that Meeting.

If you are the holder of an A Share, you are asked to attend and vote at the A Scheme Meeting (the first meeting) and the Extraordinary General Meeting (the third meeting). If you are the holder of B Shares, you are asked to attend and vote at the B Scheme Meeting (the second meeting). If you hold both an A Share and B Shares you are asked to attend and vote at all three Meetings.

As the resolutions at all three of the Meetings must be passed by the requisite majorities for the Proposal to be implemented, the Board intends to announce the results after the conclusion of the final Meeting which is the Extraordinary General Meeting.

## Holders of A Shares (use the yellow proxy form)

If you are the holder of an A Share, you are asked to attend and vote at the A Scheme Meeting (the first meeting) and the Extraordinary General Meeting (the third meeting). You can attend the Meetings and vote at them, but if you cannot attend the Meetings you can send in a proxy form completed in accordance with the instructions on the form.

For the holders of A Shares, you can vote at both the A Scheme Meeting and the Extraordinary General Meeting on the yellow proxy form.

To vote **in favour** of the Proposal, put an **X** in each of the three boxes with the word "FOR" next to it.

### ***Resolution for the A Scheme Meeting (meeting number 1)***

To approve the A Scheme Resolution ☒ For ☐ Against

### ***Resolution for the Extraordinary General Meeting (meeting number 3)***

To approve the Resolution for Constitutional Change ☒ For ☐ Against

To approve the issue of the Implementation Shares to Ebro ☒ For ☐ Against

To vote **against** the Proposal, put an **X** in each of the three boxes with the word "AGAINST" next to it.

### ***Resolution for the A Scheme Meeting (meeting number 1)***

To approve the A Scheme Resolution ☐ For ☒ Against

### ***Resolution for the Extraordinary General Meeting (meeting number 3)***

To approve the Resolution for Constitutional Change ☐ For ☒ Against

To approve the issue of the Implementation Shares to Ebro ☐ For ☒ Against

### Holder of B Shares (use the blue proxy form)

If you are the holder of B Shares, you are asked to attend and vote at the B Scheme Meeting (the second meeting). You can attend the B Scheme Meeting and vote at it, but if you cannot attend the B Scheme Meeting you can send in a proxy form completed in accordance with the instructions on the form.

For the holders of B Shares, you can vote on the blue proxy form.

To vote **in favour of** the Proposal, put an **X** in the box with the word "FOR" next to it.

**Resolution for the B Scheme Meeting (meeting number 2)**

To approve the B Scheme Resolution ☒ For ☐ Against

To vote **against** the Proposal, put an **X** in the box with the word "AGAINST" next to it.

**Resolution for the B Scheme Meeting (meeting number 2)**

To approve the B Scheme Resolution ☐ For ☒ Against



## Key dates

Scheme Booklet and Notices of Meetings despatched to Shareholders	Wednesday, 27 April 2011
Proxies to be received from Shareholders not later than <sup>1</sup>	10.00am (Local Time), Sunday, 29 May 2011
Time and date for determining eligibility to vote at the Meetings	7.00pm (Local Time), Sunday, 29 May 2011
<b>A Scheme Meeting to be held at Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie, NSW 2716</b>	<b>10.00am (Local Time) on Tuesday, 31 May 2011</b>
<b>B Scheme Meeting to be held at Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie, NSW 2716</b>	<b>At the later of 11.00am (Local Time) and the conclusion or adjournment of the A Scheme Meeting on Tuesday, 31 May 2011</b>
<b>Extraordinary General Meeting to be held at Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie, NSW 2716</b>	<b>At the later of 11.30am (Local Time) and the conclusion or adjournment of the B Scheme Meeting on Tuesday, 31 May 2011</b>

### If SunRice Shareholders approve the Scheme:

SunRice Dividend determined <sup>2</sup>	Tuesday, 31 May 2011
Second Court Date for approval of the Scheme	Monday, 6 June 2011
Court order is lodged with ASIC and the Scheme takes effect (Effective Date)	Tuesday, 7 June 2011 <sup>4</sup>
Suspension of B Shares from NSX trading	Close of trading on Tuesday, 7 June 2011 <sup>4</sup>
SunRice Dividend Record Date <sup>2</sup>	Thursday, 9 June 2011
Date for payment of SunRice Dividend <sup>3</sup>	Friday, 10 June 2011
Date for determination of entitlements to receive Scheme Consideration (Scheme Record Date)	7.00pm (Local Time) Thursday, 16 June 2011
Transfer of A Shares and B Shares to Ebro. Payments by cheques and EFT to be made within five Business Days (Implementation Date)	Friday, 17 June 2011

All dates following the date of the Scheme Meetings are indicative only and, among other things, are subject to the time at which the Scheme Conditions are satisfied, or waived (if applicable), and to all necessary approvals from the Court and other regulatory authorities.

**Any changes to the above timetable will be announced through NSX and notified on SunRice's website at [www.sunrice.com.au](http://www.sunrice.com.au).**

1. Proxy forms sent by post must be received by the Share Registry by close of business on Friday, 27 May 2011.
2. Subject to determination of the Board.
3. Subject to subscription of Implementation Shares by Ebro.
4. SunRice may apply for a trading halt on the Second Court Date and if the Proposal is approved, seek suspension of trading of B Shares on the same day. In such case, B Shares will not trade after the Second Court Date.

# Section 1:

Answers to important questions

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## Section 1: Answers to important questions

This Scheme Booklet contains detailed information on the Proposal. This section provides summary answers to some questions you may have and will assist you in locating further, more detailed information in this Scheme Booklet. You are urged to read this Scheme Booklet carefully and in its entirety.

QUESTION	ANSWER	SECTION REFERENCE(S)
<b>1.1 PROPOSAL</b>		
<b>What is the Proposal?</b>	The Proposal is for Ebro to acquire all of the Shares in SunRice and to give certain ongoing commitments to Growers.	9
<b>How will the Proposal be implemented?</b>	The Proposal will be implemented by way of a scheme of arrangement and only after satisfaction of certain conditions.	9, 12 and 13
<b>What cash am I entitled to receive under the Proposal?</b>	Shareholders will receive \$50,000 in cash for each A Share and \$5.025 in cash in relation to each B Share. Holders of B Shares may also benefit from \$0.603 per B Share of franking credits.	9.2 and 14
<b>What is the SunRice Dividend?</b>	\$1.407 of the \$5.025 cash to be received by holders of B Shares is expected to be a fully franked dividend.	14
<b>How will the elements of the cash to Shareholders be paid by Ebro?</b>	When the Proposal becomes Effective after it has been approved by Shareholders and the Court, Ebro will be bound to carry out certain steps to fund the cash payable to Shareholders.  First, Ebro will subscribe for C Shares in SunRice in order that SunRice has \$76,965,697 to pay the SunRice Dividend.  At the same time, Ebro will bring into Australia the balance of the cash required to pay for all the Shares and place it into the trust account of its Australian lawyers. These lawyers have undertaken to hold and apply the funds in accordance with Ebro's obligations to pay for Shares on the Implementation Date, expected to be seven days after the payment of the SunRice Dividend.	9.2
<b>What is the relevance of C Shares?</b>	SunRice does not have available cash to pay the SunRice Dividend so it must be funded by Ebro. Ebro has agreed to fund the SunRice Dividend by paying \$76,965,679 to SunRice and being issued with C Shares. This subscription by Ebro will only occur after Shareholders have approved the Proposal and SunRice and Ebro are bound to implement the Proposal in accordance with the Scheme, including by transferring all the A Shares and B Shares to Ebro.	9.2 and 9.18
<b>What do your Directors recommend?</b>	Your Directors unanimously recommend that Shareholders vote in favour of the Proposal in the absence of a Superior Proposal.	2
<b>What happens if the Proposal is not approved?</b>	If Shareholders do not vote in favour of the Proposal, the Proposal will fail.  In this case, the Board will take action to address SunRice's high debt and enable SunRice to continue to grow. This action will include any one or more of the following to raise additional capital: paddy price deductions, lower dividend pay-outs and issuing external equity which may include an ASX listing. Some of these options may not involve the issue of new Shares.	4, 5 and 15.14

QUESTION	ANSWER	SECTION REFERENCE(S)
What is the Independent Expert's opinion?	The Independent Expert has concluded that <i>"the acquisition of SunRice A and B Class shares by Ebro under the Scheme is fair and reasonable and is in the best interests of both SunRice A and B Class shareholders in the absence of a superior proposal"</i> . The conclusion of the Independent Expert is based primarily on share value considerations. It has assessed the value range for A Shares at \$37,500 to \$51,875 and B Shares at \$4.54 to \$5.30.	Annexure G
What is the attitude of the RGA in relation to the Proposal?	Your Directors understand that the RGA is currently assessing the Proposal. The RGA has agreed to undertake the role assigned to it as part of the Proposal.	15.11
What is the attitude of the RMB in relation to the Proposal?	The RMB has consented to the change of control of SunRice which will occur on implementation of the Proposal. If the Proposal is implemented, the Sole and Exclusive Export Agreement will be continued to 30 June 2016 and during the term of that agreement not less than one Elected RMB Member who consents to act as a Grower Advisory Board member will be appointed as a Grower Representative on the Grower Advisory Board.	9.4
What level of approval is required for the Proposal to be implemented?	<p>The Proposal must be approved by the holders of A Shares and the holders of B Shares who vote. Shareholders may vote in person or by proxy.</p> <p>The approval thresholds are as follows:</p> <ol style="list-style-type: none"> <li>at least 50% of the <i>holders</i> of B Shares who vote must support the Proposal;</li> <li>at least 75% of the B Share <i>votes cast</i> must be in favour of the Proposal;</li> <li>at least 75% of the A Share <i>votes cast</i> must be in favour of the Proposal.</li> </ol> <p>There is a further requirement that at least 50% of the holders of A Shares who vote must support the Proposal but because a holder of A Shares only has one vote no matter how many A Shares they hold, the 75% threshold referred to in relation to A Shares will also meet the requirement for the votes cast by the holders of A Shares to be cast by at least 50% of the holders of A Shares who vote.</p>	8.3, 9.13 and 12.2
What other conditions are required in order for the Proposal to be implemented?	In addition to Shareholder support, the Proposal also requires approval by the Court, various other regulators and the satisfaction of other conditions relating to SunRice.	12.2
Where can I get further information?	The SunRice Information Line is 1800 643 604 (toll free in Australia) or +61 2 8256 3383 (if overseas) between 9.00am and 5.00pm (Local Time), Monday to Friday.	Chairman's Letter and Important Notices

## Section 1: Answers to important questions

QUESTION	ANSWER	SECTION REFERENCE(S)
<b>1.2 PADDY PURCHASING AND PRICING</b>		
<b>What is the paddy price for the Rice Crop 2010?</b>	The Rice Crop 2010 is divided into two Pools. The price for the Premium Pool 2010 is \$550 per tonne of medium grain rice. The price for the second Pool will be provided to Shareholders not less than 10 Business Days before the Shareholder vote.	9.8 and 9.9
<b>What is the paddy price for the Rice Crop 2011?</b>	An indicative price for the 2011 crop (to be the minimum price only if the Proposal is implemented) will be provided to Shareholders not less than 10 Business Days before the Shareholder vote.	9.8 and 9.10
<b>What is the arrangement for the future purchase and pricing of paddy?</b>	<p>Assuming the continuation of the current regulatory environment, including vesting, the Proposal provides a floor on the price of the medium grain crop after 2011 based on three pools, depending on the size of the crop. The first pool of 400,000 tonnes will be priced by reference to Californian cash and pool medium grain prices. The price of the second pool of 400,000 tonnes will be a US\$50 to US\$90 discount per tonne to the price of the first pool. The price for the balance of the medium grain crop will reflect the market prices in the locations it is sold. Deliveries from each Grower will be pro-rated across the three pools (or two, if there is no third pool).</p> <p>SunRice/Ebro will determine the price it pays for non-medium grain paddy in the usual course of its business.</p> <p>For so long as SunRice/Ebro is bound by the Sole and Exclusive Export Agreement it must also comply with that agreement.</p>	6, 7.3, 9 and 10.6
<b>How does the above medium grain pricing method compare to SunRice prices?</b>	<p>The graph in section 6.2 compares the paddy price calculated by applying the medium grain pricing method against the actual prices paid by SunRice from 2005 to 2009. There is a high correlation between the two.</p> <p>The graph in section 6.2 is a historical comparison based on certain assumptions, it is not a prediction of the future.</p>	6.2
<b>What is the term of the Paddy Purchase and Pricing Rules?</b>	Assuming the continuation of the current regulatory environment, including vesting, the Paddy Purchase and Pricing Rules run for rolling seven year terms. SunRice/Ebro can only elect to terminate the Paddy Purchase and Pricing Rules at the end of any seven year term if there has been a material adverse change in business conditions and it has given two years' notice of its intention to so terminate the rules.	2.4 and 9.8

QUESTION	ANSWER	SECTION REFERENCE(S)
<p><b>What happens if SunRice /Ebro loses the sole right to export New South Wales rice?</b></p>	<p>If SunRice/Ebro is prohibited from exporting New South Wales rice it may terminate the Paddy Purchase and Pricing Rules with immediate effect.</p> <p>If vesting and the Rice Marketing Act continue but SunRice/Ebro loses the exclusive right to export New South Wales rice and is one of a number of exporters regulated under the Rice Marketing Act, the Paddy Purchase and Pricing Rules in relation to Medium Grain Pools 2 and 3 may be terminated on two years' notice. If the change to multiple exporters causes or constitutes a Paddy Purchase Material Adverse Change which continues to the fifth year of a seven year pricing cycle, SunRice/Ebro may terminate the Paddy Purchase and Pricing Rules on two years' notice.</p> <p>The same rights of termination apply if SunRice/Ebro loses the exclusive right to export New South Wales rice because vesting ceases and the New South Wales rice market is deregulated. However, in such circumstances the protections from the application of restrictive trade practices prohibitions that vesting and the Rice Marketing Act now provide would most likely be lost. If and to the extent the Paddy Purchase and Pricing Rules offended those prohibitions they would be suspended. SunRice/Ebro would be required to seek regulatory consent to their continuation but that consent may not be available.</p> <p>If the Paddy Purchase and Pricing Rules continue (or are reinstated), but deregulation of the New South Wales rice industry results in a Paddy Purchase Material Adverse Change which continues to the fifth year of a seven year pricing cycle, SunRice/Ebro may give notice of termination of the Paddy Purchase and Pricing Rules in that fifth year to take effect at the end of the seventh year.</p>	<p>9.8 and 10.6</p>
<p><b>What is the risk that the Paddy Purchase and Pricing Rules can terminate before the end of any seven year term?</b></p>	<p>As noted above, the Paddy Purchase and Pricing Rules may be terminated, varied or suspended if there is a change in regulatory conditions governing the New South Wales rice industry – such as where SunRice/Ebro is prohibited from exporting rice or ceases to be entitled to be the sole exporter of New South Wales rice, or following other changes to the structure of the New South Wales rice industry such as cessation of vesting.</p> <p>While vesting is due to expire on 31 January 2013, the Rice Marketing Act Review published in January 2011 has confirmed the current validity of the Rice Marketing Act objectives (including vesting).</p> <p>Risks of the Proposal are further set out in section 3.13.</p>	<p>1.8, 3.13, 9.8 and 10.6</p>

## Section 1: Answers to important questions

QUESTION	ANSWER	SECTION REFERENCE(S)
Will Ebro continue to be a buyer of last resort?	If SunRice/Ebro continues to be bound by the Sole and Exclusive Export Agreement and that agreement includes buyer of last resort obligations, SunRice/Ebro will be bound to continue as the buyer of last resort.	9.11
What price will I get for my paddy after the end of the first seven year term after 2011?	If the Paddy Purchase and Pricing Rules are still operational there will be no change to the basis of the pricing calculation. If the Paddy Purchase and Pricing Rules are not operative, the price will be determined differently, depending on the applicable circumstances.	9.8 and 10.6
Will Grower Services change?	Ebro has committed to continue to provide Grower Services consistent with SunRice's current practice. Grower Services will not change materially without consultation with the Grower Advisory Board.	9.12
<b>1.3 GROWER ADVISORY BOARD</b>		
What are the functions of the Grower Advisory Board?	The functions of the Grower Advisory Board are to: <ul style="list-style-type: none"> <li>a. make determinations in relation to the Paddy Purchase and Pricing Rules;</li> <li>b. provide for consultation between Growers and the Ebro Group; and</li> <li>c. provide recommendations to the Ebro Group in relation to Grower Issues.</li> </ul>	7, 9.7 and 9.12
How long will the Grower Advisory Board remain in place?	The Grower Advisory Board will operate indefinitely unless the Grower Representatives and Ebro Group representatives agree otherwise.	7, 9.7, 9.12 and 15.11
Who is on the Grower Advisory Board?	<p><b>Grower Representatives</b></p> <p>There will be three Grower Representatives on the Grower Advisory Board.</p> <p>During the term of the Sole and Exclusive Export Agreement at least one Elected RMB Member who consents to act as a Grower Advisory Board member is to be appointed as a Grower Representative.</p> <p>The identities of the first Grower Representatives will be provided to Shareholders not less than 10 Business Days before the Shareholder vote.</p> <p>The subsequent Grower Representatives will be appointed by the RGA following a selection process conducted by the RGA, including in relation to an Elected RMB Member.</p> <p><b>Ebro representatives</b></p> <p>Ebro has informed SunRice that its intention is for all three of its representatives to be employees of SunRice/Ebro including the CEO of SunRice.</p>	9.7 and 15.11

QUESTION	ANSWER	SECTION REFERENCE(S)
<b>1.4 RECEIVING PAYMENT</b>		
<b>How will I be paid for my Shares?</b>	All payments will be made by direct deposit into your nominated bank account or by cheque.	Scheme of Arrangement Annexure D
<b>When will I receive cash under the Proposal?</b>	<p>Holders of A Shares will be paid their cash shortly after 17 June 2011.</p> <p>Holders of B Shares will receive their dividend shortly after 10 June 2011 and will be paid the balance of their cash shortly after 17 June 2011.</p>	9.2
<b>Will I have to pay brokerage fees or stamp duty fees?</b>	No.	12.9 and 14.6
<b>What are the tax implications of the Scheme?</b>	<p>The taxation consequences of the Proposal for Shareholders will depend on the personal taxation and financial circumstances of each Shareholder. However, general information about the likely Australian tax consequences of the Proposal is set out in section 14.</p> <p>You should also contact an expert advisor familiar with your investment circumstances before making your decision.</p>	14
<b>What if I held an A Share that was redeemed in February 2010 and I have a complaint in relation to that redemption?</b>	<p>After a review of Active Growers and written notices from SunRice to holders of A Shares who were shown not to be Active Growers, the Board redeemed a number of A Shares as contemplated by the Constitution in February 2010. SunRice has received some complaints in relation to the redemption of these A Shares. SunRice has implemented a process and assessed all complaints. No further A Shares will be issued before the Meetings. Ebro is aware, however, that some former holders of A Shares have continued to press complaints in connection with the redemption of their A Share.</p> <p>Ebro has agreed to include a mechanism in the Ebro Group Undertaking to provide for a retired Judge to hear applications from such persons in relation to financial compensation if the Proposal is implemented. There is an aggregate fund for compensation of all successful claims of \$2,500,000 (including the costs to Ebro of conducting the reviews) with the maximum compensation in relation to each successful application of \$50,000.</p> <p>If the Proposal is not implemented, this mechanism will not be implemented.</p>	9.19 and 13.11

## Section 1: Answers to important questions

QUESTION	ANSWER	SECTION REFERENCE(S)
<b>1.5 SUNRICE</b>		
<b>Is SunRice a co-operative?</b>	No. SunRice is a listed public company. However, while SunRice is no longer a co-operative, it retains some features of a co-operative through its objectives, shareholding and corporate governance structures.	9.3 and 10
<b>Why did SunRice convert from a co-operative to a company?</b>	In 2005, SunRice's members voted to convert SunRice from a co-operative to a company for a number of reasons. At the time of the vote, benefits of the conversion were seen to include: <ul style="list-style-type: none"> <li>a. to provide a more secure, permanent capital base; and</li> <li>b. to facilitate future business growth.</li> </ul>	5.3 and 9.3
<b>What is the historic and current debt of SunRice?</b>	SunRice's debt has ranged from a low of \$192 million (in April 2004, prior to the acquisition of the Storage Sheds in 2006) to a high of \$380 million in April 2007. The most recent reported debt was \$303 million in October 2010. Two major components of debt are core debt and seasonal debt. Core debt includes external bank debt and is generally used to fund the long term requirements of the business. Seasonal debt is bank debt generally used to fund the working capital and the purchase of paddy. An element of the seasonal debt can also be regarded as long term given the working capital requirements of the business. External bank debt has increased to 90% of SunRice debt.	5
<b>What is the impact of SunRice carrying an increased level of external debt and repaying RMB Equity and converting some of the RMB Equity into B Shares?</b>	RMB Equity certificates are non-interest bearing. Since April 2005, \$29 million has been converted into B Shares and \$42 million has been paid out. This has resulted in an increase to SunRice's cost of funding through increased dividends and interest payments. The increased bank borrowings, higher bank margins and dividends on converted RMB Equity have increased SunRice's overall cost of funding by approximately \$10 million per annum when compared to April 2005.	5

QUESTION	ANSWER	SECTION REFERENCE(S)
What are SunRice's ongoing capital requirements and how would SunRice be funded if the Proposal is not implemented?	<p>SunRice requires significant additional equity to reduce its gearing to its stated goal of 70%. To reach this goal, based on 31 October 2010 debt and equity, SunRice would require a capital injection of \$73 million in new equity.</p> <p>SunRice has underspent on capital expenditure during the drought. Therefore, SunRice will need to spend an increased amount over the next four years to ensure its asset base remains competitive. SunRice may need further capital to fund these requirements.</p> <p>SunRice may also require additional capital to fund growth and take advantage of potential market opportunities to maintain its competitive position and brand premium.</p> <p>Whilst the Board has not determined how to raise additional capital, methods currently being considered include paddy price reduction, reducing the dividend and/or raising external equity.</p> <p>Increasing the capital base of SunRice may not necessarily, however, involve the issue of any new Shares. For example, the Board may or may not issue scrip if it retains money it would otherwise pay for paddy. In any event, even if the Board does decide to issue new B Shares as part payment for paddy, the most that the Suppliers Share Plan in the Constitution allows the Board to issue is a maximum of \$10 of B Shares per tonne of rice delivered (subject to the Corporations Act).</p>	5 and 10.5
How does the transaction affect RMB Equity?	The repayment of RMB Equity to holders remains subject to existing terms, and SunRice anticipates it will be repaid in accordance with those terms.	9.5
<b>1.6 EBRO</b>		
Who is Ebro?	<p>Ebro is a Spanish company with its head office in Madrid. Ebro operates in more than 20 countries and its sales throughout the world for the year ended 31 December 2010 exceeded €900 million in relation to its pasta business and €800 million in relation to its rice business.</p> <p>Its shares have been listed on the Bolsa de Madrid since 12 February 2001.</p>	11
What is Ebro's position with regard to SunRice's existing infrastructure?	Ebro has informed SunRice that it currently intends to maintain and develop SunRice's infrastructure, including the Storage Sheds. Final decisions will only be made after Ebro has conducted a review of the SunRice business following implementation of the Proposal.	11

## Section 1: Answers to important questions

QUESTION	ANSWER	SECTION REFERENCE(S)
What support is Ebro going to provide to the rice industry if the Proposal is implemented?	<p>Ebro has undertaken to continue SunRice's support of the rice farming industry including continuing support for the RGA consistent with SunRice's past practice.</p> <p>Ebro will support rice research and development (through RRAPL) equivalent to the average annual amount contributed by SunRice over the past three years and indexed annually by CPI. It will further continue annual sponsorship and support of regional events consistent with SunRice's past practice.</p> <p>Ebro has given this commitment to Growers and the RGA, as well as to RMB in support of the Sole and Exclusive Export Agreement.</p> <p>Ebro has communicated the objective of enhancing employment opportunities in the Australian rice industry and maintaining and developing SunRice's infrastructure.</p>	9.7
What is Ebro's position with respect to durum wheat?	Ebro has expressed a desire to investigate acquiring durum wheat from Australia for its pasta business. Ebro believes there may be cost efficiencies in sourcing durum wheat and rice from Australia; for example, by combined shipping of durum wheat and rice.	
<b>1.7 VOTING</b>		
When and where will the Meetings be held?	The three Meetings will be held at the Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie, NSW 2716, commencing at 10.00am on Tuesday, 31 May 2011.	8
Who is entitled to vote at the Meetings?	<p>Each Shareholder who is registered on the Share Register at 7.00pm (Local Time) on Sunday, 29 June 2011 is entitled to attend and vote at the relevant Meetings.</p> <p>Shareholders may attend and vote in person or by proxy, corporate representative (if the Shareholder is a company) or by an attorney.</p>	8
What happens if the Proposal is approved?	Whether or not you vote for or against the Proposal or do not vote at all, if the Proposal is approved by the required majority of Shareholders and all conditions are satisfied, your Shares in SunRice will be sold to Ebro and you will receive the appropriate cash amount.	8 and 13
What happens if the Proposal is not approved?	Whether or not you vote for or against the Proposal or do not vote at all, if the Proposal is not approved by the required majority of Shareholders, your Shares in SunRice will not be sold to Ebro and you will not receive any cash.	9.14

QUESTION	ANSWER	SECTION REFERENCE(S)
<b>1.8 REGULATORY</b>		
<b>What will happen to the Sole and Exclusive Export Agreement?</b>	<p>The RMB has consented to the continuation of the Sole and Exclusive Export Agreement after the change of control of SunRice under the Proposal to 30 June 2016. That agreement continues on amended terms and Ebro gives certain assurances to the RMB in support of the continuing rights granted to SunRice.</p> <p>While vesting is due to expire on 31 January 2013, the Rice Marketing Act Review has found that the policy objectives of the Rice Marketing Act remain valid and the provisions of the Rice Marketing Act (including vesting and the single export desk) remain efficient for the purpose of achieving these objectives.</p>	9.4 and 10.6
<b>What are the implications for the Proposal of the recent review by the Murray-Darling Basin Authority?</b>	The Proposal is not conditional upon any outcome related to the Guide to, or the terms of the final, Murray-Darling Basin Plan which may ultimately flow from the work of the Murray-Darling Basin Authority, unless there is a change in law prior to the Second Court Date which has a material adverse effect on SunRice and was not foreshadowed in the Guide to the Murray-Darling Basin Plan.	
<b>1.9 OTHER OPTIONS FOR SHAREHOLDERS</b>		
<b>How else can I get value for my Shares if the Proposal is not implemented?</b>	<p>In the absence of the Proposal or an alternative change of control transaction, the ability to realise monetary value for A Shares in their current form is extremely limited. A Shares are not listed on any stock exchange, cannot be transferred and no market for these Shares exists. A Shares do not convey any entitlement to receive dividends and can only be issued to Active Growers (or persons that the Board believes will become Active Growers).</p> <p>If the Proposal is not implemented, B Shares will remain quoted on NSX and holders may elect to sell their B Shares. It is likely that the price at which B Shares trade will fall in the absence of an alternative proposal emerging which is similar or superior to the Proposal. On 20 October 2010, the day prior to the announcement of the potential offer, B Shares closed at \$1.60.</p>	2.11
<b>What happens if a Superior Proposal emerges?</b>	If a Superior Proposal emerges, Shareholders will be informed through an announcement to NSX. Your Directors will carefully reconsider the Proposal and advise you of their recommendation.	
<b>Is SunRice obliged to pay a break fee?</b>	<p>If a Superior Proposal is implemented instead of the Proposal, then the break fee of \$3,148,000 may be payable by SunRice to Ebro.</p> <p>The break fee is not payable merely because Shareholders vote against the resolutions at the Meetings or the Proposal is not approved by the Court.</p>	12.4
<b>Can I sell my B Shares now?</b>	You can sell your B Shares on-market at the prevailing market price at any time before the close of trading on NSX on or about the Effective Date.	Key Dates

## Section 1: Answers to important questions

QUESTION	ANSWER	SECTION REFERENCE(S)
<b>1.10 LEGAL</b>		
<b>What is the legal standing of the commitments given by Ebro in the Ebro Group Undertaking?</b>	<p>The commitments given by Ebro in the Ebro Group Undertaking are in the form of a legally enforceable document. The terms of the commitments can be enforced by a Grower or the RGA through the Australian Courts.</p> <p>Some of these commitments, including the conduct of the Grower Advisory Board, are also given to the RMB, which can enforce the commitments or take other action against Ebro such as terminating the Sole and Exclusive Export Agreement.</p>	7, 9.6 and 15.11
<b>Does the Ebro Group Undertaking survive a future change of ownership of Ebro and/or SunRice?</b>	A future change in the ownership of SunRice or Ebro will not affect the terms of the Ebro Group Undertaking, which will remain in force.	9.6
<b>What role is played by the Court in approving the Scheme?</b>	<p>The Proposal can only be implemented by a scheme of arrangement governed by the Corporations Act. Under the Corporations Act the Court has a specified role. First it must approve convening of the Scheme Meetings. If Shareholders approve the Proposal, the Court must also give its approval to the Proposal.</p> <p>At the first Court hearing, SunRice sought an order to convene the Scheme Meetings and to approve this Scheme Booklet to accompany the notices of meeting. That approval was granted but does not mean that the Court has formed a view as to the merits of the Proposal or how Shareholders should vote. Neither does it mean that the Court has prepared or is responsible for the content of this Scheme Booklet. If the Scheme is approved by Shareholders, the Court will be asked to approve the Scheme itself. All decisions are at the discretion of the Court.</p>	

## Section 2:

Why you may consider voting in favour of the Proposal

## Section 2: Why you may consider voting in favour of the Proposal

- 1** The Independent Expert has concluded primarily on share value considerations that *“the Scheme is fair and reasonable and in the best interests of the A and B Class Shareholders of SunRice in the absence of a superior proposal”*.
- 2** The proposed payment of \$5.025 per B Share represents a significant premium to trading prices on NSX.
- 3** The proposed consideration of \$50,000 per A Share provides value for the voting rights attached to A Shares.
- 4** The Proposal provides Growers with a medium grain paddy price based on the premium medium grain Californian market which SunRice is not willing to provide under its current ownership. The Proposal also includes ongoing protections for Grower interests.
- 5** Ebro is committed to supporting the Australian rice industry, including continuing to fund SunRice's research and development programs.
- 6** The Board believes that the Proposal delivers greater benefits to Shareholders than available alternatives. Since the announcement of the Proposal, no Superior Proposal has emerged.
- 7** Growers will be selling their rice to SunRice/Ebro, a global rice group. Ebro has a significant capital base, extensive market reach and low debt.
- 8** SunRice will be subject to continuing competition globally and in Australia which may impact its operational performance and returns to Shareholders and Growers.
- 9** If the Proposal is not implemented, SunRice may have to reduce paddy prices and retain greater profits to grow its capital base and lower its debt and gearing.
- 10** Shareholders will receive cash for their Shares and no longer be exposed to the investment risks associated with holding SunRice Shares.
- 11** The B Shares are likely to continue to trade at a large discount to the Independent Expert's valuation and the cash payment for the B Shares. There will continue to be no market for A Shares.
- 12** Under the Proposal, the SunRice Dividend is expected to be fully franked with Australian franking credits which may have additional value for holders of B Shares.
- 13** No brokerage will be payable on the transfer of your Shares under the Proposal.
- 14** There are ongoing risk factors to be considered if the Proposal is not implemented.

## Directors' recommendation

Your Directors unanimously recommend that, in the absence of a Superior Proposal, Shareholders vote in favour of the Scheme at the Scheme Meetings and in favour of each Supporting Resolution. Your Directors consider that the Proposal is likely to deliver a superior outcome for Shareholders compared to other alternatives considered by the Board. Each Director who holds or controls Shares intends to vote those Shares in favour of the Scheme and the Supporting Resolutions.

You should read this Scheme Booklet in full before deciding how to vote. The Proposal has advantages, disadvantages and risks which may affect Shareholders in different ways, depending on their individual circumstances. Shareholders should consider section 3 in relation to the disadvantages and risks of the Proposal.

**The Directors believe the Proposal is in the best interests of Shareholders.**

### **2.1 The Independent Expert has concluded primarily on share value considerations that *"the Scheme is fair and reasonable and in the best interests of the A and B Class Shareholders of SunRice in the absence of a superior proposal"*.**

Lonergan Edwards & Associates Limited was appointed to prepare an Independent Expert's Report including an opinion as to whether the Proposal is in the best interests of Shareholders.

The Independent Expert has concluded *"the Scheme is fair and reasonable and in the best interests of the A and B Class Shareholders of SunRice in the absence of a superior proposal"*.

The Independent Expert has concluded that the Proposal is advantageous to the holders of A Shares for the following reasons:

- a. the Scheme Consideration of \$50,000 per A Share is at the top end of its assessed valuation range of \$37,500 to \$51,875; and
- b. without the Scheme, the ability to realise monetary value for A Shares is extremely limited.

The Independent Expert has concluded that the Proposal is advantageous to the holders of B Shares for the following reasons:

- a. the cash payment of \$5.025 per B Share is consistent with its assessed valuation range of \$4.54 to \$5.30;
- b. the cash payment for B Shares is at a significant premium to recent stock market prices for B Shares;
- c. if the Scheme does not proceed, and in the absence of a Superior Proposal, the listed market price of B Shares is likely to trade at a *"very large discount"* to the Independent Expert's valuation and the cash payment of \$5.025 for each B Share; and
- d. the Scheme provides the holders of B Shares an opportunity to realise cash for their B Shares which is consistent with their full underlying value.

Further, the Independent Expert's conclusion that *"the Scheme is a superior outcome for Shareholders and Growers"* than the alternative options considered, aligns with your Board's view.

The Independent Expert further notes that *"if the Scheme is implemented SunRice shareholders (as shareholders) will no longer be exposed to the risks associated with the SunRice business, including its prevailing high debt level and limited ability to raise further equity capital when required"*.

A complete copy of the Independent Expert's Report is included as Annexure G of this Scheme Booklet and your Directors encourage Shareholders to read the report in full.

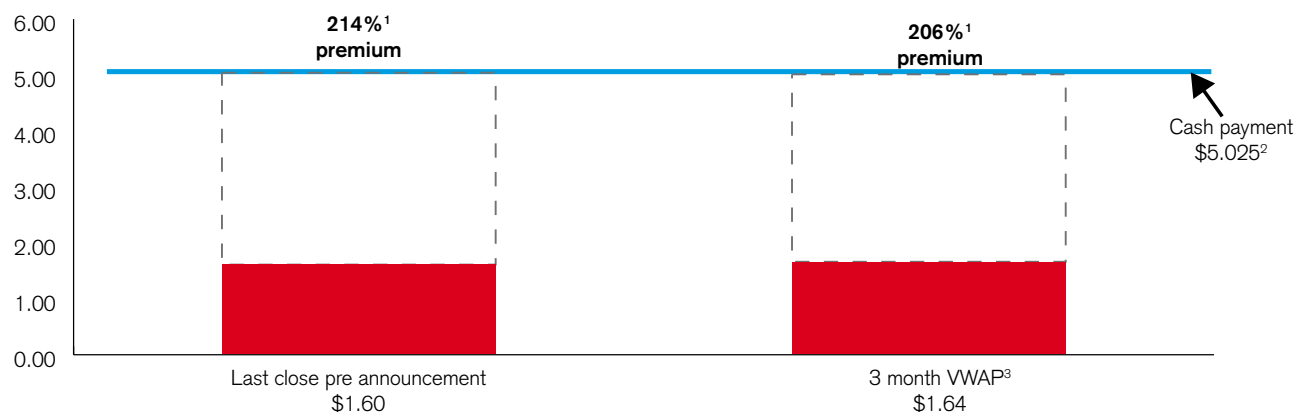
### **2.2 The proposed payment of \$5.025 per B Share represents a significant premium to trading prices on NSX.**

The proposed payment of \$5.025 per B Share represents a:

- a. 214% premium to the B Share closing price of \$1.60 on 20 October 2010 – the day prior to the announcement of the potential offer for SunRice by Ebro; and
- b. 206% premium to the B Share three month volume weighted average price of \$1.64 to 20 October 2010.

## Section 2: Why you may consider voting in favour of the Proposal

### B CLASS SHARE PRICE PREMIUM ANALYSIS (\$) <sup>1, 2, 3</sup>



#### NOTES:

1. Premium calculations are based on the total cash consideration of \$5.025.
2. The payment above does not include the expected franking credit of \$0.603.
3. Volume weighted average price.

The graph above illustrates the premium being offered on B Shares relative to the B Share trading prices on NSX prior to the announcement of the potential offer for SunRice by Ebro. Holders of B Shares may also benefit from \$0.603 per B Share of franking credits.

### 2.3 The proposed consideration of \$50,000 per A Share provides value for the voting rights attached to the A Shares.

The proposed consideration of \$50,000 per A Share provides monetary value for the voting rights attached to A Shares. In the absence of the Proposal (or a Superior Proposal) it is unlikely the holders of A Shares will receive monetary value for their A Shares.

### 2.4 The Proposal provides a medium grain paddy price based on the premium medium grain Californian market which SunRice is not willing to provide under its current ownership. The Proposal also includes ongoing protections for Grower interests.

Under the Proposal, Ebro will provide a rolling seven year medium grain pricing commitment based on Californian prices, commencing in Crop Year 2012. Ebro's commitment can terminate or vary if there is a change in regulatory conditions, but otherwise Ebro can only elect to terminate its commitment at the end of a seven year rolling term if there has been a material adverse change in business conditions during the term (**Paddy Purchase Material Adverse Change**) (see section 9.8). The price paid to Growers will be calculated pro rata to their deliveries across a maximum of three pools, depending on the size of the crop delivered. The pricing of two Pools (800,000 tonnes) will be based on Californian prices (see section 9.11). The pricing of the third Pool will reflect the market prices in locations where it is sold and the Grower Advisory Board has a review function in relation to the determination of that Pool Price (see section 9.11).

Further, under the terms of the Ebro Group Undertaking, a Grower Advisory Board (refer sections 7, 9.7 and 15.11) will be established and mandated to determine or review the price applying to the medium grain rice crop (as applicable to the elements of pricing).

The Grower Advisory Board, which is intended to operate indefinitely, also has important functions in protecting the interests of Growers, as set out in sections 7 and 9.7.

If the Proposal is not implemented, the Directors of SunRice are not willing to make paddy price commitments of the type being offered by Ebro.

The graph in section 6.2 compares the paddy price calculated by applying the proposed medium grain pricing method against the actual paddy prices paid by SunRice from 2005 to 2009. There is a high correlation between the two.

The graph in section 6.2 is a historical comparison based on certain assumptions, it is not a prediction of the future.

## **2.5 Ebro is committed to supporting the Australian rice industry, including continuing to fund SunRice's research and development programs.**

Ebro acknowledges the importance of SunRice in the Australian rice industry and the mutually beneficial need to continue to support the industry.

Ebro has undertaken to continue SunRice's support of the rice farming industry including continuing support for the RGA consistent with SunRice's existing practice, if the Proposal is implemented (see section 9.7 for further information).

If the Proposal is implemented, Ebro will support rice research and development through RRAPL equivalent to the average annual amount contributed by SunRice over the past three years indexed by CPI. It will also continue the sponsorship and support of regional events consistent with SunRice's past practice.

Ebro has also communicated its current intention to enhance employment opportunities in the Australian rice industry. Ebro has also informed SunRice that it currently intends to maintain and develop SunRice's infrastructure. Final decisions will only be made after Ebro has conducted a review of the SunRice business following implementation of the Proposal.

## **2.6 The Board believes that the Proposal will deliver greater benefits to Shareholders than any other alternative currently available. Since the announcement of the Proposal, no Superior Proposal has emerged.**

The Board considered the Proposal in the context of a range of alternatives that may be available to SunRice. The alternatives are discussed in section 4. The Board considers that the Proposal will deliver greater benefits to Shareholders than any other available alternative, including the status quo.

Since the announcement of the potential offer on 21 October 2010 and up to the date of this Scheme Booklet, no Superior Proposal has emerged.

The Independent Expert has concluded that the Proposal is a *"superior outcome for Shareholders and Growers"* than the other options considered and that *"rejecting the proposed Scheme has significant risks for A and B Class shareholders"*.

Specifically, the Independent Expert has concluded that retaining the status quo is not in the best interests of Shareholders.

Retaining the status quo has several notable disadvantages, including:

- a. the holders of A Shares would not receive monetary value for their A Shares;
- b. the listed price of B Shares is likely to remain well below the cash payment of \$5.025 per B Share;
- c. the current structure restricts the company's ability to raise new equity;
- d. due to its high level of debt, SunRice will remain vulnerable to profit shocks, increases in interest rates and tightening credit markets; and
- e. the Directors of SunRice are not willing to provide a medium grain paddy price benchmark based on the premium medium grain Californian market.

## **2.7 Growers will be selling their rice to SunRice / Ebro, a global rice group. Ebro has a significant capital base, extensive market reach and low debt.**

Under the Proposal, Growers will sell paddy rice to the Ebro Group. The Ebro Group has a significantly larger global rice business than SunRice, a strong capital base, extensive market reach and low debt. Some Supplier Members may also benefit from selling other crops, such as durum wheat, to Ebro.

Ebro has stated that it believes Australian medium grain rice is a quality rice variety that has great potential in wider world markets. Ebro has further stated that it intends to use its best endeavours to further promote Australian medium grain rice as a high quality rice in the European Union and North American markets and the other markets in which Ebro operates (see section 11).

## Section 2: Why you may consider voting in favour of the Proposal

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### **2.8 SunRice will be subject to continuing competition globally and in Australia which may impact its operational performance and returns to Shareholders and Growers.**

SunRice is a global business with approximately 54% of its revenue from rice operations being generated outside Australia. Its future is therefore linked to these markets. SunRice expects it will be subject to an increase in competition in global rice markets, including processed food products. This is particularly the case in those markets from which SunRice retreated during the drought and which it is now trying to recapture. In addition, SunRice believes Ebro will compete more strongly in its markets. For example, Ebro recently acquired the rice division of Grupo SOS, including its Middle Eastern Abu Bint operations which compete for market share with SunRice in Saudi Arabia.

### **2.9 If the Proposal is not implemented SunRice may have to reduce paddy prices and retain greater profits to grow its capital base and lower its debt and gearing.**

SunRice currently requires significant additional equity to reduce its gearing to its stated goal of 70%. To reach this goal, based on 31 October 2010 debt and equity, SunRice would require an injection of \$73 million in new equity. To achieve this gearing and fund business growth as well as catch up capital expenditure, SunRice is likely to require additional equity over and above \$73 million in future.

Whilst the Board has not yet determined how to raise additional capital, methods being considered include paddy price reduction, reducing the dividend and/or raising external equity. These alternatives are considered in more detail in section 5.

Increasing the capital base of SunRice may not necessarily, however, involve the issue of any new Shares. The Board may or may not issue scrip when it retains money it would otherwise pay for paddy. In any event, even if the Board does decide to issue new B Shares as part payment for paddy, the most that the Suppliers Share Plan in the Constitution allows the Board to issue is a maximum of \$10 of B Shares per tonne of rice delivered (subject to the Corporations Act) (see section 10.5).

This is further discussed in sections 4 and 5.

The Rice Marketing Act Review made public in January 2011 has noted that the potential for the sole export right to deliver price premiums to Growers is central to its continuation. If and to the extent that SunRice debt reduction affects the paddy price paid to Growers and is seen to erode the premiums delivered by SunRice to Growers, the retention of the sole export right by SunRice is likely to be more heavily scrutinised.

### **2.10 Shareholders will receive cash for their Shares and no longer be exposed to the investment risks associated with holding SunRice Shares.**

The proposed consideration offered to Shareholders is 100% cash. If the Proposal is implemented, Shareholders will receive \$50,000 in cash per A Share and \$5.025 in cash per B Share, together with expected franking credits of \$0.603 per B Share.<sup>1</sup>

The Proposal provides an opportunity for Shareholders to sell their A Shares and B Shares and is considered fair and reasonable and in the best interests of Shareholders (in the absence of a Superior Proposal) by the Independent Expert. The certainty of the proposed 100% cash payment should be compared against the investment risks of remaining a Shareholder such as those set out in sections 2.14, 4 and 5.

To the extent Shareholders are also Growers, acceptance of the Proposal may allow them to diversify their financial risk by reinvesting the proceeds into other assets.

### **2.11 The B Shares are likely to continue to trade at a large discount to the Independent Expert's valuation and the cash payment for the B Shares. There will continue to be no market for A Shares.**

A Shares cannot be transferred and should be redeemed if (amongst other things) the holder dies or becomes insolvent or ceases to be an "Active Grower". The Independent Expert has noted that in the absence of the Scheme or an alternative change of control transaction, the ability of holders of A Shares to realise monetary value for A Shares is extremely limited because A Shares:

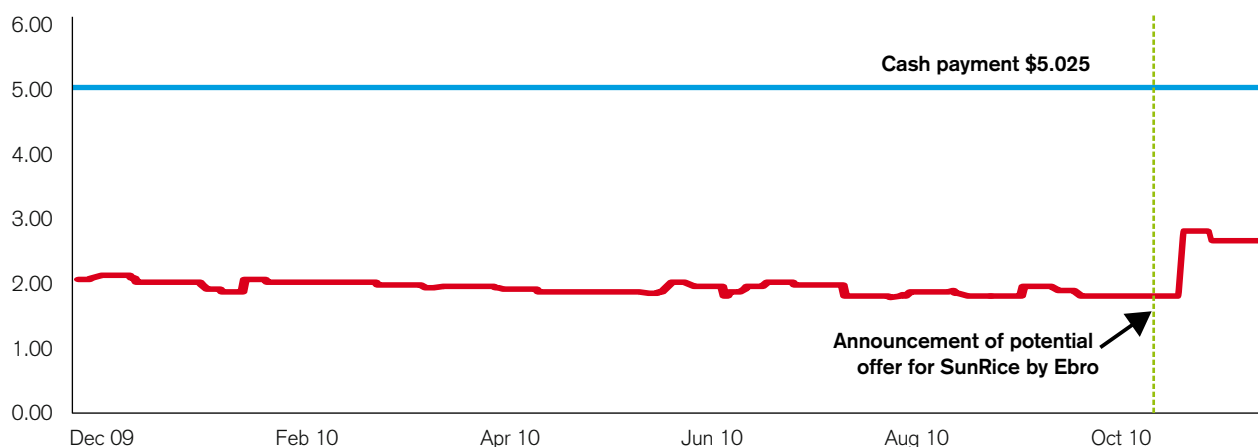
- a. are not listed on any stock exchange and no market for these Shares exists;
- b. do not convey any entitlement to receive dividends; and
- c. can only be issued to Active Growers (or persons the Board believes will become Active Growers).

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1. SunRice has applied for a Class Ruling from the ATO in relation to the availability of the franking credits in connection with the SunRice Dividend.

If the Proposal is not implemented, B Shares will remain quoted on NSX. It is likely that the price at which B Shares trade will fall in the absence of an alternative proposal emerging which is similar or superior to the Proposal. On 20 October 2010, the day prior to the announcement of the potential offer, B Shares closed at \$1.60.

#### ONE YEAR B SHARE PRICE (\$)



The Independent Expert has concluded that “if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the listed market price of B Shares is likely to trade at a very large discount to our valuation and the scheme consideration [\$5.025 each] for the B Class Shares.”

The Independent Expert has concluded that “in the absence of the Scheme (or an alternative change of control transaction) the ability to realise monetary value for A Class shares is extremely limited.”

#### **2.12 Under the Proposal, the SunRice Dividend is expected to be fully franked with Australian franking credits which may have additional value for holders of B Shares.**

It is proposed that if Shareholders approve the Proposal, SunRice will pay a dividend of \$1.407 on each B Share.

It is expected that the SunRice Dividend of \$1.407 will have \$0.603 of franking credits attached. Shareholders should note that SunRice has applied for a Class Ruling from the ATO in relation to the availability of the franking credits in connection with the SunRice Dividend. A favourable draft ruling has been obtained from the ATO which is currently in the process of issuing the final Class Ruling. Shareholders should refer to section 14 for further details and consult their own taxation advisor to determine the tax consequences relevant to their individual circumstances.

If the Proposal is not implemented, this dividend will not be paid by SunRice.

#### **2.13 No brokerage will be payable on the transfer of your Shares under the Proposal.**

You will not incur any brokerage on the transfer of your A Shares or B Shares to Ebro pursuant to the Proposal.

#### **2.14 There are ongoing risk factors to be considered if the Proposal is not implemented.**

There are risks associated with rejecting the Proposal including the following:

##### **a. SunRice debt**

SunRice has not been able to reduce its level of gearing to align with peer group companies. The banks, which have replaced Growers as its primary source of funding, have tightened borrowing covenants. The level of SunRice debt exposes it to credit market risk, business stresses (such as drought and increasing competing alternatives for water resources) and growth limitations.

The Board has explored a number of other strategic options to reduce debt and these are more fully explained in sections 4 and 5 of this Scheme Booklet. The Board will reconsider the alternative options and profit retention if the Proposal is not implemented.

## Section 2: Why you may consider voting in favour of the Proposal

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### b. SunRice structure

The structure of SunRice has not delivered the capital base for the gearing level and growth that a business such as SunRice requires in the current credit market environment.

Shareholders of SunRice have chosen the current structure but have been unable to provide sufficient capital under this structure. Shareholders may choose to change the structure if they conclude that an alternative structure such as one considered in section 4 will provide an adequate solution.

### c. Water

The profitability of SunRice can be materially affected by water variability. The rice growing areas of New South Wales may again be subjected to long dry periods. Those areas are also subject to water policy; with the Guide to the Murray-Darling Basin Plan showing the potential for material changes to the availability of water for irrigation in the future. In addition, other crops compete with rice for commercial use of available water.

SunRice has developed overseas rice sourcing strategies; however, international rice trading is subject to many risks. In addition, the exposure of SunRice to the recent drought years has significantly inhibited its ability to reduce debt and set aside capital for growth.

### d. Sole and Exclusive Export Agreement and vesting

If the Proposal is implemented, the Sole and Exclusive Export Agreement will be amended and its term continued to 30 June 2016. This term may be extended at the discretion of the RMB. No indication of the length of any such extension is provided in the amended Sole and Exclusive Export Agreement.

Vesting of rice grown in New South Wales under the Rice Marketing Act is due to expire on 31 January 2013 regardless of whether or not the Proposal is implemented. If vesting is not renewed by the New South Wales Government, the Sole and Exclusive Export Agreement can be terminated earlier than 30 June 2016. The Rice Marketing Act Review (made public in January 2011) has found, however, that the policy objectives of the Rice Marketing Act remain valid and the provisions of that act (which include vesting and the single export desk) remain efficient for the purpose of achieving these objectives.

The findings of the Rice Marketing Act Review include the importance of the continuing financial viability of SunRice and delivery of export premiums to Growers. The Rice Marketing Act Review recommendations include continuous monitoring of the performance of SunRice against key performance indicators for the purposes of assessing the continuing efficiency of the single export desk and vesting. The Rice Marketing Act Review considers that continuing performance of SunRice should be taken into account in the decision of the Government to continue vesting from time to time. The RMB has included obligations on SunRice/Ebro to agree and implement performance metrics for monitoring purposes if the Proposal is implemented.

If the Proposal is not implemented, the Rice Marketing Act Review recommendations indicate the likelihood of greater scrutiny of SunRice's financial performance and its maintenance of export premiums through the single desk.

### e. Regulatory issues generally

The structure of the rice industry may change significantly in the future. Some changes such as termination of the Sole and Exclusive Export Agreement or revocation or cessation of vesting and deregulation of the export market may expose paddy pricing arrangements in the rice industry to the application of prohibitions contained in legislation in respect of restrictive trade practices. Issues arising from substantial change to the industry will affect SunRice under current ownership and SunRice under Ebro ownership. The outcomes of change, including de-regulation of the industry, cannot be predicted with certainty. Refer to sections 1.2, 1.8, 9 and 10.6.

## Section 3:

Why you may consider voting against the Proposal

### Section 3: Why you may consider voting against the Proposal

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- 1** You may disagree with the Board and the Independent Expert and believe that the Proposal is not in your best interests.
- 2** If the Proposal proceeds, you will no longer be a Shareholder and you will not partake in any benefits of being a Shareholder Grower.
- 3** If the Proposal proceeds, SunRice will be foreign owned and no longer controlled by Active Growers.
- 4** Growers may be subject to paddy pricing uncertainty beyond the Crop Year 2018.
- 5** If the Proposal proceeds, SunRice will no longer be Australian owned.
- 6** Holders of B Shares will no longer receive dividends.
- 7** The Paddy Purchase and Pricing Rules for medium grain paddy are based on Californian paddy prices which may not result in a better paddy pricing outcome in the future.
- 8** You may perceive that you and the majority of other Shareholders are prepared to accept a lower paddy price and/or dividend return or provide capital to address SunRice's debt position and provide funds for future growth and capital expenditure.
- 9** You may perceive that under Ebro's ownership, SunRice may have greater regard to non-Grower interests.
- 10** The tax consequences of the Proposal may not suit your financial position.
- 11** You may believe that a Superior Proposal will emerge.
- 12** You may wish to maintain your investment profile.
- 13** There are risk factors to be considered if the Proposal is implemented.

You may be influenced to vote against the Proposal by factors such as set out in this section.

### **3.1 You may disagree with the Board and the Independent Expert and believe that the Proposal is not in your best interests.**

Despite the view of the Board and the Independent Expert, you may believe that the Proposal is not in the best interests of Shareholders or not in your individual interest.

### **3.2 If the Proposal proceeds, you will no longer be a Shareholder and you will not partake in any benefits of being a Shareholder Grower.**

If the Proposal is implemented, you will no longer be a Shareholder in SunRice. Ebro will control SunRice and its objectives. This will also mean that you will not participate in any potential benefits that may result from being a Shareholder, including the right to share in any increase in the value of your Shares above the Scheme Consideration, the right to share in the potential of the SunRice business and any potential future dividends on B Shares. You may consider that there has been, or will be, an increase in the value of Australian food companies.

### **3.3 If the Proposal proceeds, SunRice will be foreign owned and no longer controlled by Active Growers.**

If the Proposal is implemented, SunRice will be owned and controlled by Ebro. Active Growers will no longer have the right to influence the future direction of SunRice as they currently do. For example, Active Growers make up the majority of the Board, nominate for the majority of Board positions and those that hold A Shares have voting power as Shareholders. In addition, the holders of B Shares will also lose their voting power as Shareholders which they enjoy in some circumstances.

You may perceive that, regardless of the outcome of the Rice Marketing Act Review (which found that the policy objectives of the Rice Marketing Act, including maximising the single export desk premiums to Growers, remain valid), there is a greater risk that vesting may be discontinued if SunRice is foreign owned and not controlled by Active Growers.

Shareholders should note section 5 of this Scheme Booklet in respect of the potential for change to SunRice and refer to section 4 of this Scheme Booklet in relation to the effect that other options may have on Active Grower control of SunRice.

### **3.4 Growers may be subject to paddy pricing uncertainty beyond the Crop Year 2018.**

Under the terms of the Ebro Group Undertaking the Paddy Pricing and Purchase Rules can be terminated by Ebro at certain times provided there has been a material adverse change to business conditions (**Paddy Purchase Material Adverse Change**), the effect of which has continued. Ebro may first give notice to terminate the application of the Paddy Purchase and Pricing Rules during the 2016 Crop Year commencing on 1 May 2016 and subject to the occurrence and continuation of a Paddy Purchase Material Adverse Change. If such notice is given, the Paddy Purchase and Pricing Rules will cease to apply after the end of the 2018 Crop Year commencing on 1 May 2018. If notice is not given in the fifth year of any "Pricing Term", the next period for giving notice of termination is the fifth year of the next seven year "Pricing Term" and also subject to the occurrence of a Paddy Purchase Material Adverse Change.

In the event that the Paddy Purchase and Pricing Rules are terminated, Ebro has not made any paddy purchase or pricing commitments except to the extent that the Sole and Exclusive Export Agreement continues to apply. Some Shareholders may therefore be subject to paddy pricing uncertainty after termination of the Paddy Purchase and Pricing Rules. A more detailed explanation of termination and variation of the Paddy Purchase and Pricing Rules, including after regulatory change, is set out in section 9.8.

### **3.5 If the Proposal proceeds, SunRice will no longer be Australian owned.**

If the Proposal proceeds, SunRice will become a wholly owned Subsidiary of Ebro, a Spanish company.

### **3.6 Holders of B Shares will no longer receive dividends.**

If the Proposal is implemented, holders of B Shares will no longer receive SunRice dividends. Historically, SunRice has paid dividends; however, there is no guarantee that dividends will continue to be paid by SunRice in future if the Proposal is not implemented.

## Section 3: Why you may consider voting against the Proposal

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### **3.7 The Paddy Purchase and Pricing Rules for medium grain paddy are based on Californian paddy prices which may not result in a better paddy pricing outcome in the future.**

The Paddy Purchase and Pricing Rules for medium grain rice are based on Californian paddy prices in US\$. The Pool Price of a SunRice Pool based on Californian prices will be calculated in US\$. This price will be converted to Australian dollars for payment to Growers. This is different to the current method of determining paddy prices (see section 6.3). The Paddy Purchase and Pricing Rules may not result in a better pricing outcome compared to SunRice's current practice. Further information on the comparison of prices applying the Paddy Purchase and Pricing Rules to prices paid by SunRice is contained in section 6.

### **3.8 You may perceive that you and the majority of other Shareholders are prepared to accept a lower paddy price and/or dividend return or provide capital to address SunRice's debt position and provide funds for future growth and capital expenditure.**

The Board has identified that SunRice requires additional capital to reduce debt and fund future business growth.

You may perceive that you and the majority of Shareholders are prepared to provide these funds either through paddy price retention, reduced dividends and/or the provision of new capital as indicated in section 5. If so, you may believe that relieving Shareholders of the funding requirements is not a benefit of the Proposal.

### **3.9 You may perceive that under Ebro's ownership, SunRice may have greater regard to non-Grower interests.**

Notwithstanding the conversion of SunRice from a co-operative to a company in 2005, SunRice has maintained its relationship with Growers. You may perceive that despite the commitments made by Ebro (including the Grower Advisory Board), its relationship with Growers may be different. Ebro is a publicly listed foreign company which must take account of a large range of interests. It is also a conglomerate and its strategies may change from time to time.

### **3.10 The tax consequences of the Proposal may not suit your financial position.**

Implementation of the Proposal may trigger taxation consequences for Shareholders. You may realise a capital gain to the extent the proposed consideration received by you exceeds the tax cost base of your Shares or a capital loss to the extent the proposed consideration received by you is less than the tax cost base of your Shares. Other taxation implications may arise in relation to the receipt of the SunRice Dividend by holders of B Shares. Shareholders should read the taxation implications outlined in section 14 and seek professional taxation advice with respect to their individual tax situation.

### **3.11 You may believe that a Superior Proposal will emerge.**

You may believe that there is potential for a Superior Proposal to be made in the foreseeable future. As at the date of this Scheme Booklet, no Superior Proposal has been received by your Directors.

### **3.12 You may wish to maintain your investment profile.**

You may wish to maintain your investment in SunRice in order to have an investment in a company with the specific characteristics of SunRice in terms of industry, operational profile, size, capital structure and potential dividend stream (for the holders of B Shares). Implementation of the Proposal may result in a disadvantage to those who wish to maintain their investment profile. Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar profile to that of SunRice and they may incur transaction costs in undertaking any new investment.

### 3.13 There are risk factors to be considered if the Proposal is implemented.

There are risks associated with the Proposal, including the following:

a. Counterparty risk of SunRice/Ebro

The Proposal involves ongoing commitments of SunRice/Ebro to Growers and the RGA. Growers and the RGA are exposed to the risk of SunRice/Ebro not being able to meet its ongoing commitments, including financial commitments.

The Board notes that the financial position of Ebro at the date of this Scheme Booklet, as demonstrated by its public financial information, is strong (see section 11.5).

b. Californian medium grain prices

Californian medium grain rice prices may not constitute the premium medium grain rice market prices most relevant in the future for New South Wales medium grain rice. The structure of Californian rice prices may also change over time by reference to United States Government policy (see section 6.4).

c. Sole and Exclusive Export Agreement and vesting

The RMB has given its consent to the continuation of the Sole and Exclusive Export Agreement with SunRice/Ebro until 30 June 2016 if the Proposal is implemented. This term may be extended at the discretion of the RMB. No indication of the length of any such extension is provided.

Vesting of rice grown in New South Wales under the Rice Marketing Act is due to expire on 31 January 2013 regardless of whether or not the Proposal is implemented. Continuation of vesting is a matter for the New South Wales Government and if it is not continued the Sole and Exclusive Export Agreement can be terminated. The Rice Marketing Act Review (made public in January 2011) has found, however, that the policy objectives of the Rice Marketing Act remain valid and the provisions of that act (which include vesting and the single export desk) remain efficient for the purpose of achieving these objectives.

The terms on which the Sole and Exclusive Export Agreement will be continued if the Proposal is implemented allow for termination for non-performance including failure to pay amounts due to the RMB for the Storage Sheds. Failure to pay such amounts may also result in loss of the single export desk but a continuation of the obligations of SunRice as the buyer of last resort.

The terms also include SunRice/Ebro giving certain assurances and commitments to the RMB.

One such undertaking is that SunRice/Ebro agrees to develop with RMB customised business performance metrics in conjunction with the Minister who administers the Rice Marketing Act to allow for continuous monitoring and review of the performance of SunRice/Ebro under the Sole and Exclusive Export Agreement, which will allow the RMB to track and analyse performance indicators including the ability of SunRice/Ebro to attract export market price premiums.

The performance of SunRice/Ebro against performance indicators, including that SunRice continues to be able to generate export market price premiums, is likely to be taken into account in the decision of the New South Wales Government to continue vesting after January 2013.

d. Regulatory issues generally

The Rice Marketing Act Review has found that the policy objectives of the Rice Marketing Act remain valid and the provisions of that act (which include vesting and the single export desk) remain efficient for the purpose of achieving these objectives.

However, the structure of the rice industry may change significantly in the future. Some changes such as termination of the Sole and Exclusive Export Agreement or revocation or cessation of vesting, deregulation of the export market and repeal of the Rice Marketing Act may expose paddy pricing arrangements in the rice industry to the application of prohibitions contained in legislation in respect of restrictive trade practices. Issues arising from substantial change to the industry will affect SunRice under current ownership and SunRice under Ebro ownership. The outcomes of change, including deregulation of the industry, cannot be predicted with certainty. Refer to sections 1.2, 1.8, 9 and 10.6.

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## Section 4:

Alternatives considered by the Board

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## Section 4: Alternatives considered by the Board

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### 4.1 Background

In forming its view that the Proposal is in the best interests of Shareholders, the Board evaluated alternative strategic options against the Proposal.

In assessing the alternative strategic options, the Board took account of (amongst other things):

- a. the provision of benefits to Growers in relation to the Paddy Purchase and Pricing Rules;
- b. the extent and cost of relevant regulation;
- c. SunRice's debt level and exposure to credit market and other financial risk;
- d. SunRice's ability to meet its business objectives and to raise new equity capital within the limitations of its existing capital structure;
- e. SunRice's ability to address the discounted listed market price of its B Shares and to maximise value within the limitations of its existing capital structure;
- f. the ability of holders of A Shares to realise cash consideration and maximise A Share value;
- g. control of the Board and the general meeting by Active Growers;
- h. the provision of ongoing support of the Australian rice industry, including the RGA, rice growing communities, research and development and Grower Services;
- i. the level of Australian ownership of SunRice; and
- j. certainty of outcome and ease of implementation.

The alternatives raise many issues. Set out below are some of the advantages and issues that are considered relevant to the main alternatives. It is noted that there are other advantages and issues which arise in respect of these and other alternatives.

### 4.2 Retaining the current structure and operations

The Proposal was considered by the Board as being potentially attractive to Shareholders and was therefore critically evaluated against the existing business structure and operations of SunRice.

#### Key advantages of retaining the status quo

- a. Active Growers retain control of SunRice with the benefits including being able to elect Directors and approve changes to the Constitution.
- b. Continuation of SunRice support of the Australian rice industry.
- c. Continuation of a high level of Australian ownership.

#### Key issues

- a. SunRice has a high level of debt with a gearing ratio well above its peer companies leaving SunRice vulnerable to profit shocks, interest rate increases, credit market volatility and lacking capital to grow. As discussed in more detail in section 5, retaining the status quo will not enable SunRice to address this issue without significant retention of profits affecting the paddy price and SunRice dividends.
- b. SunRice's Constitution and capital structure, in particular the restricted ownership criteria, limited trading, 5% cap on holdings and exclusion from voting at the SunRice general meeting of holders of B Shares, limits SunRice's ability to raise equity capital to reduce debt and fund capital investment/business growth.
- c. The take-up rate of B Shares in capital raisings is regarded as low and it is likely that any new equity raising would occur at a discount to the amount being offered under the Proposal and be dilutionary for existing Shareholders.
- d. The listed market price of B Shares on NSX is likely to remain well below the value under the Proposal.
- e. Holders of A Shares will only realise monetary value for their A Shares under a change of control arrangement, such as the Proposal, or a restructure such as an ASX listing.

- f. Shareholders will continue to be exposed to significant investment risks which are outside SunRice's control, including volatility of rice supplies as a result of regulatory changes to water management, drought and competing water uses.
- g. The Proposal provides potential additional benefits to Shareholders who are Growers in relation to paddy purchasing commitments using a formula based on Californian medium grain prices. SunRice is not willing to offer Growers a similar price commitment. This paddy purchasing commitment is outlined at section 9.

## Conclusion

For the reasons outlined above, the Board considered that the status quo was a less attractive alternative than the Proposal. The Board's view is supported by the conclusion of the Independent Expert whose Independent Expert's Report states: *"In our view retention of the "Status Quo" is not in the best interests of SunRice shareholders"*.

If the Proposal does not succeed, the Board will take action to address SunRice's high debt and enable SunRice to continue to grow. The options available under the current legal structure to raise equity capital are reduced paddy prices and lower dividend pay-outs. Reduced paddy prices may not involve the issue of new Shares.

## 4.3 ASX listing

The Board also evaluated the Proposal against listing SunRice on ASX. This option may require changes to the Constitution which would need to be approved by special resolutions of holders of both A and B Shares.

### Key advantages

- a. As an ASX listed company SunRice would operate in a trading and regulatory environment that would facilitate:
  - (i) access to a larger pool of funds than that provided by holders of B Shares under the existing structure;
  - (ii) a more liquid market for its shares;
  - (iii) a more effective pricing mechanism for its shares; and
  - (iv) the attraction, retention and incentivising of employees.
- b. On listing, SunRice would conduct a public share offering which would result in the provision of additional equity capital to reduce debt and fund capital investment and business growth.
- c. The Board may be required to allocate value between A and B Shares, therefore holders of A Shares would receive consideration.
- d. There would be a relatively high level of Australian ownership, at least initially.

### Key issues

- a. As an ASX listed company, and to attract the support of investors, SunRice would have to comply with the ASX listing rules and would be expected to comply with the corporate governance guidelines. In this regulatory environment SunRice would have to consider the following:
  - (i) removal of its dual class share structure, at least over time, which would see the removal of A Share control rights and the creation of a single class of share. This has been the experience of similar agribusinesses that have listed on ASX;
  - (ii) that a majority of directors of SunRice be independent: Active Grower Directors may not be classifiable as "independent" on the basis that they may be significant suppliers of rice to SunRice; and
  - (iii) changes to the Constitution and in particular to a principal SunRice objective to achieve long term improvement in the returns to Supplier Members for their paddy rice.
- b. The above would effectively remove Active Grower control of SunRice and it is foreseeable that SunRice would come under the influence of institutional investors. The Directors' obligations to Shareholders as a whole may not align with improving returns to Supplier Members.

## Section 4: Alternatives considered by the Board

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- c. The listed market price of B Shares on ASX is likely to remain below the value under the Proposal. The Independent Expert believes that SunRice shares would trade at \$3.00 – \$3.40<sup>1</sup> if SunRice was listed on ASX, assuming the removal of the dual class share structure, control no longer being held by Active Growers and a majority independent Board.
- d. Shareholders will continue to be exposed to significant investment risks which are outside SunRice's control as outlined under section 4.2(f).
- e. The Proposal provides potential additional benefits to Growers in relation to medium grain paddy purchasing commitments using a formula based on Californian medium grain prices. As an ASX listed company, it is unlikely that SunRice would offer Growers a similar price commitment.
- f. The Proposal provides potential additional benefits to Growers in relation to continued support of the Australian rice industry. As an ASX listed company, SunRice may not continue to provide the existing level of industry support.
- g. A public share offering on listing would dilute the interests of existing Shareholders.

### Conclusion

For the reasons outlined above, the Board considered that an ASX listing provides a less attractive alternative to the Proposal. The Board's view is supported by the conclusions of the Independent Expert whose Independent Expert's Report states:

*"While an ASX listing would facilitate the raising of additional equity capital, it should be noted that:*

- a. *the interests of existing shareholders (in both ownership and value terms) would be diluted due to the need to raise additional equity capital at the same time (to broaden the shareholder base and reduce debt). Grower control of SunRice would therefore effectively cease; and*
- b. *in our opinion, the market price of SunRice shares would continue to trade below the Scheme consideration (reflecting in part the difference between the value of individual portfolio interests and the value of a 100% controlling interest as reflected in the Scheme consideration)."*

### 4.4 Delisting SunRice from NSX

The Board also evaluated the Proposal against delisting of SunRice from NSX. This option may require changes to the Constitution which would need to be approved by special resolutions of holders of both A and B Shares. The approval of SunRice's financiers would also be required.

#### Key advantages

- a. Active Growers would retain control with benefits including being able to elect Directors and approve changes to the Constitution.
- b. SunRice would continue to support the Australian rice industry.
- c. There would be a continuation of a high level of Australian ownership.
- d. SunRice would not be required to meet NSX regulatory requirements.
- e. The modest costs of listing on NSX would be avoided.

#### Key issues

- a. SunRice would need to operate a buyback or tender program because there would be no continuous market to provide liquidity for B Shares and there would be no observable share price.
- b. Buyback of B Shares is likely to require additional capital if there is no market. These funds may need to be raised by paddy price reduction and/or retention or reduction of dividends.
- c. B Shares may not be attractive at a price that is materially higher than the price set by the market on NSX. The B Share price is likely to remain below the value under the Proposal. As SunRice would be unlisted, the price may have to be lower than both NSX and the Proposal to attract interest.
- d. SunRice's capital structure would continue to suffer from the existing issues as outlined under section 4.2(b).
- e. Shareholders will continue to be exposed to significant investment risks which are outside SunRice's control as outlined under section 4.2(f).

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1. It should be noted that the listed market price of B Shares would be likely to fluctuate significantly and might therefore trade in a wider range.

- f. Holders of A Shares will not receive any cash consideration for their Shares.
- g. The Proposal provides potential additional benefits to Growers in relation to medium grain paddy purchasing commitments using a formula based on Californian medium grain prices. SunRice is not willing to offer Growers a similar commitment.

## Conclusion

For the reasons outlined above, the Board considered that a delisting from NSX provides a less attractive alternative than the Proposal. The Board's view is supported by the conclusions of the Independent Expert whose Independent Expert's Report states:

*"Whilst a delisting from the NSX would retain grower control of SunRice, and some modest cost savings would be achieved, we consider these benefits to be more than offset by the following:*

- a. *there will no longer be an observable share price... sellers of SunRice shares may not be able to dispose of their shares given a lack of buyers;*
- b. *there is unlikely to be a material increase in the price at which SunRice shares are traded; and*
- c. *a delisting will not address many of the issues placing pressure on the SunRice share price."*

## 4.5 Divesting certain SunRice businesses

The Board also evaluated the Proposal against the financial and strategic impact of divesting certain SunRice businesses. The approval of SunRice's financiers would be required.

### Key advantages

- a. Active Growers would retain control of SunRice with benefits including being able to elect Directors and approve changes to the Constitution.
- b. SunRice would continue to support the Australian rice industry.
- c. There would be a continuation of a high level of Australian ownership.
- d. The after tax returns from the business sales would reduce debt exposure.

### Key issues

- a. The sale of a successful business could have significant business impacts, which include:
  - (i) reduction of earnings and business diversification – thereby potentially increasing vulnerability to profit shocks and potentially negatively affecting bank covenants and borrowing capacity;
  - (ii) potential taxation implications (e.g. CGT) for SunRice which may reduce the value of the transaction; and
  - (iii) utilisation of proceeds to repay debt due to the current debt position – thereby reducing the funds available for capital investment and business growth.
- b. The listed market price of B Shares on NSX is likely to remain well below the value under the Proposal and may decrease as the dividend base would be reduced. Shareholders will continue to be exposed to significant investment risks which are outside SunRice's control as outlined under section 4.2(f).
- c. Holders of A Shares will not receive any cash consideration for their Shares.
- d. The Proposal provides potential additional benefits to Growers in relation to medium grain paddy purchasing commitments using a formula based on Californian medium grain prices. SunRice is not willing to offer Growers a similar price commitment.
- e. A smaller business would potentially be less attractive for employees.

## Conclusion

For the reasons outlined above, the Board considers that divesting the SunRice businesses provides a less attractive alternative than the Proposal. The Board's view is supported by the conclusions of the Independent Expert whose Independent Expert's Report states:

*"In our view this option is less attractive than the Scheme."*

## Section 4: Alternatives considered by the Board

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### 4.6 Cornerstone investor

The Board also evaluated the Proposal against inviting a cornerstone investor to provide capital to SunRice. This option may require changes to the Constitution which would need to be approved by special resolutions of holders of both A and B Shares.

#### Key advantages

- a. A cornerstone investor would provide additional equity capital to reduce debt exposure.
- b. A relatively high level of Australian ownership is likely to be maintained.
- c. It is considered that there would be continued support of the Australian rice industry.

#### Key issues

- a. A cornerstone investor is considered likely to specify a number of requirements which would be the subject of negotiation, but could include the following:
  - (i) Board representation;
  - (ii) changes to the Constitution including voting shares and potentially certain negative control rights;
  - (iii) changes to the capital and governance structures;
  - (iv) a priority return on their investment; and
  - (v) an exit option such as a future ASX listing or trade sale.
- b. The above could effectively remove Active Grower control of SunRice and it is foreseeable that SunRice would come under the influence of the investor which could impact on matters relating to paddy pricing and dividend policy.
- c. It is considered unlikely that a cornerstone investor would pay the price being offered by Ebro (which includes a control premium) and therefore this option would dilute the interests of existing holders of B Shares.
- d. The listed market price of B Shares on NSX is likely to remain well below the value under the Proposal. The cornerstone investor alternative does not necessarily deal with the capital structure limitations of SunRice which would continue to suffer from a number of the existing issues as outlined under section 4.2(b). Shareholders would continue to be exposed to significant investment risks which are outside SunRice's control as outlined under section 4.2(f).
- e. Holders of A Shares will not receive any cash consideration for their A Shares.
- f. The Proposal provides potential additional benefits to Growers in relation to medium grain paddy purchasing commitments using a formula based on Californian medium grain prices. It is considered that a cornerstone investor is unlikely to agree to SunRice offering Growers a similar price commitment.

#### Conclusion

For the reasons outlined above, the Board considers that the cornerstone investor option provides a less attractive alternative than the Proposal. The Board's view is supported by the conclusions of the Independent Expert whose Independent Expert's Report states:

*"The alternative of seeking a "cornerstone" investor (with a view to listing on the ASX in the medium/longer term) may also require the provision of a priority return on investment mechanism and an exit option after a minimum agreed investment period."*

### 4.7 Overall conclusion

After evaluating the alternatives, the Board considers that the Proposal is likely to provide a better outcome for Shareholders than any of the other alternatives considered by the Board. This conclusion is based on the full value of the SunRice business the Proposal provides to Shareholders in the cash being offered and the benefits it provides to Growers. This view is supported by the conclusions reached by the Independent Expert.

## Section 5:

Evolution of SunRice debt and its implications

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## Section 5: Evolution of SunRice debt and its implications

SunRice is a global business with approximately 54% of its revenue generated in international markets. Given the scale and nature of its operations, SunRice requires considerable capital to fund its ongoing operations and additional capital to continue to protect and grow its markets.

Over the last 10 years, SunRice has funded its debt requirements through a combination of debt provided by Growers and banks. Growers loaned funds to SunRice through Rice Bonds (interest bearing) and made further funds available to fund the RMB assets (Storage Sheds) in the form of RMB Equity (non interest bearing).

This section describes the current debt situation of SunRice together with detail on the evolution of debt and the capital raising initiatives undertaken.

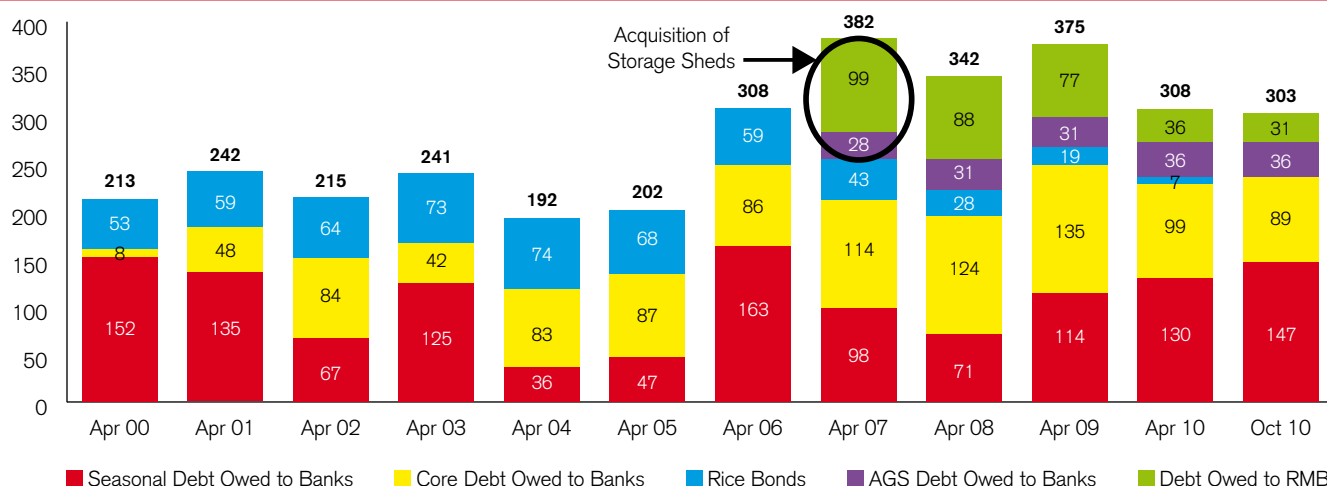
In summary:

- since the acquisition of the paddy storage sheds and related infrastructure (**Storage Sheds**) from the RMB in June 2006, substantially all industry debt now resides in the SunRice Group;
- the acquisition of the Storage Sheds significantly contributed to the increase in SunRice's debt from \$213 million in April 2000 to \$308 million at April 2010;
- debt provided by Growers/Shareholders to the industry (through Rice Bonds and RMB Equity) has decreased from \$173 million in April 2005 to \$31 million in October 2010, a decrease of \$142 million. SunRice was obliged to repay \$101 million to retire RMB Equity and Rice Bonds and has satisfied its obligations in relation to \$41 million of this by issuing B Shares;
- approximately 90% of SunRice's debt is now provided by banks compared to 60% in April 2000. In this period, the attitude of banks to SunRice has become more conservative (as it has for many businesses) not least due to the global financial crisis. As a result of the increased bank borrowings, higher bank margins and dividends on converted RMB Equity, SunRice's overall cost of funding has increased by approximately \$10 million per annum when compared to 2005;
- the 10% of SunRice Group debt not provided by banks is \$31 million in non-interest bearing debt to be repaid by SunRice to the RMB in relation to the purchase of the Storage Sheds as RMB Equity matures. The final repayment is due in July 2016; and
- the Proposal relieves SunRice and/or Shareholders of the need to provide the additional capital. If the Proposal is not implemented, the Board will take action to address SunRice's high debt and enable SunRice to continue to grow. This action will include any one or more of the following to raise additional capital: paddy price reductions, reducing the dividend and/or raising external equity.

### 5.1 Evolution of SunRice Group debt

The evolution of the SunRice Group debt is set out below.

**SUNRICE GROUP DEBT: APRIL 2000 TO OCTOBER 2010 (\$ MILLION)**

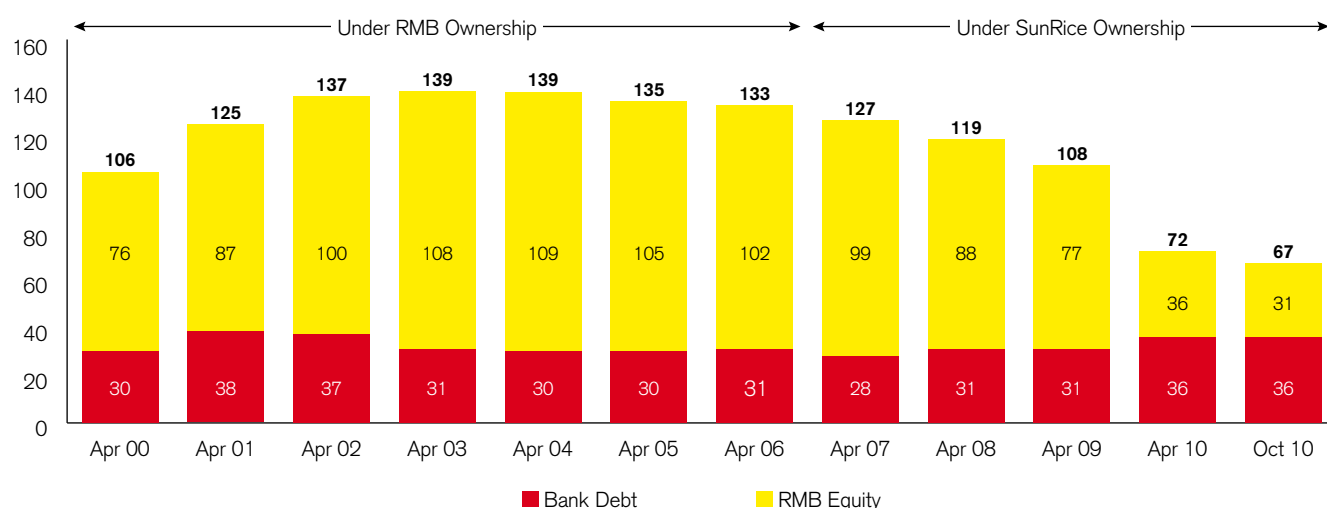


Two factors which have affected the evolution of this debt have been the acquisition of the Storage Sheds and the outcome of the various capital raising initiatives. These are discussed in sections 5.2 and 5.3.

## 5.2 Acquisition of Storage Sheds

The Storage Sheds were acquired by SunRice's Subsidiary, Australian Grain Storage Pty Ltd (**AGS**) in June 2006, following domestic deregulation of the New South Wales rice industry and support from Growers for the acquisition. As a result, the bank debt associated with the Storage Sheds was transferred to AGS and therefore to the SunRice Group. In addition, AGS contracted to pay RMB the purchase price of the Storage Sheds at times and in amounts sufficient to enable RMB to repay all maturing RMB Equity. The graph below shows the profile of the bank debt and the amount of debt related to RMB Equity associated with the Storage Sheds, including that which was transferred to the SunRice Group following its acquisition of the Storage Sheds in 2006. The \$31 million outstanding at October 2010 is payable by AGS to RMB in instalments related to maturing RMB Equity with the final repayment in July 2016. Of the outstanding \$31 million payable by July 2016, approximately \$19.7 million is payable by July 2012.

### STORAGE SHEDS RELATED DEBT: APRIL 2000 – OCTOBER 2010 (\$ MILLION)



## 5.3 SunRice capital raising initiatives

SunRice converted from a co-operative to a company in late 2005 to develop a stable capital structure and fund itself more effectively. Following its conversion, SunRice embarked on a program to raise capital by issuing new B Shares through the following mechanisms:

- conversion of maturing and future RMB Equity;
- conversion of Rice Bonds;
- Dividend Reinvestment Plan; and
- cash subscriptions.

The table below details the prospectuses sent to Shareholders for the capital raising programs and the accompanying Shareholder/financial advisor presentations made to encourage Shareholders to subscribe for new B Shares:

YEAR	PROSPECTUS DATE	SHAREHOLDER PRESENTATIONS	FINANCIAL ADVISOR PRESENTATION
2006	October 2006	14 and 15 November 2006	14 and 15 November 2006
2007	October 2007	31 October and 1 November 2007	31 October and 1 November 2007
2008	June 2008	17 and 18 June 2008	17 and 18 June 2008
2009	June 2009	15 June 2009 at Deniliquin and Darlington Point	15 June 2009

## Section 5: Evolution of SunRice debt and its implications

Equity raised by the issue of new B Shares under these prospectuses is shown below:

SOURCE OF FUNDS (\$ MILLION)	APRIL 2007	APRIL 2008	APRIL 2009	APRIL 2010	TOTAL	AMOUNT AVAILABLE APRIL 2006	% TAKEN UP
RMB Equity conversion	–	–	0.6	28.4	<b>29.0</b>	102.0	28%
Rice Bonds conversion	6.6	2.1	1.1	2.3	<b>12.1</b>	59.0	21%
Dividend Reinvestment Plan	1.5	2.1	2.1	4.1	<b>9.8</b>	–	–
Cash	0.3	10.4	–	6.9	<b>17.6</b>	–	–
Employee Share Plan	–	–	–	1.2	<b>1.2</b>	–	–
<b>TOTAL</b>	<b>8.4</b>	<b>14.6</b>	<b>3.8</b>	<b>42.9</b>	<b>69.7</b>	–	–

The take up of B Shares was lower than expected by the Board. The Board believes that this may have been partly as a result of the drought.

### 5.4 Source of SunRice Group debt

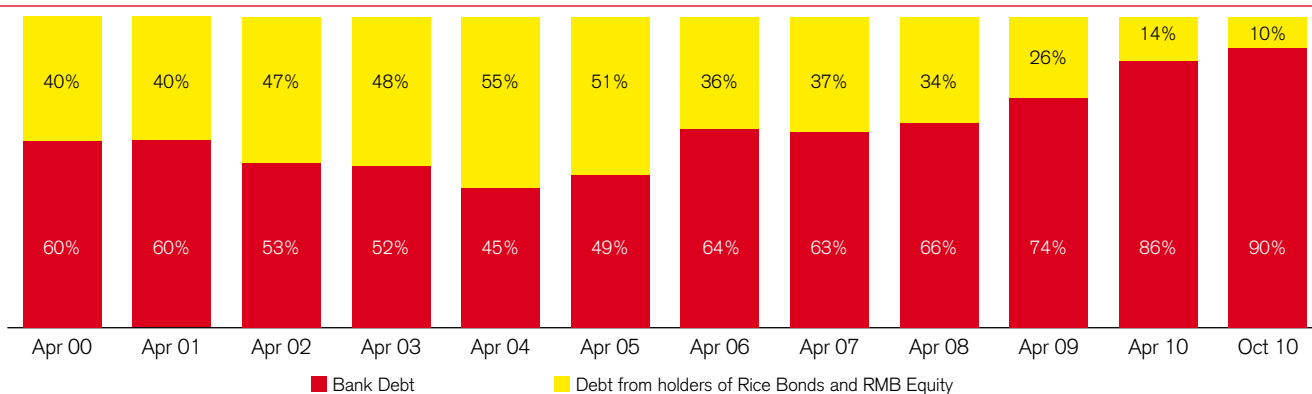
SunRice Group core and seasonal debt has increased from \$160 million in April 2000 to \$272 million at October 2010. Core debt includes external bank debt and is generally used to fund the long term requirements of the business. Seasonal debt is bank debt generally used to fund the working capital and the purchase of paddy. A substantial element of the seasonal debt can also be regarded as long term given the ongoing working capital requirements of the business. External bank debt has increased to 90% of SunRice debt.

Debt provided to the industry by Growers/Shareholders has matured and therefore decreased from \$173 million in April 2005 (being \$105 million of RMB Equity and \$68 million of Rice Bonds) to \$43 million in April 2010 (being \$36 million of RMB Equity and \$7 million of Rice Bonds). In addition, SunRice paid out \$13 million in July 2010 (being \$6 million to RMB reflecting maturing RMB Equity and \$7 million of maturing Rice Bonds). The \$173 million owed to Shareholders and former Growers has therefore been reduced by \$142 million to \$31 million of RMB Equity at 31 October 2010.

RMB Equity as a form of funding is interest free. Repayment to the RMB for the Storage Sheds to meet maturing RMB Equity has been funded through the issue of B Shares, SunRice cashflows and bank borrowings. The conversion of RMB Equity into B Shares has improved the capital structure of SunRice but increased dividend outflows. Bank margins and line fees charged by SunRice's bankers have increased. The annual increased cost to fund the increase in bank margins plus the increase in debt from \$202 million in April 2005 to \$303 million at October 2010 including dividends on converted RMB Equity is approximately \$10 million.

The effects of assuming substantially all the industry debt and the necessity to replace Grower/Shareholder funded debt with bank debt and B Shares has meant that SunRice's debt has increased significantly and the nature of its funding (including rates of interest, tighter bank covenants etc) has changed materially. SunRice now relies on banks to fund approximately 90% of its debt as demonstrated in the graph immediately below.

**SOURCE OF DEBT OWING BY SUNRICE OR RMB: APRIL 2000 TO OCTOBER 2010 (%)**



SunRice has a stated objective to reduce its gearing and its dependence on bank debt.

## 5.5 SunRice's capital requirements

SunRice requires capital to reduce gearing from 118% at October 2010 to the previously stated target of 70% or less. To reduce gearing to this goal would require net additional capital of \$73 million. Shareholders should note that the 70% target is well above the Australian peer group company gearing range of 11% to 52% and meeting this target does not provide capital to fund growth.

As a result of the impact of the drought and its capital structure, SunRice has underspent on capital expenditure. Therefore, SunRice will need to spend an increased amount over the next four years to ensure its asset base remains competitive.

SunRice also requires additional capital to fund growth and take advantage of potential market opportunities. SunRice's markets are evolving and capitalising on opportunities is essential for SunRice to maintain its competitive position and brand premium.

## 5.6 Potential options to raise capital being considered by the Board

The objective of the Board is to reduce SunRice's gearing from 118% to 70% over approximately four years. As at 31 October 2010, this requires approximately \$73 million in profit retention (\$104 million pre tax) or new share issues at an aggregate issue price of \$73 million. The Board has not determined how to raise the required capital; however, the Board is considering using any one or more of the following options:

- *paddy price reduction;*
- *reduction in any future dividends on B Shares; and*
- *raising external equity.*

The above are described in more detail below:

### a. Paddy price reduction

- (i) Increased capital could be provided by a reduction of the paddy price.
- (ii) The calculation of the impact of providing the increased capital (retained earnings) through a reduction in the paddy price involves an analysis of SunRice's forecast financial performance and the potential crop sizes.
- (iii) Raising capital through the paddy price can be achieved by lowering the paddy price (paddy price reduction) and/or by application of the Suppliers Share Plan (paddy price retention). Under the Suppliers Share Plan, SunRice may apply up to \$10 per tonne of the amounts due to Supplier Members for paddy to subscribe and fully pay up B Shares in accordance with the Constitution and the Corporations Act (see sections 4 and 10.5 for more details). An amount of \$10 per tonne may not be sufficient retention.
- (iv) For illustrative purposes, if the \$73 million (\$104 million pre tax) were to be raised solely by a paddy price reduction, this would equate to approximately \$30 per tonne over the next 3,500,000 paddy tonnes delivered.
- (v) It is unclear what effect, if any, paddy price retention and/or reduction would have on the amount of rice grown.

### b. Reducing the dividend pay-out

The Board could consider reducing dividends. For illustrative purposes, if the \$73 million were to be raised solely by not paying dividends, on the basis of the 2010 dividend of \$12 million, this option will take over six years to achieve the desired gearing. This would mean that there would be no dividend payments on B Shares during this period.

### c. External equity

- (i) Given the existing company structure and quantum of capital raised in previous capital raisings, the Board is of the view that SunRice has limited ability to raise external equity.
- (ii) As discussed in section 4, the Board could consider listing SunRice on ASX. This may include the involvement of a cornerstone investor. Key advantages and issues of such a course of action are set out in section 4.
- (iii) External investors would potentially require SunRice structural change (see section 4).
- (iv) For illustrative purposes, raising the whole amount by an injection of external capital of \$73 million would involve the issue of a large number of B Shares with the potential for considerable dilution of current holders of B Shares.

## Section 5: Evolution of SunRice debt and its implications

### d. Other methods of generating funds

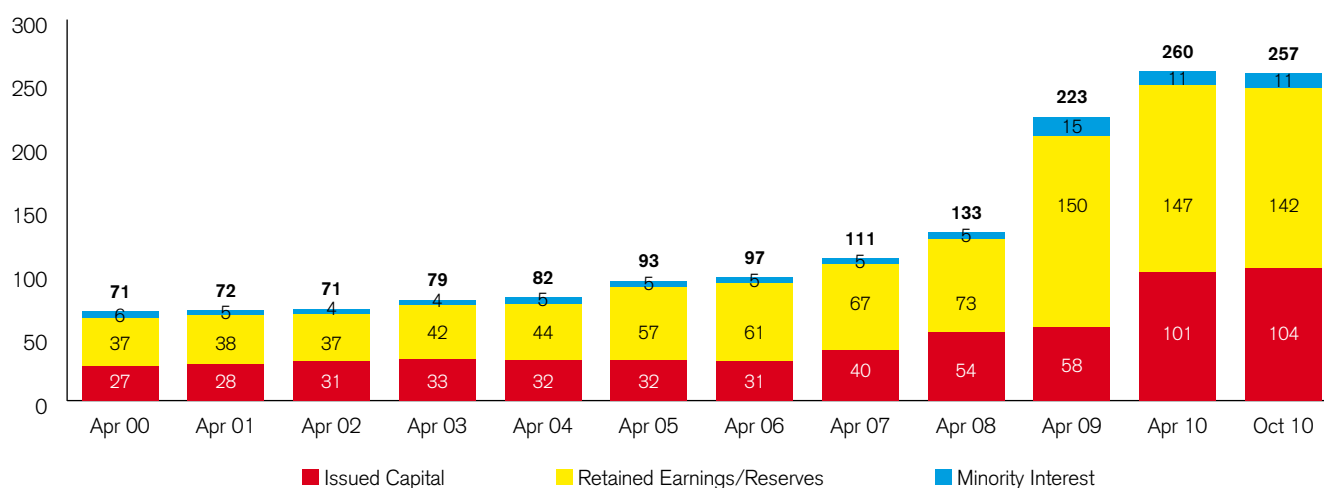
It may be that a form of long term subordinated debenture could be issued by SunRice to industry members and third party investors which would reduce reliance on bank debt. Such debentures would nonetheless still be debt, would require interest to be paid and may have limited attraction for investors. If such debentures were convertible into shares, any such conversion would generate additional capital for SunRice.

The Proposal relieves SunRice and/or Shareholders of the need to provide the additional capital.

### 5.7 SunRice equity growth

The graph below shows the changes in SunRice's equity from April 2000:

**SUNRICE GROUP EQUITY APRIL 2000 TO OCTOBER 2010 (\$ MILLION)**



SunRice's equity has increased significantly from when it became a company in 2005, from \$93 million in April 2005 to \$257 million in October 2010.

The growth in SunRice's equity during this period is mainly attributable to two factors. These two factors are the retention of profits and the implementation of a capital raising program.

Retained earnings since April 2005 have contributed \$86 million to SunRice's equity. The majority of these retained earnings were the \$76 million of earnings from the extraordinary result achieved in year ended April 2009 which were retained.

Since April 2005, SunRice has also implemented a capital raising program which has raised \$70 million from SunRice's existing Shareholders. Of this \$70 million raised, \$40 million was raised through the conversion of RMB Equity and Rice Bonds.

The Board's view is that SunRice will not be able to use these mechanisms in future to raise as much equity.

The Board is of the view that retained earnings cannot be relied on to contribute to SunRice's equity base as significantly in future, as historical normal operating results would not allow for such levels of retained earnings.

The options to raise capital from existing Shareholders under new capital raising programs are also more limited in future. This is mainly because the Rice Bonds issued by SunRice have now been fully paid out and the level of RMB Equity outstanding is much lower than before at \$31 million.

The increase in SunRice's equity has lowered its gearing. However, SunRice's gearing at 31 October 2010 remains at 118% which is higher than its Australian peers (which range from 11% to 52%) and above the Board's target of 70%.

The options available to SunRice to reduce its gearing are described in section 5.6.

## Section 6:

Paddy price comparison

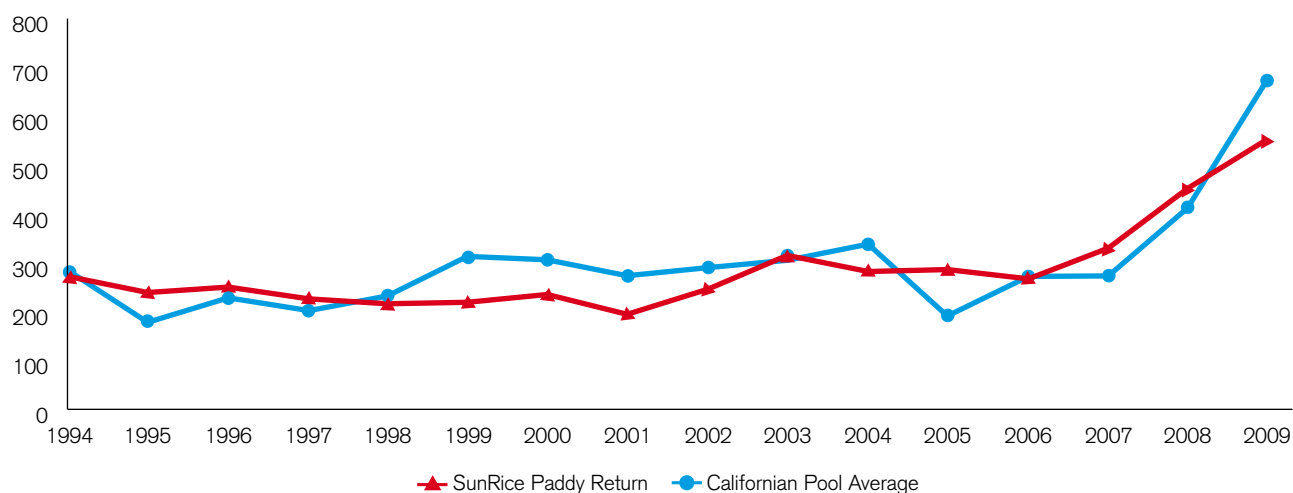
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## Section 6: Paddy price comparison

### 6.1 SunRice paddy price comparison assuming pool prices

Set out below is a comparison of medium grain paddy price returns from Californian pools to medium grain paddy price returns provided by SunRice.

**AVERAGE CALIFORNIAN MEDIUM GRAIN POOL RETURNS v SUNRICE MEDIUM GRAIN PADDY PRICE (\$/TONNE)<sup>1, 2, 3, 4, 5</sup>**



#### NOTES:

1. The years reflect the Australian crop marketing year (1 May to 30 April) and the prior Californian crop marketing year (1 September to 31 August).
2. Available Californian pool prices for the major Californian millers have been used to get Californian pool average – this includes premium over loan, loan and deducts a cost for drying and storage incurred by Californian growers (see section 6.4).
3. Australian crop marketing year average foreign exchange rate used to convert Californian prices (as per Proposal).
4. The drought affected Australian crops since 2003, has impacted prices paid by SunRice – price for paddy during the drought has been supported above the direct return to ensure that SunRice is able to receive a higher volume of paddy for its markets (see section 6.3).
5. SunRice's 2009 price was a contract price of \$550 per tonne.

The above graph provides a long term comparison between average returns from the Californian medium grain pools and the medium grain paddy price paid by SunRice. As the Californian pool average does not represent the Paddy Purchase and Pricing Rules (the Paddy Purchase and Pricing Rules have a weighting for the cash price and limit the pool price average to two pools) it is not directly comparable; however, there is a very high (85%) correlation between the average Californian medium grain pool return and the SunRice medium grain paddy return in the period between 1994 and 2009 (inclusive).

The SunRice paddy return shown in the graph includes a paddy price supplement in all years with the exception of the 2008 Crop Year. The supplement is an amount above the direct return of the Australian rice milling and marketing business.

The high historic correlation between Californian pool prices and those paid by SunRice referred to above can be illustrated as follows. If it is assumed that a Grower provided one tonne of medium grain paddy every year throughout the period, the average price received would have been:

#### AVERAGE HISTORIC PRICE OF MEDIUM GRAIN PADDY

	1994 – 2009
SunRice return	\$284 per tonne
California Pool return	\$296 per tonne
<b>SUNRICE PREMIUM / (DISCOUNT)</b>	<b>(3.9%)</b>

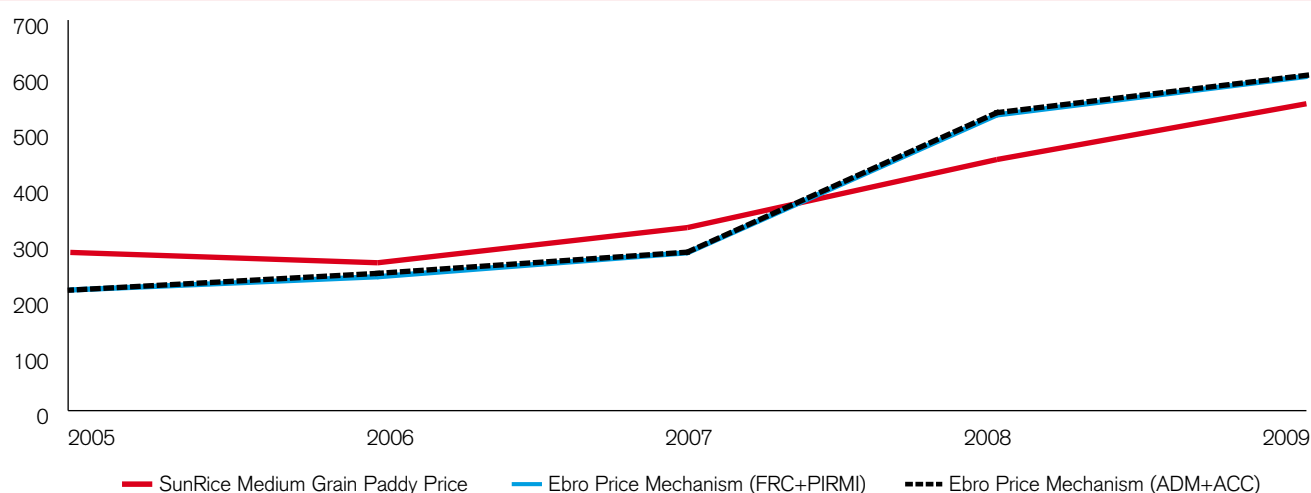
Please note that the above comparison relates to Californian pool prices only. Section 6.2 compares SunRice's historical paddy price with a projected price using the pricing formula offered by Ebro. The comparison in section 6.2 can only be made for a more limited period as the California cash market was not well developed before the 2005 Australian crop marketing year.

## 6.2 SunRice paddy price comparison to Californian rice prices assuming cash and pool prices 2005 to 2009

The graph below sets out the medium grain paddy returns as if the Paddy Purchase and Pricing Rules for post 2011 Medium Grain Rice Crops had been applied from 2005 to 2009 (on the basis set out in the notes to the graph). There is an extremely high (approximately 98%) correlation between the SunRice medium grain paddy return and the return for medium grain rice that would have been achieved under the relevant Paddy Purchase and Pricing Rules if they had been in place between 2005 and 2009 (on the basis set out in the notes to the graph).

For the purposes of this analysis, the relevant Paddy Purchase and Pricing Rules have been applied to two sets of major Californian pools. The green line refers to the average of Farmers Rice Cooperative (FRC) and Pacific International Rice Mills (PIRMI) pools. The red line refers to the average of Archer Daniels Midlands (ADM) and American Commodity Company (ACC) pools. Shareholders will notice that there is little difference between the two sets of Californian pools. Please refer to the graph in section 6.4 which shows the relatively small differences between the Final Prices of medium grain paddy rice for six Californian pools in 2009.

**HISTORICAL PRO-RATA POOL PRICE v SUNRICE – PADDY RETURN (\$/PADDY TONNE)** 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12



### NOTES:

1. The years reflect the Australian crop marketing years and the prior Californian crop marketing year.
2. 60% weighting for pools and 40% weighting for cash has been applied.
3. The pool price reflects the final return for the prior Californian crop marketing year.
4. Available Californian pool prices for the major Californian millers have been used to get Californian pool average – this includes premium over loan, loan and deducts a cost for drying and storage incurred by Growers (see section 6.4).
5. Cash prices in California are based on average of weekly prices from a well known United States rice industry analyst. Cash prices are quoted as premium plus loan (see section 6.4). Drying and storage costs incurred by growers in California are deducted from the cash price. Cash price average is based on the Australian crop marketing year.
6. Australian crop marketing year average foreign exchange rate used to convert Californian prices (as per Paddy Purchase and Pricing Rules).
7. The drought affected Australian crops since 2003, has impacted prices paid by SunRice. The price for paddy during the drought has been supported above the economic return to ensure that SunRice is able to receive a higher volume of paddy for its markets (see section 6.3).
8. SunRice's 2009 price was a contract price of \$550 per tonne.
9. The Californian cash price reference required for this comparison is not available before the 2005 Australian crop marketing year.
10. During the period under consideration, 2006 was the only year that the New South Wales medium grain crop exceeded 400,000 tonnes.
11. In 2006, the marketable medium grain crop was less than 800,000 tonnes.
12. In applying the Paddy Purchase and Pricing Rules to the 2006 New South Wales medium grain crop, a Pool 2 discount has been calculated on the basis of the principles applying to the determination of the discount under the Paddy Purchase and Pricing Rules.

The SunRice paddy return includes a paddy price supplement in all years with the exception of the 2008 Crop Year.

## Section 6: Paddy price comparison

The correlation between the prices paid by SunRice between 2005 and 2009 and the prices which would have resulted had the Paddy Purchase and Pricing Rules applied during that time (on the assumptions in the notes to the graph) are averaged for one tonne of paddy as follows:

### AVERAGE PRICE IF PADDY PURCHASE AND PRICING RULES APPLIED

	2005 – 2009
SunRice return	\$375 per tonne <sup>1</sup>
Ebro price mechanism (FRC + PIRMI)	\$374 per tonne
Ebro price mechanism (ADM + ACC)	\$376 per tonne
SunRice premium / (discount) to FRC + PIRMI	0.5%
SunRice premium / (discount) to ADM + ACC	(0.2%)

#### NOTE:

1. The price paid for paddy during the drought has been supported above the economic return to ensure SunRice is able to supply its markets.

The above table and graph are historical comparisons and calculations based on certain assumptions. They are not a prediction for the future and should not be viewed as indicating any views of the Board about the future.

### 6.3 Summary of paddy pricing policy

When considering the comparative information set out in sections 6.1 and 6.2, it should be noted that the Board is not willing to provide a long term pricing commitment similar to the Paddy Purchase and Pricing Rules.

The current approach of the Board is to set paddy prices on a year by year basis having regard to commercial factors such as the volume of rice required by the SunRice Group's businesses in the relevant year, the anticipated commercial return to SunRice from the sale of rice and rice products and SunRice's financial position.

The paddy price should provide a commercial signal to Growers to produce a greater or smaller volume of paddy rice (when water supply permits) to a level that optimises the volume required to satisfy the highest returning markets available to SunRice. As such, the paddy price paid by SunRice may not solely comprise the net profit pool generated by the sale of rice products (made from the purchased paddy rice) through the rice milling and marketing (Australian paddy) activities of the SunRice business and may be supplemented by the profits of other SunRice Group businesses.

### 6.4 Background information about Californian rice prices

#### US Government direct commodity price support program

Every five to six years the US Government enacts a new "Farm Bill", which includes a support mechanism for "farm program crops", among other agricultural policies. Rice, including Californian rice, falls under the farm program crop. The most recent Farm Bill was enacted in mid 2008 and sets down the policies and settings to apply for the five years from 2008 to 2012.

The key mechanism in the Farm Bill for direct commodity price support to Californian paddy rice is through the setting of "Loan Rates". The Loan Rate is the rate per hundredweight (cwt) of an advance payment for each type (short, medium or long grain) of rice and varies slightly from year to year. The average Loan Rate for medium grain paddy rice harvested in 2010 is US\$6.50 per cwt or about US\$143 per tonne. Californian growers can access a loan by reference to the Loan Rate from the United States Department of Agriculture (USDA) by presenting a receipt from a registered storage shed which certifies the delivery of paddy rice. The loan amount plus interest has to be repaid to the USDA before the paddy rice can be retrieved from the storage shed by the grower, a miller or a marketer.

The USDA also declares an Adjusted World Price per cwt (**AWP**) for each type of rice on a weekly basis, the formula for calculation of this is not disclosed. The AWP does not necessarily reflect the actual price for paddy rice in the commercial market. The AWP applies as follows:

- a. if the AWP is above Loan Rate, there is no effect for the industry; and
- b. when the AWP falls below the Loan Rate plus interest, only the AWP has to be repaid to the USDA to retrieve the paddy rice from storage sheds. The difference (Loan Rate – AWP) is called the Loan Deficiency Payment (**LDP**), which is the only direct commodity price subsidy available to US rice growers.

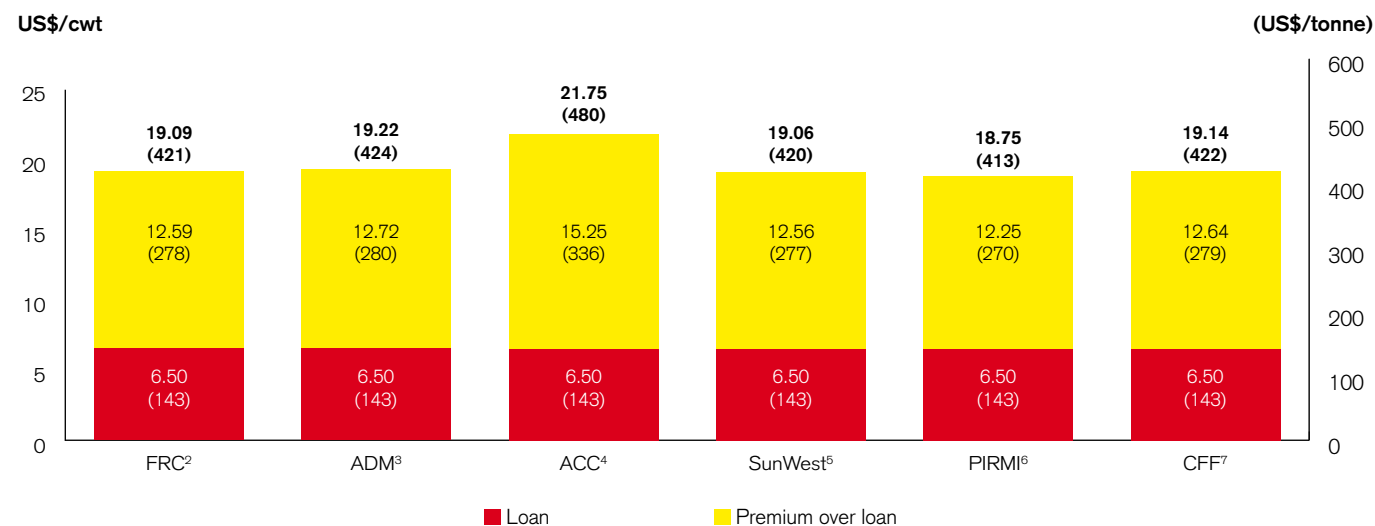
Thus the minimum Californian medium grain paddy price is effectively the medium grain **“Loan Rate”**. The AWP has not fallen below the Loan Rate since early 2006 and hence no direct commodity price support payment has been made by the US Government for Californian rice in this period.

### Californian pool prices

The paddy rice price for Californian pools is generally stated as “Premium over Loan”. The Premium refers to the additional value, above the Loan Rate set by USDA, which millers want to pay per cwt of paddy rice. Hence the final pool payment for paddy to growers is the sum of Loan Rate and Premium over Loan Rate. The final cost of paddy rice to the miller is Loan Rate plus Premium minus any LDP (if applicable). As stated earlier, no LDP has been available since early 2006.

The Californian pool prices are usually finalised between October and December following the end of the marketing year on 31 August of each year. The final Californian pool prices (ignoring the deduction for storage and drying costs borne by growers in California) for the crop harvested in 2009 and declared late last year is shown in the graph below.

**FINAL PRICES OF THE MAJOR CALIFORNIAN POOLS FOR THE 2009 MEDIUM GRAIN PADDY RICE** <sup>1, 2, 3, 4, 5, 6, 7</sup>



#### NOTES:

1. The above graph does not include any deduction for paddy storage and drying costs, which are borne by growers in California. This is explained in the following paragraphs.
2. “FRC” means Farmers’ Rice Cooperative.
3. “ADM” means Archer Daniel Midlands.
4. “ACC” means American Commodity Company.
5. “SunWest” means SunWest Foods, Inc.
6. “PIRMI” means Pacific International Rice Mills, Inc.
7. “CFF” means California Family Foods.

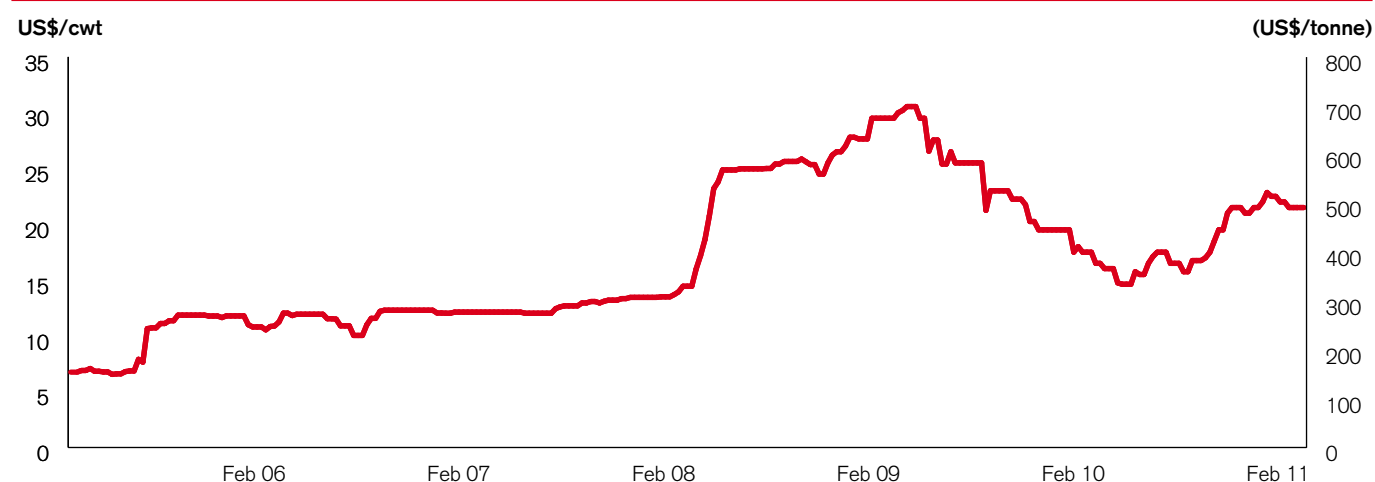
## Section 6: Paddy price comparison

### Californian cash prices

Some cash rates also quote the Premium over Loan while others may quote an aggregate amount which includes Premium and Loan Rate.

The cash price for medium grain Californian paddy rice on 23 February 2011 was about US\$21.50 per cwt or about US\$474 per tonne. This price was made up of US\$6.50 per cwt Loan Rate and US\$15 per cwt Premium over Loan. This is to illustrate the make-up of cash prices and is not predictive of future prices. The graph below illustrates the cash price trends between May 2005 and February 2011 (ignoring the deduction for storage and drying costs borne by growers in California).

#### CALIFORNIAN MEDIUM GRAIN PADDY RICE CASH PRICE TRENDS – 2005 TO PRESENT<sup>1</sup>



#### NOTE:

1. The above graph does not include any deduction for paddy storage and drying costs, which are borne by growers in California. This is explained in the next paragraphs.

### Comparison of Californian and SunRice paddy price

The price obtained by Californian growers, as explained above, has to be adjusted for another factor to compare it with the paddy price paid by SunRice. The Californian growers are liable for the paddy drying and storage costs (unlike the Riverina growers) and pay the drying and storage companies prior to getting a goods receipt, which allows them to access the loan and premium payments. The Californian drying and storage companies publish their tariff storage rates on an annual basis. The storage and drying cost in California for the 2010 harvest is estimated at \$1.40-\$1.60 per cwt or US\$30.97-35.27 per tonne.

Hence the net amount received by a Californian grower for paddy (whether pooled or sold for cash) is:

$$\text{Loan Rate} + \text{Premium} - \text{storage and drying cost} = \text{net paddy return}$$

This net paddy return is the Californian paddy price included in the Paddy Purchase and Pricing Rules to be compared to the paddy price paid by SunRice to Growers in Australia. The graphs in sections 6.1 and 6.2 take this calculation into account.

## Section 7:

Grower Advisory Board

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## Section 7: Grower Advisory Board

Ebro has stated that it considers SunRice's existing relationship with New South Wales Growers to be fundamental to the success of the SunRice business. It has also confirmed that it wishes to build on that relationship for the longer term. The functions of the Grower Advisory Board provide protections for Growers and are intended to assist developing and improving policies and procedures of SunRice/Ebro to maintain positive relationships between SunRice/Ebro and Growers and provide mutually beneficial and efficient rice industry practices.

Further details regarding the Grower Advisory Board can be found in sections 9.12 and 15.11.

The Grower Advisory Board is intended to operate indefinitely unless its members agree otherwise.

It will be comprised of three Grower Representatives and three Ebro Group representatives. For the term of the Sole and Exclusive Export Agreement at least one Elected RMB Member who consents to act as a member of the Grower Advisory Board will be appointed as a Grower Representative. The Chairman must be one of the three Grower Representatives but has no casting vote. The first members of the Grower Advisory Board will be agreed by Ebro and SunRice. If the Chairman cannot be agreed, he or she will be appointed by the Grower Representatives. SunRice will consult with the RGA and the RMB in relation to the first Grower Representatives. The Grower Representatives to be appointed after the first three Grower Representatives will be appointed by the RGA after a selection process, including in relation to an Elected RMB Member (see section 15.11).

Ebro has agreed to provide reasonable administrative support and resources for the Grower Advisory Board which will meet at least four times a year.

If there is an Elected RMB Member who has consented to act as a member of the Grower Advisory Board and SunRice does not appoint that person as a member of the Grower Advisory Board, then the RMB can terminate the Sole and Exclusive Export Agreement.

The Grower Advisory Board will receive and consider information and submissions, make recommendations to and consult with SunRice/Ebro in relation to Grower Issues regardless of the continuation or not of the Paddy Purchase and Pricing Rules.

### 7.1 Paddy pricing

The table below outlines the Grower Advisory Board's role in setting the price for paddy under the Paddy Purchase and Pricing Rules. If a majority of the members of the Grower Advisory Board cannot agree any of the following, the matter will be referred to the Grower Advisory Board Independent Expert to decide.

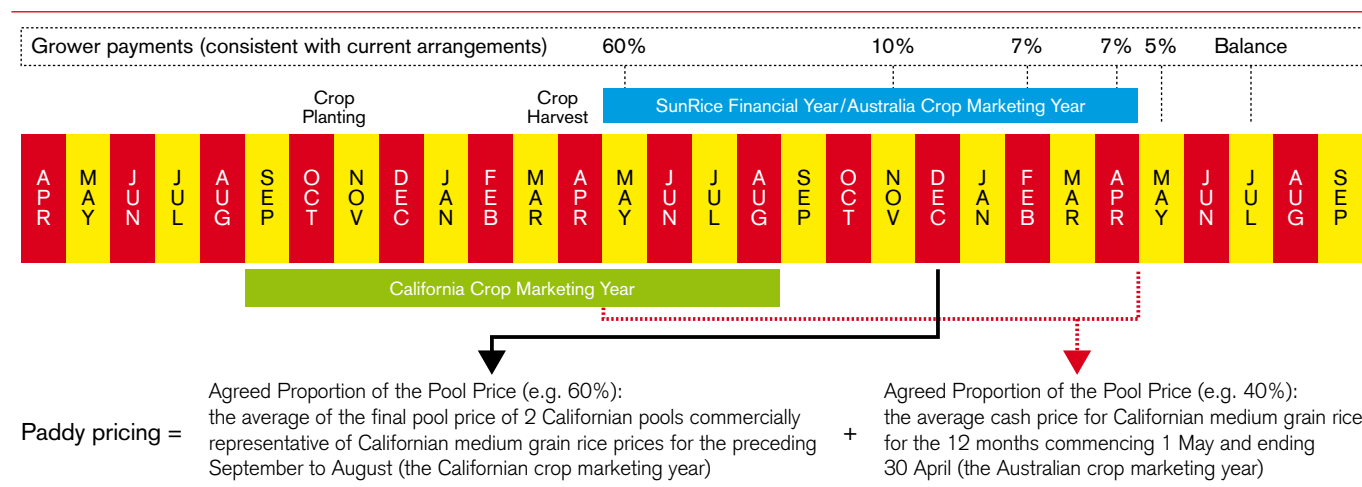
POOL	GROWER ADVISORY BOARD ROLE
Medium Grain Pool 1	<ul style="list-style-type: none"><li>Determine the two appropriate Californian pools for reference</li><li>Determine the appropriate Cash Price Reference</li><li>Determine the appropriate weighting of pool and Cash Price References</li><li>Apply those determinations, to determine the Final Price of the Medium Grain Pool 1</li></ul>
Medium Grain Pool 2	<ul style="list-style-type: none"><li>Determine the discount to Medium Grain Pool 1 and accordingly the price for the Medium Grain Pool 2</li></ul>
Medium Grain Pool 3	<ul style="list-style-type: none"><li>Consider the market price determined by Ebro (Ebro must justify the price to the Grower Advisory Board)</li><li>Consider the supporting materials provided by Ebro to justify its determined market price</li><li>Determine if Ebro has acted in good faith in setting the market price or has made any manifest error (Grower Representatives only)</li><li>Report to Ebro if it considers that Ebro has not acted in good faith or has made a manifest error (failure to remedy will result in a referral to the Grower Advisory Board Independent Expert for determination of the prevailing market price)</li></ul>
2011 Pool	<ul style="list-style-type: none"><li>Review price against forecast and budget accepted by SunRice/Ebro, usual prior practice and price guidance</li><li>Make recommendations in relation to the final pool price in accordance with the above review criteria</li></ul>

## 7.2 Grower Services, industry and regional support

Ebro has specifically undertaken to provide rice research and development through RRAPL, industry support, including to the RGA, and community support (see section 9.6). Ebro provides the same commitment directly to the RMB under the Ebro Guarantee to the RMB. Further the Grower Advisory Board will provide a forum for Grower consultation on Grower Issues, including matters affecting rice growing in New South Wales and more specific matters as set out below (see section 9.11).

	GROWER ADVISORY BOARD FORUM
Grower Interface	<ul style="list-style-type: none"> <li>Maintaining positive relationships between Growers and SunRice/ Ebro</li> <li>Providing mutually beneficial and efficient practices in the New South Wales rice industry</li> <li>Ensuring the continuity of the supply of paddy rice to SunRice/ Ebro</li> </ul>
Grower Services	<ul style="list-style-type: none"> <li>Payment options, e.g. Board orders, forward financing facility</li> <li>Procurement of crop inputs e.g. fertiliser, chemicals</li> </ul>
Industry Planning	<ul style="list-style-type: none"> <li>Harvest management, e.g. receival shed schedules</li> <li>Pure seed scheme</li> <li>Annual crop planning, e.g. specialty varieties</li> <li>Appraisal regime</li> </ul>

## 7.3 Pool pricing timeline for medium grain rice crops post 2011



### Overview of timeline

The graph above sets out the timeline of the pricing mechanism for the medium grain pools which determine the medium grain rice price under the Paddy Purchase and Pricing Rules following the 2011 Rice Crop. A detailed explanation of the elements of the medium grain rice price under these rules is set out in **section 9.11**.

The instalments of Grower payments are shown at the top of the graph. These are consistent with payment instalments currently received by Growers from SunRice.

The **red and yellow bar** in the middle of the graph shows the months of the year.

Growers plant a crop in October-November and harvest in March to April of the following year. SunRice then processes and markets this crop from approximately May to the following April (**see the blue bar** which is the SunRice crop marketing year and its financial year).

In California, the marketing year for a rice crop is approximately September immediately following harvest to approximately August of the next year (see the **green bar**) with the major Californian pools declaring their pool returns between October and December immediately following the end of that marketing year. This marketing year overlaps approximately four to six months of the Australian marketing year.

For further background information in relation to Californian rice prices, please see section 6.4.

## Section 7: Grower Advisory Board

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### Medium Grain Pool 1: Pool price element

The Pool Price for Medium Grain Pool 1 has two price elements. The first element is the average of the Final Price of the two Californian Pools selected by the Grower Advisory Board. This Final Price relates to the Californian crop, the marketing year for which includes approximately four to six months overlap with the Australian marketing year. The Final Price is determined between October and December during the Australian crop marketing year. This is shown by the **black arrow pointing down from the red and yellow bar**.

By way of example, for the 2012 Australian rice crop harvested between February and June 2012, the Californian Pools to provide a proportion of the Pool Price for Medium Grain Pool 1 will be selected by the Grower Advisory Board in February/March 2012 and the Final Price of those Pools will be determined between October and the end of December 2012. The Grower Advisory Board will be able to calculate at its November/December 2012 meeting the amount of the Pool Price which is based on the chosen Californian Pools (see in particular, the table in section 9.7).

### Medium Grain Pool 1: Cash price element

The balance of the Pool Price of Medium Grain Pool 1 will be based on the average cash price paid for the Californian crop sold for cash during the Australian crop marketing year applying the Cash Price Reference determined by the Grower Advisory Board. This is shown by the **red dotted arrow pointing down from the red and yellow bar**.

By way of example, using the 2012 Australian rice crop, the Grower Advisory Board will select the Cash Price Reference in February/March 2012. At the May/June 2013 meeting of the Grower Advisory Board the average of the cash price for Californian medium grain rice applying the Cash Price Reference during the marketing year for the 2012 crop from 1 May 2012 to 30 April 2013 will be determined. At this meeting therefore the Grower Advisory Board will calculate the amount of the cash element of the Pool Price for the 2012 Medium Grain Pool 1 and that Pool Price will be complete. The 2012 Medium Grain Pool 2 Pool Price will also be able to be determined (see in particular, the table in section 9.7).

### Pool proportion and cash price proportion

The proportions of the Medium Grain Pool 1 Pool Price represented by each of the Californian pool and cash prices will depend on the proportions determined annually by the Grower Advisory Board having regard to the proportion of the Californian crop pooled and sold for cash during the immediately preceding Californian crop marketing year and taking account of medium grain rice market trends. The proportions will be initially 60% and 40% respectively but the Grower Advisory Board will review and determine this proportion each year.

### Medium Grain Pool 2

The Pool Price for Medium Grain Pool 2 is the price of Medium Grain Pool 1 less a discount of between US\$50 and US\$90 per tonne determined by the Grower Advisory Board on the basis of the price Medium Grain Pool 2 rice is able to be sold relative to Medium Grain Pool 1.

### Medium Grain Pool 3

The Pool Price for Medium Grain Pool 3 (the balance of a medium grain Rice Crop delivered to SunRice/Ebro) will be the prevailing market price determined by SunRice/Ebro (acting in good faith) as reflecting the market prices in locations where the Medium Grain Pool 3 is sold. The Grower Advisory Board has a review role in relation to the SunRice/Ebro determination. In SunRice's experience, when the medium grain crop exceeds 800,000 tonnes, the price obtained for the balance of the crop over 800,000 tonnes is considerably lower than the price obtained for the first 800,000 tonnes.

### Participation in all Pools

Each Grower will participate in each of Medium Grain Pool 1, Medium Grain Pool 2 and Medium Grain Pool 3 pro rata, such that each Grower is paid the same price per tonne for the whole of the Medium Grain Rice Crop sold by it to SunRice/Ebro (subject to appraisal premiums and discounts).

For example, in a year where the medium grain rice crop delivered to SunRice/Ebro is 1,000,000 tonnes, a Grower delivering 500 tonnes will receive the Medium Grain Pool 1 price for 200 tonnes (40%), the Medium Grain Pool 2 price for 200 tonnes (40%) and the Medium Grain Pool 3 price for 100 tonnes (20%).

## Section 8:

Details of the Meetings and voting

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## Section 8: Details of the Meetings and voting

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### 8.1 Your vote is important

To be implemented, the Proposal must be approved by Shareholders by reference to both the Scheme (involving the transfer of Shares to Ebro) and the process connected with the Scheme (changes to the SunRice Constitution to enable the transfer of Shares to Ebro and Ebro's subscription for the Implementation Shares in order to fund the SunRice Dividend). There will therefore be a number of separate meetings and different resolutions but no resolution may take effect alone.

Whether you hold A Shares or B Shares or both, you will be entitled to vote in relation to the Proposal. Please note too that all Shareholders are invited to attend each of the Meetings regardless of whether they are entitled to vote at that meeting.

For the purposes of voting on the Scheme, Shareholders will be divided into two classes: one class constituted by the holders of A Shares and the other class constituted by the holders of B Shares. This is because the legal rights attached to A Shares are quite different from the legal rights attached to B Shares.

If you hold both A Shares and B Shares you will be entitled to vote at each Scheme Meeting.

The Supporting Resolutions to be put to the Extraordinary General Meeting are resolutions of SunRice in a general meeting and therefore subject to consideration only by the holders of voting shares in SunRice: that is, the holders of the A Shares.

The resolutions put to each Meeting must all be passed by the requisite majorities or the Proposal will fail. If you are in favour of the Proposal you should exercise your vote in favour of each resolution at each Meeting at which you are entitled to vote.

If the Proposal is approved, even if you do not vote, or you vote against the Proposal, you will nonetheless be bound by the Scheme and your Shares will be transferred to Ebro.

### 8.2 The Meetings

There will be three separate meetings of Shareholders. The A Scheme Meeting will be held first followed by the B Scheme Meeting, with the Extraordinary General Meeting being held last. The Meetings will be held on **Tuesday, 31 May 2011 at the Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie, New South Wales** as follows:

- a. **A Scheme Meeting: 10.00am and to be held in accordance with the Notice of A Scheme Meeting at Annexure A;**
- b. **B Scheme Meeting: immediately following the conclusion of the A Scheme Meeting or 11.00am, whichever is later and to be held in accordance with the Notice of B Scheme Meeting at Annexure B; and**
- c. **Extraordinary General Meeting of the holders of A Shares (all Shareholders may attend, but only holders of A Shares can vote): immediately following the conclusion of the B Scheme Meeting or 11.30am, whichever is later and to be held in accordance with the Notice of Extraordinary General Meeting at Annexure C.**

All Shareholders are invited to attend each Meeting, regardless of whether they are entitled to vote at that Meeting.

As all resolutions at all Meetings must be passed by the requisite majorities in order for the Proposal to be implemented, the Board intends to announce the results after the conclusion of all Meetings.

### 8.3 Scheme Meetings

Separate meetings of the holders of A Shares and B Shares will each consider the Scheme. The Proposal cannot proceed unless:

- a. at the A Scheme Meeting:
  - (i) more than 50% of the holders of A Shares present and voting vote in favour of the Scheme; and
  - (ii) more than 75% of the votes cast are in favour of the Scheme; and
- b. at the B Scheme Meeting:
  - (i) more than 50% of the holders of B Shares present and voting vote in favour of the Scheme; and
  - (ii) more than 75% of the votes cast are in favour of the Scheme.

### 8.4 Extraordinary General Meeting

In order for the Proposal to proceed it is also necessary for the holders of A Shares to exercise their rights as voting members of SunRice and approve by special resolution:

- a. the Resolution for Constitutional Change; and
- b. the Implementation Shares Resolution,  
(the **Supporting Resolutions**).

### 8.5 Who is entitled to vote at the Scheme Meetings?

If you are registered as a holder of an A Share at 7.00pm on Sunday, 29 May 2011 you will be entitled to vote at the A Scheme Meeting.

If you are registered as a holder of a B Share at 7.00pm on Sunday, 29 May 2011 you will be entitled to vote at the B Scheme Meeting.

### 8.6 Who is entitled to vote at the Extraordinary General Meeting?

If you are registered as a holder of an A Share at 7.00pm on Sunday, 29 May 2011 you will be entitled to vote at the Extraordinary General Meeting.

### 8.7 Joint holders

In the case of Shares held by joint holders, each joint holder is entitled to vote. However, if more than one joint holder votes in respect of a jointly held Share, only the vote of the Shareholder whose name appears first in the Share Register will be counted.

## Section 8: Details of the Meetings and voting

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### 8.8 Voting procedure

#### Generally

Voting is not compulsory but you are encouraged to vote. You may vote by attending any Meeting in person, by proxy, by attorney or in the case of a Shareholder who is a corporation, by corporate representative.

Voting at the Meetings will be by way of poll, not a show of hands.

On a poll, each holder of an A Share present in person or by proxy has one vote. However, if the holder of an A Share is the proxy or attorney of one or more other holders of A Shares, the person is entitled to cast his or her own vote and one vote for each of the holders of A Shares he or she so represents.

On a poll, each holder of B Shares shall have one vote for each B Share held.

#### Voting in person

To vote in person at any Meeting you must attend at the location of the Meeting (Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie, New South Wales) by the requisite time. A Shareholder who wishes to attend and vote in person will be admitted to the Meeting and given a voting card upon disclosing their name and address.

#### Voting if you are not attending the Meetings in person

To appoint a proxy to vote on your behalf in respect of a resolution at a Meeting you must complete the enclosed personalised proxy form in accordance with the instructions on the form and return it by using the enclosed reply paid envelope, by facsimile, by hand delivery to the Share Registry or online. A proxy need not be a Shareholder. If your proxy is signed by an attorney, please also enclose the authority under which the proxy is signed or a certified copy of the authority.

Proxy forms and powers of attorney must be received by the Share Registry (whether in person, by mail, facsimile, by hand delivery or online) by no later than 10.00am (Local Time) on Sunday, 29 May 2011 (or if a Meeting is adjourned at least 48 hours before the resumption of the relevant Meeting). Proxy forms and powers of attorney received after this time will not be effective. Proxy forms sent by post must be received by the Share Registry by close of business on Friday, 27 May 2011.

Lodging a proxy does not prevent your personal attendance and voting at the Meetings. However, if the appointer of a proxy votes in person at a Meeting, that person's proxy or attorney is not entitled to vote and must not vote as proxy or attorney of that person. Further information in relation to voting by proxy or by attorney is contained in each notice of meeting.

#### Undirected proxies

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit. If you appoint the Chairman as your proxy and do not instruct the Chairman on how to vote, he intends to vote in favour of the Proposal by casting a "yes" vote in relation to each resolution for which he is your proxy.

## Section 9:

### Summary of the Proposal

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## Section 9: Summary of the Proposal

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### 9.1 Background

On 21 October 2010, SunRice announced to the market that an unsolicited offer to acquire all the A Shares and B Shares in SunRice had been received from Ebro. The announcement stated that subsequent to the unsolicited offer, SunRice and Ebro had on 21 October 2010, entered into an Agreement for Exclusivity to Negotiate a Scheme Implementation Agreement (**Exclusivity Agreement**). The Exclusivity Agreement provided for Ebro to conduct due diligence on SunRice and for both parties to negotiate an agreement which would enable Shareholders to consider Ebro's offer. Ebro made clear to SunRice that it would only proceed with the Proposal if a number of conditions were met; including that a formal "scheme implementation agreement" was entered into and the Proposal was unanimously recommended to Shareholders by the Directors of SunRice.

On 25 November 2010, Ebro and SunRice entered into the Scheme Implementation Agreement. Each of your Directors has considered the Proposal and has formed the view that the Proposal is in the best interests of Shareholders and each of them recommends that Shareholders vote in favour of the Proposal. The Scheme Implementation Agreement sets out a process governed by the Corporations Act and under which, if approved as required by the law, including by Shareholders, Ebro will:

- a. fund the payment by SunRice of the SunRice Dividend to the holders of B Shares by subscribing for certain C Shares (referred to as Implementation Shares) (refer to the table in section 9.2);
- b. pay the Scheme Consideration to Shareholders (refer to the table in section 9.2);
- c. acquire all the A Shares and B Shares so that SunRice becomes wholly owned by Ebro and hold all the A Shares, B Shares and C Shares; and
- d. be bound by undertakings with SunRice to Growers and the RGA in the Ebro Group Undertaking, in essence to provide for continuity of the relationship between SunRice and the New South Wales rice industry particularly in relation to:
  - (i) paddy purchase and pricing (subject to termination or modification as described in section 9.8);
  - (ii) rice research and development support;
  - (iii) support for the RGA and the rice industry;
  - (iv) Riverina community support;
  - (v) Grower consultation (including through the Grower Advisory Board); and
  - (vi) the provision of Grower Services by SunRice.

The Proposal cannot be implemented without the approval of holders of A Shares and B Shares and the Court. More details of the resolutions to be considered by Shareholders in respect of the Scheme and the process supporting the Scheme are set out in section 8.

This Scheme Booklet contains important information that the Directors believe Shareholders should consider in deciding whether or not to vote in favour of the Proposal. This section is only a summary of the Proposal. Elements of the Proposal are dealt with more fully in other sections of this Scheme Booklet.

## 9.2 What cash you will receive

If the Proposal is implemented, holders of A Shares and B Shares will receive cash in relation to their Shares as follows.

- a. in respect of each A Share: \$50,000; and
- b. in respect of each B Share: \$5.025.

The cash relating to B Shares is expected to be made up in part by the SunRice Dividend of \$1.407. If paid, the SunRice Dividend is expected to be fully franked and Australian resident holders of B Shares should receive a franking credit of \$0.603 per B Share. SunRice has applied for a Class Ruling from the ATO in relation to the availability of the franking credits in connection with the SunRice Dividend and has received a favourable draft ruling. The ATO is currently in the process of issuing the final Class Ruling (see section 14).

To enable SunRice to pay the SunRice Dividend, Ebro has agreed to subscribe \$76,965,697 for the issue to Ebro of certain C Shares (**Implementation Shares**). However, if SunRice revokes the dividend, Ebro will pay \$5.025 in cash consideration for each B Share and no franking benefit will apply. If Ebro does not subscribe for the Implementation Shares, SunRice may also terminate the Proposal and it will not be implemented.

If the Scheme is not implemented after the issue of Implementation Shares to fund the SunRice Dividend, Shareholders will continue to hold A Shares and B Shares and Ebro will hold C Shares in SunRice. Ebro may be entitled to preferred dividends unless Ebro's default has caused implementation not to occur. For further information in relation to the C Shares, see sections 9.18 and 15.2.

The Implementation Shares will only be issued after the Scheme has become Effective. The Scheme will only become Effective after a process involving a number of steps including regulatory approval, Shareholder approval and Court approval, each providing opportunities for objections to the Proposal to be aired and dealt with on a final basis before the Effective Date, including by the Court.

If the Proposal is implemented, the cashflows in connection with implementation are expected to be as follows:

EVENT	EXPECTED DATE	PAYMENT
Ebro to bring into Australia in cleared funds the Implementation Subscription Payment and the amount of the Scheme Consideration	Day of the Dividend Record Date: expected to be Thursday, 9 June 2011	Pay \$76,965,697 to SunRice to subscribe for the Implementation Shares  Deposit Scheme Consideration in the trust account of Ebro's lawyers to be paid to SunRice on the Implementation Date to pay Scheme Shareholders
Pay SunRice Dividend	Dividend Payment Date: expected to be Friday, 10 June 2011	SunRice to pay \$1.407 on each B Share
Implementation of Scheme by transfer of A Shares and B Shares to Ebro	Implementation Date: expected to be Friday, 17 June 2011	Ebro to pay to SunRice for payment to holders of A Shares and B Shares: a. \$3.618 in relation to each B Share b. \$50,000 in relation to each A Share
Payment to Scheme Shareholders	Within five Business Days after the estimated Implementation Date of Friday, 17 June 2011	Ebro to procure that SunRice pays to holders of A Shares and B Shares: a. \$3.618 in relation to each B Share b. \$50,000 in relation to each A Share

## Section 9: Summary of the Proposal

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### 9.3 Implications of selling your Shares

There is a range of factors relevant to your consideration as to whether or not to sell your Shares, including your personal investment and tax position. In relation only to the rights attaching to your Shares, the following matters are important in the considerations of all Shareholders.

In 2005, members of the Co-operative took the step of converting the Co-operative they owned into the company it is today. Matters which the Board of the Co-operative raised for consideration of Co-operative members included the need for a more secure capital base as a foundation for growth.

SunRice, however, retained some of the features of its co-operative roots through its objectives, governance and shareholding structures. Under the Constitution, corporate decision making (both the Board and general meeting) is effectively vested in the Active Growers including Supplier Members from whom SunRice buys rice.

SunRice, as restructured in 2005, has two classes of shares. The interests of the holders of these classes of shares are not completely aligned. The holders of A Shares control SunRice on the basis of one holder one vote. The B Shares carry the right to a dividend but no vote, except in limited circumstances affecting their rights. Any Board consideration of a dividend on B Shares must be related to Board consideration of an appropriate return to the Supplier Members for paddy rice supplied to SunRice. The nature of SunRice, its two class share structure and limited shareholder base create a number of benefits and risks for SunRice and for holders of the different classes of shares.

If the Proposal is implemented, Shareholders will cease to have any legal interest in SunRice and SunRice will no longer be controlled by Active Growers but will instead be owned and controlled by Ebro. Holders of A Shares and B Shares will receive cash for their Shares which the Independent Expert has concluded is fair and reasonable and in the best interests of Shareholders in the absence of a Superior Proposal. SunRice will be part of the Ebro Group which has a significant capital base and currently low debt.

The relationship between Supplier Members and SunRice after implementation of the Proposal will necessarily be different from the current relationship between Supplier Members and SunRice.

The Ebro Group Undertaking cannot replicate the current relationship between SunRice and Supplier Members. However, the Ebro Group Undertaking provides a framework for transitioning from the SunRice Active Grower control structure and building a new commercial relationship between Growers and a SunRice controlled by Ebro.

It is important for Shareholders to consider sections 4, 5 and 10 in relation to the background and current structure of SunRice, its debt position and considerations relating to its ability to raise capital and continue to grow. In addition, Shareholders should consider section 11 contributed to this Scheme Booklet by Ebro and describing Ebro, the way it does business and what it envisages for SunRice.

### 9.4 The Proposal and the regulatory regime

#### Sole and Exclusive Export Agreement

The RMB has consented to the continuation of the Sole and Exclusive Export Agreement following implementation of the Proposal and extended its term to 30 June 2016 on the basis that:

- a. Ebro has given the Ebro Guarantee to the RMB. Under this document, Ebro:
  - (i) guarantees to the RMB the performance of the obligations of SunRice and AGS under the Sole and Exclusive Export Agreement; and
  - (ii) gives some of the same commitments to the RMB as have been given to Growers and the RGA in the Ebro Group Undertaking including in relation to the conduct of the Grower Advisory Board;
- b. RMB has removed the requirement in the Sole and Exclusive Export Agreement for SunRice to appoint and continue the appointments as directors of SunRice of the RMB Elected Members, and in place is entitled to an Elected RMB Member on the Grower Advisory Board during the term of the Sole and Exclusive Export Agreement;

- c. SunRice/Ebro and RMB will agree to develop customised business performance metrics to allow for continuous monitoring and review of the performance of SunRice/Ebro under the Sole and Exclusive Export Agreement;
- d. both Ebro and SunRice will continuously provide financial and other information to the RMB throughout the term of the Sole and Exclusive Export Agreement;
- e. a failure of SunRice or AGS to pay to RMB amounts outstanding for the purchase of the Storage Sheds will entitle RMB to terminate the Sole and Exclusive Export Agreement or terminate the sole export right of SunRice while continuing its obligations as buyer of last resort;
- f. the instalments of the balance of payments by AGS for the Storage Sheds (total of approximately \$31 million) are escalated with a maximum amount of approximately \$19.7 million due by 31 July 2011 (instead of by 31 July 2012) and the balance in instalments of different amounts with the last a maximum of approximately \$4.5 million payable on 31 July 2015 (instead of 31 July 2016); and
- g. the term may be continued for a further period if permitted by the RMB in writing.

Consistent with its right to impose fees for continuing SunRice's role as the single export desk after June 2011, SunRice must pay a fee to the RMB of \$1.1 million (including GST) within one month of the Implementation Date.

A detailed consideration of the regulation of the rice industry is set out in section 10.6. Sections 1.2 and 1.8 also provide further information.

### **Possible restructure of the rice industry**

The Rice Marketing Act Review (made public in January 2011) has found that the policy objectives of the Rice Marketing Act remain valid and the provisions of that act (which include vesting and the sole export right) remain efficient for the purpose of achieving these objectives. The consent of the RMB to the continuation of the Sole and Exclusive Export Agreement includes provisions for it to be able to adopt the recommendations made by the Rice Marketing Act Review.

The findings and recommendations of the Rice Marketing Act Review are positive in relation to the continuation of vesting in the immediate future. However, the Rice Marketing Act Review has recommended continuing monitoring of the efficiency of the sole export right and changes to the structure of the rice industry in New South Wales may occur in the future. Such changes may reduce or eliminate the protections enjoyed by SunRice/Ebro through vesting from the application of the restrictive trade practices prohibitions of the Competition and Consumer Act and comparable provisions of the New South Wales legislation and/or the nature and extent of competition between Growers.

Under the Ebro Group Undertaking, if and to the extent a provision of the Ebro Group Undertaking is illegal the operation of that provision will be suspended pending authorisation, approval or a no action notification by an appropriate regulatory or statutory body (such as the ACCC) so as to enable implementation of any such provision in accordance with its terms. If SunRice/Ebro has notice of circumstances which could or do cause such illegality or prohibition SunRice/Ebro undertakes to apply for and use reasonable endeavours to obtain relevant authorisations to enable implementation of any such illegal or prohibited provision in accordance with its terms. There is no guarantee that such authorisations would be granted.

A detailed consideration of the regulation of the rice industry is set out in section 10.6.

### **9.5 The Proposal and RMB Equity**

The Proposal has no impact on the terms of RMB Equity or on the obligation of SunRice to pay for the Storage Sheds. RMB Equity will therefore be repayable as it matures in accordance with its terms.

## Section 9: Summary of the Proposal

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### 9.6 Formal structure of the Proposal

#### Overview

The Scheme Implementation Agreement sets out the agreements between Ebro and SunRice in relation to steps necessary to implement the Proposal. In general terms these steps before implementation include:

- a. satisfaction of the Scheme Conditions including obtaining necessary regulatory consents;
- b. execution by SunRice and Ebro of the Ebro Group Undertaking to take effect if and when Ebro acquires SunRice under the Proposal;
- c. execution of the Deed Poll by Ebro by which it undertakes to comply with the Scheme of Arrangement and provide the funds necessary to pay the SunRice Dividend and the consideration to holders of A Shares and B Shares for their Shares;
- d. obtaining an order from the Court to convene the Scheme Meetings by despatch of the Scheme Booklet to Shareholders;
- e. convening the Meetings to consider the Proposal; and
- f. if the Proposal is approved by Shareholders, obtaining Court approval and lodging the Court order to make the Scheme Effective.

The Scheme is the formal legal procedure under which Ebro will acquire all the A Shares and B Shares. In this case, because of the nature of the SunRice Constitution and share structure, holders of A Shares must also approve the Supporting Resolutions to enable the Ebro acquisition to proceed under the Scheme. If you support the Scheme you should vote in favour of all resolutions at each Meeting.

Following the above steps, if the Proposal is approved, it will be implemented in accordance with the Scheme of Arrangement and the steps set out under the heading “Scheme of Arrangement” immediately below.

#### Scheme of Arrangement

The Scheme of Arrangement is included in this Scheme Booklet at Annexure D. It sets out the following steps for Ebro to acquire all the A Shares and B Shares following Shareholder and Court approval:

- a. Ebro to subscribe \$76,965,697 for 76,965,697 C Shares (**Implementation Shares**) to fund the SunRice Dividend;
- b. Ebro to pay the Scheme Consideration to SunRice to distribute to all Scheme Shareholders; and
- c. SunRice and Ebro to complete the transfer of the Scheme Shares to Ebro.

Shareholders will consider and vote on the Scheme in two classes: the holders of A Shares and the holders of B Shares. Unless both the holders of A Shares and the holders of B Shares voting in their separate classes approve the Scheme by the requisite majorities, the Proposal will fail.

The Scheme cannot be implemented unless the holders of A Shares also approve the Supporting Resolutions. The Supporting Resolutions are described below and in more detail in section 15.2.

## The Supporting Resolutions

The following matters will be the subject of the Supporting Resolutions and are necessary to implement the Scheme:

- a. amendment of the Constitution by special resolution of the holders of A Shares to provide for the following:
  - (i) the transfer of A Shares and B Shares to Ebro; and
  - (ii) the inclusion of the C Shares as a new class of share in SunRice; and
- b. approval by the holders of A Shares of the issue of the Implementation Shares to Ebro to fund the SunRice Dividend.

The effect of the Supporting Resolutions is more fully described in section 15.2.

Unless the Supporting Resolutions are approved by the holders of A Shares, the Proposal will fail. The above matters will only take effect if the Proposal is approved.

## Nature of the Ebro Group Undertaking

The Ebro Group Undertaking is a formal legal document under which Ebro and SunRice (individually and together) give undertakings to take effect on implementation of the Proposal. The undertakings to Growers and the RGA relate to the matters referred to in section 9.1 above, in particular, the purchase and pricing of paddy and Grower consultation, including through the role of the Grower Advisory Board and the provision of Grower Services. Undertakings have also been given to implement a mechanism (**Review Mechanism**) for a retired Judge to hear applications for compensation from persons who believe they have a legal claim against SunRice in connection with the redemption of their A Share in February 2010 (see sections 9.7 and 9.19).

The Ebro Group Undertaking was executed by SunRice and Ebro on 14 April 2011. It is included in full at Annexure F of this Scheme Booklet and, as noted above, only comes into effect if the Proposal is approved and is implemented by the transfer of A Shares and B Shares to Ebro under the Scheme so that SunRice becomes a wholly owned Subsidiary of Ebro (**Commencement Date**).

Ebro and SunRice have given the Ebro Group Undertaking in favour of Growers and the RGA with undertakings in relation to the Review Mechanism benefiting certain persons who claim they have a right to compensation in connection with the redemption of their A Share in February 2010. Persons who benefit are therefore not necessarily Shareholders and will include all future Growers (whether or not they are or have ever been Shareholders or Growers). An individual Grower may enforce relevant provisions of the Ebro Group Undertaking against SunRice and Ebro. In addition, the RGA may enforce those relevant provisions of the Ebro Group Undertaking on behalf of Growers or on its own behalf. The Ebro Group Undertaking is expressed to have continuing operation even though some of its elements may be varied or terminated over time. More information about the mechanics of the Grower Advisory Board to be established under the Ebro Group Undertaking is included in section 15.11.

Matters addressed in the Ebro Group Undertaking are described in sections 9.7 to 9.12 and section 9.19 below. The Ebro Group Undertaking is framed to bind Ebro and SunRice jointly and severally and requires that they must procure that entities in the Ebro Group and other entities which succeed SunRice buying rice in New South Wales or which acquire the SunRice business, comply with the undertakings in the Ebro Group Undertaking. References below to "**SunRice / Ebro**" include SunRice and Ebro jointly and severally and other relevant entities which SunRice and Ebro must cause to comply with the Ebro Group Undertaking.

Some of the undertakings in the Ebro Group Undertaking have also been included in the Ebro Guarantee to the RMB in favour of the RMB. These undertakings include the conduct of the Grower Advisory Board and the funding of rice research through RRAPL.

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### 9.7 Elements of the Ebro Group Undertaking

#### Paddy Purchase and Pricing Rules

SunRice/Ebro undertakes to purchase paddy rice from Growers in accordance with rules more particularly described in sections 9.8 to 9.11. These rules may be terminated or varied as more particularly described in section 9.8 below.

The proposed Grower Advisory Board to be constituted under the Ebro Group Undertaking will play a role in the operation of the Paddy Purchase and Pricing Rules. For the purposes of the operation of the Paddy Purchase and Pricing Rules, the Grower Advisory Board is mandated to determine the elements of the means to calculate the Pool Price for Medium Grain Pool 1 and Medium Grain Pool 2 under the Grower Advisory Board Rules. It also has a review function under the Paddy Purchase and Pricing Rules in relation to the market price affecting Medium Grain Pool 3 which would be the last portion of a medium grain crop in excess of 800,000 tonnes. If a majority of the six Grower Advisory Board Members do not agree on any of these pricing matters, that matter is referred to the Grower Advisory Board Independent Expert for a final and binding determination as an expert applying the parameters for the determinations of the Grower Advisory Board set out in the Grower Advisory Board Rules.

The operation of the Paddy Purchase and Pricing Rules, as well as the role of the Grower Advisory Board in applying them, is supplemented by the terms of the Sole and Exclusive Export Agreement and the Authorised Buyer's Licence. SunRice/Ebro must continue to comply with the terms of the Sole and Exclusive Export Agreement and the Authorised Buyer's Licence in addition to its obligations under the Ebro Group Undertaking. The operation of the Paddy Purchase and Pricing Rules, as well as the role of the Grower Advisory Board in applying them, is also subject to the terms of the Rice Marketing Act.

#### Grower Advisory Board

The Grower Advisory Board will be established to operate on and from the Commencement Date. The Grower Advisory Board will continue its consultative functions even if the Paddy Purchase and Pricing Rules are varied or terminated. It will be constituted by six members, three of whom will be Grower Representatives (including the Chairman) and three of whom will be SunRice/Ebro representatives. During the term of the Sole and Exclusive Export Agreement at least one Elected RMB Member who consents to act as a member of the Grower Advisory Board will be appointed as a Grower Representative.

The Grower Advisory Board Rules are set out in Schedule 2 of the Ebro Group Undertaking included in Annexure F of this Scheme Booklet. In broad terms, the functions of the Grower Advisory Board are to:

- a. consider information necessary for and make determinations in relation to, the Paddy Purchase and Pricing Rules in accordance with the parameters for those determinations set out in section 5 of the Grower Advisory Board Rules;
- b. constitute an avenue for consultation between Growers and SunRice/Ebro in relation to Grower Issues; and
- c. provide recommendations to SunRice/Ebro in relation to Grower Issues.

The functions in paragraphs (b) and (c) above are ongoing, regardless of whether the Paddy Purchase and Pricing Rules continue and are explored in more detail under "*Grower relations*" below in this section 9.7 and in section 9.12. The Grower Advisory Board will meet at least four times a year. Rule 5 of the Rules of the Grower Advisory Board sets out the general business of each of the prescribed meetings and particularises the parameters which apply to Paddy Purchase and Pricing Rule determinations. The following table outlines the matters to be considered by the Grower Advisory Board during particular meetings over the calendar year **assuming the year is 2013**. The same matters are dealt with each year by reference to the current and prior year's crop.

MEETING SCHEDULE	KEY DECISIONS AND ANNOUNCEMENTS
February/March (2013)	<p><b>For crops harvested in the prior year (2012):</b></p> <ul style="list-style-type: none"> <li>Review the price update for medium grain pools, including pool returns declared in California and year to date average cash price</li> </ul> <p><b>For crops to be harvested in the current year (2013):</b></p> <ul style="list-style-type: none"> <li>Determine elements of Pool Price for Medium Grain Pool 1 (Californian Pools and Cash Price Reference) <ul style="list-style-type: none"> <li>Select the two Californian pools</li> <li>Select Cash Price Reference</li> <li>Determine weighting of pool and cash price</li> </ul> </li> <li>Provide indicative pricing for 2013 Medium Grain Pool 1 and 2013 Medium Grain Pool 2</li> </ul>
May/June (2013)	<p><b>For crops harvested in the prior year (2012):</b></p> <ul style="list-style-type: none"> <li>Finalise the price for the 2012 Medium Grain Pool 1</li> <li>Review the discount for and final price of the 2012 Medium Grain Pool 2</li> <li>Consider the prevailing market price determined by Ebro for the 2012 Medium Grain Pool 3</li> </ul> <p><b>For crops harvested in the current year (2013):</b></p> <ul style="list-style-type: none"> <li>Update the price outlook for medium grain pools</li> <li>Assess harvest volume and pro-rating of the crop between the medium grain pools</li> </ul>
August (2013)	<p><b>For crops harvested in the current year (2013):</b></p> <ul style="list-style-type: none"> <li>Update the price outlook for medium grain pools</li> </ul> <p><b>For crops to be planted in the current year (2013) and harvested in the next year (2014):</b></p> <ul style="list-style-type: none"> <li>Receive a report relating to price outlook, crop planning, varietal splits, rice seed, water availability and other Grower issues</li> </ul>
November/December (2013)	<p><b>For crops harvested in the current year (2013):</b></p> <ul style="list-style-type: none"> <li>Update the price outlook for medium grain pools and calculate the portion of the 2013 Medium Pool 1 Pool Price based on the Final Price of the Californian Pools selected in February/March 2013 to apply to the 2013 crop</li> </ul>

As can be seen from the table above, the Pool Price for each of the Medium Grain Pool 1, Medium Grain Pool 2 and Medium Grain Pool 3 for the harvest of a particular calendar year will be determined at the May/June Grower Advisory Board meeting of the following year.

Further information about the Grower Advisory Board Rules is set out in sections 9.12 and 15.11.

### Industry support

SunRice/Ebro undertake to support rice research and development through RRAPL at a minimum level equal to the average annual amount contributed by the SunRice Group over the last three years, indexed annually. Ebro will also separately give this undertaking to the RMB in the Ebro Guarantee to the RMB.

They further undertake to share their seeding and agronomical experience with the New South Wales rice industry through the RGA or other industry body with the power and obligation to share such experience with Growers.

## Section 9: Summary of the Proposal

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### Community relations

SunRice/Ebro undertake to continue the support of the SunRice Group of the Riverina region of New South Wales, the New South Wales rice farming industry and the local community including support for the RGA, consistent with past practices of SunRice.

### Grower relations

SunRice/Ebro undertakes to continue to provide the “Grower Interface” through the Grower Advisory Board to be implemented under clause 8.2 of the Ebro Group Undertaking and rule 9 of the Grower Advisory Board Rules. In particular, they acknowledge the objectives of Grower Interface to maintain positive relationships with Growers, to provide mutually beneficial and efficient rice industry practices and to ensure the continuity of the supply of paddy rice to SunRice. This is further described in section 9.12 below.

### Review of holdings of A Shares

After a review of Active Growers and written notices to the affected persons, the Board redeemed a number of A Shares as contemplated by the Constitution in February 2010. SunRice has received some complaints in relation to the redemption of A Shares. Following a further extensive review, SunRice has implemented a process and assessed all complaints. No further A Shares will be issued before the Meetings.

Ebro is aware, however, that some former holders of A Shares have continued to press their complaints. Accordingly, a mechanism has been included in the Ebro Group Undertaking (**Review Mechanism**) under which, after implementation of the Proposal, a retired Judge will hear applications from eligible persons claiming financial compensation because they believe they have a legal claim against SunRice in connection with the redemption in 2010 of an A Share held by them (see sections 9.19 and 13.11).

## 9.8 Paddy Purchase and Pricing Rules: applicable variables

### Rice crops

Different Paddy Purchase and Pricing Rules apply to the following rice crops:

- a. the rice crop harvested in 2010 (**Rice Crop 2010**);
- b. the rice crop harvested in 2011 (**Rice Crop 2011**); and
- c. the rice crops harvested thereafter (each a **Rice Crop Post 2011**).

The Paddy Purchase and Pricing Rules in relation to the Rice Crop 2010 and the Rice Crop 2011 reflect current practices of SunRice. The Paddy Purchase and Pricing Rules for each Medium Grain Rice Crop Post 2011 are structured by reference to up to three pools, depending upon the size of the medium grain rice crop delivered to SunRice/Ebro.

Each Pool will be priced differently. The first 400,000 tonnes will be priced by reference to Californian medium grain rice prices. The Pool Price for the second 400,000 tonnes will be a discount to the Pool Price for the first 400,000 tonnes. The balance of the medium grain rice crop acquired by SunRice/Ebro over 800,000 tonnes will be priced by reference to the prevailing market price determined by Ebro (acting in good faith) as reflecting the market prices in locations where such rice is sold (see section 9.11).

Grower deliveries will be pro-rated across the Pools for the crops and the price to the Grower calculated accordingly (see section 9.11).

## Regulatory change

It is a condition of the Proposal that there is no Change of Law such that SunRice loses the right to export rice (not the Sole and Exclusive Export Agreement but the right to export per se) and cannot regain such right before the Second Court Date. If the condition cannot be fulfilled and Ebro does not waive it, both SunRice and Ebro are entitled to terminate the Scheme Implementation Agreement and the Proposal would not proceed.

Regulatory changes after the Commencement Date may affect the operation of the Paddy Pricing and Purchase Rules.

There is a risk of future regulatory change, whether by changes to Federal or State laws or otherwise, or changes to the structure of the industry in which SunRice operates. The Ebro Group Undertaking will not apply to the extent that future changes mean that the obligations in it are illegal or otherwise prohibited. For example, recent changes to the Competition and Consumer Act may impact on the operation of the terms of the Paddy Purchase and Pricing Rules if there are major structural changes to the Rice Marketing Act and the terms of, or existence of, vesting and/or the Sole and Exclusive Export Agreement. In such circumstances, the Ebro Group Undertaking requires SunRice/Ebro to seek consent from any relevant Government or statutory authority (such as the ACCC) for the rules to continue in the agreed form (refer also to section 10.6). The Rice Marketing Act Review has not recommended cessation of vesting but rather continued monitoring of the efficiency of the single export desk in delivering export premiums to Growers.

## Term and termination of Paddy Purchase and Pricing Rules

The Paddy Purchase and Pricing Rules continue during the term of the Sole and Exclusive Export Agreement and beyond, subject to the following possible termination, variation or suspension:

- a. two Crop Years notice may be given by SunRice/Ebro between 1 May 2016 and 30 April 2017 so as to terminate the application of the Paddy Purchase and Pricing Rules on and from the end of the 2018 Crop Year (30 April 2019) if prior to the giving of the notice there has been a Paddy Purchase Material Adverse Change which is continuing;
- b. if notice to terminate has not been given in accordance with paragraph (a) above, the rules may be terminated by SunRice/Ebro at the end of any seven Crop Year period following 30 April 2019 subject to a prior Paddy Purchase Material Adverse Change and notice given in the fifth Crop Year of that seven Crop Year Pricing Term while the effect of the Paddy Purchase Material Adverse Change continues;
- c. if SunRice/Ebro is no longer entitled to be the sole exporter of rice produced in New South Wales SunRice/Ebro may give notice to reduce the Paddy Purchase and Pricing Rules to apply only to the Medium Grain Pool 1 of 400,000 tonnes (see section 9.10 below) and 100,000 tonnes of rice of other varieties, effective on the earliest to occur of two years after loss of the sole export right or the end of the application of the Paddy Purchase and Pricing Rules;
- d. if the Ebro Group is prohibited at any time from exporting rice, the Paddy Purchase and Pricing Rules may be terminated with immediate effect; and
- e. if changes to the structure of the rice industry in New South Wales in the future mean that the Paddy Purchase and Pricing Rules applicable at the time are prohibited unless authorised by competition or other regulators, then, pending authorisation, or thereafter if authorisation is not able to be obtained, the Paddy Purchase and Pricing Rules will not apply.

**“Paddy Purchase Material Adverse Change”** is a material adverse change in business conditions which will be a matter of fact to be determined in the circumstances of the relevant time. An example of a material adverse change in business conditions may be a disruption in financial markets or the outbreak or escalation of hostilities impeding international trade.

While the Paddy Purchase and Pricing Rules can be terminated by SunRice/Ebro even though SunRice/Ebro is not prevented from exporting rice grown in New South Wales, their termination would not affect the obligations of SunRice/Ebro under the Sole and Exclusive Export Agreement if SunRice/Ebro is bound by the terms of the Sole and Exclusive Export Agreement at the time. The Sole and Exclusive Export Agreement will be continued until 30 June 2016 if the Proposal is implemented. Its extension beyond that date will be at the discretion of the RMB.

As noted above in this section 9.8, in the event of circumstances likely to cause, or which do cause, any provision of the Ebro Group Undertaking to become illegal or prohibited, SunRice/Ebro must seek and use all reasonable endeavours to obtain relevant approvals for such provisions to continue to operate. There is no guarantee that any regulatory approval would be granted.

## Section 9: Summary of the Proposal

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### Notice of termination or variation

Notices by SunRice/Ebro to terminate or vary the Paddy Purchase and Pricing Rules must be given by:

- a. notice in writing to all Growers who have delivered rice so far during the then current Pricing Term (posted to the last known address of the relevant Growers);
  - b. notice in writing to the RGA; and
  - c. not later than 14 days after posting the last of the above notices, placing a half page advertisement in The Australian newspaper (or if it is no longer published an equivalent national publication),
- and notice will be deemed to have been given on the date the advertisement is published.

### 9.9 Paddy Purchase and Pricing Rules for Rice Crop 2010

The Rice Crop 2010 is divided into two Pools, the Premium Pool 2010 and the Number 2 Pool 2010. Pool Prices (the benchmark against which appraisal premiums and discounts are applied) have been ascertained as follows:

- a. Premium Pool 2010 (approximately 86,226 tonnes): \$550 per tonne of medium grain rice; and
- b. Number 2 Pool 2010 (approximately 120,000 tonnes): an amount per tonne of medium grain rice to be notified at least 10 Business Days prior to the Meetings.

SunRice has already acquired this crop. SunRice/Ebro agrees to pay for the Rice Crop 2010 in accordance with the above pricing. Growers have already received the majority of the payments to which they are entitled, further instalments will be paid at the usual times.

### 9.10 Paddy Purchase and Pricing Rules for Rice Crop 2011

SunRice/Ebro agrees to buy and pay for the whole Rice Crop 2011 on the basis of the Pool Price calculated as set out below.

The Pool Price for the Rice Crop 2011 will be the price per tonne for medium grain rice which:

- a. is consistent with:
  - (i) the prior usual practices of SunRice in determining the price per tonne of the Medium Grain Rice Crop; and
  - (ii) any underlying criteria used to calculate that price as disclosed by SunRice to Ebro prior to the Commencement Date;
- b. takes into account each announcement or price guidance made to Growers prior to the Commencement Date that was approved by Ebro; and
- c. takes into account the price per tonne for the Medium Grain Rice Crop 2011 recommended by the Grower Advisory Board based on the application of paragraphs (a) and (b) above.

Notwithstanding the above, the minimum Pool Price per tonne for the Rice Crop 2011 under the Paddy Purchase and Pricing Rules for the Rice Crop 2011 will be an amount arrived at in good faith by SunRice taking into account its usual practices and disclosed to Shareholders not less than 10 Business Days before the Meetings. This amount announced as a minimum Pool Price will only apply if the Proposal is implemented.

## 9.11 Paddy Purchase and Pricing Rules for each Rice Crop Post 2011

### Overview

Section 7.3 sets out a diagram based summary of the Paddy Purchase and Pricing Rules for medium grain rice after the 2011 Crop Year.

### Medium Grain Pools

In respect of each Medium Grain Rice Crop Post 2011 and while SunRice/Ebro have not effected a variation to the Paddy Purchase and Pricing Rules in the circumstances described in section 9.8 or the application of the Paddy Purchase and Pricing Rules has not been terminated or suspended as described in section 9.8, SunRice/Ebro agree to purchase the New South Wales medium grain rice crop priced by reference to the following designations:

- a. Medium Grain Pool 1 (400,000 tonnes of medium grain rice);
- b. Medium Grain Pool 2 (400,000 tonnes of medium grain rice over Medium Grain Pool 1); and
- c. Medium Grain Pool 3 (balance over Medium Grain Pool 1 and Medium Grain Pool 2).

If the medium grain rice crop offered to SunRice/Ebro is less than 400,000 tonnes, all medium grain rice will be designated as Medium Grain Pool 1. If the medium grain rice crop offered to SunRice/Ebro exceeds 400,000 tonnes but is less than 800,000 tonnes, 400,000 tonnes will be designated as Medium Grain Pool 1 and the balance will be Medium Grain Pool 2. If the medium grain rice crop offered to SunRice/Ebro exceeds 800,000 tonnes, 800,000 tonnes will be designated as Medium Grain Pool 1 and Medium Grain Pool 2 and the balance will be Medium Grain Pool 3.

Each Grower will participate in each of Medium Grain Pool 1, Medium Grain Pool 2 and Medium Grain Pool 3 pro rata, such that each Grower is paid the same price per tonne for the whole of the Medium Grain Rice Crop sold by it to SunRice/Ebro (subject to appraisal premiums and discounts). For example, in a year where the medium grain crop delivered to SunRice/Ebro is 1,000,000 tonnes, a Grower delivering 500 tonnes will receive the Medium Grain Pool 1 price for 200 tonnes (40%), the Medium Grain Pool 2 price for 200 tonnes (40%) and the Medium Grain Pool 3 price for 100 tonnes (20%).

### Other Rice Varieties Pool

Varieties of rice offered to SunRice/Ebro other than medium grain rice will fall into the Other Rice Varieties Pool (up to 100,000 tonnes). The Pool Price of the Other Rice Varieties Pool will be determined by SunRice/Ebro in the usual course of business.

While SunRice/Ebro is bound by the Sole and Exclusive Export Agreement, it must still comply with any obligations as the buyer of last resort and acquire rice (if any) in excess of the Other Rice Varieties Pool. However, the price paid for such additional rice is not determined under the Paddy Pricing and Purchase Rules, but by the requirements of the Sole and Exclusive Export Agreement.

### Pricing principles Medium Grain Pools 1 and 2

The Pool Price for Medium Grain Pool 1 and Medium Grain Pool 2 for a particular harvest will be calculated by reference to Californian medium grain rice prices for the Californian medium grain rice crop, the marketing period for which overlaps with the marketing period of the relevant Australian harvest. In general terms, the Pool Price for Medium Grain Pool 1 is a combination of the average Final Price of two selected Californian pools (priced in or around October through December of the calendar year of the relevant Australian harvest) and the average cash price for Californian rice during the Crop Year of the harvest based on a selected cash price measure.

Matters required to determine the Pool Price for Medium Grain Pool 1 are:

- a. two Californian pools;
- b. a Californian Cash Price Reference; and
- c. a proportion to be applied to determine the part of the Pool Price to be derived from the pricing of the Californian Pools and the part of the Pool Price to be derived by application of the Cash Price Reference.

## Section 9: Summary of the Proposal

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The above matters are determined by the Grower Advisory Board. The criteria for determination are as follows:

- a. *Californian Pools*: the Californian pools selected (**Californian Pools**) must demonstrate medium grain paddy rice pricing most commercially representative of Californian medium grain paddy rice pool prices;
- b. *Cash Price Reference*: this is to be the measure which is most commercially representative of the cash price for Californian medium grain paddy rice of the quality of Medium Grain Pool 1 having regard to the quality and quantity of Californian medium grain paddy rice being purchased for cash and taking account of Californian medium grain rice market trends;
- c. *the proportions*: these must best represent the relative portions of the Californian medium grain rice crop effectively pooled and effectively sold for cash having regard to the prior Californian Crop Year and taking account of Californian medium grain rice market trends.

The minimum Pool Price for Medium Grain Pool 1 is the aggregate of:

- a. the average of the Final Price of each of the two Californian Pools struck in or around October through December of the year of the Australian harvest multiplied by the selected proportion to apply to this element (initially 60%); and
- b. the average Californian cash price over the period of the Crop Year of the relevant Australian harvest applying the Cash Price Reference multiplied by the selected proportion to apply to this element (initially 40%).

The percentage of the Pool Price based on the Californian Pools price and the percentage based on the Californian cash price may vary from one New South Wales crop to the next on the basis of Grower Advisory Board review and recommendations to SunRice/Ebro.

The Pool Price for Medium Grain Pool 2 will be a discount of between US\$50 and US\$90 per tonne to the Pool Price of Medium Grain Pool 1. The Grower Advisory Board will determine the amount of that discount applying the Agreed Discount Criteria being the price for which Medium Grain Pool 2 rice is able to be sold relative to Medium Grain Pool 1.

If the Grower Advisory Board cannot make a decision on these pricing elements by a majority of its members (four out of six), that decision is referred to the Grower Advisory Board Independent Expert. That expert will make the decision as an expert. For example, if the decision in relation to the choice of the Californian Pools is referred to the Grower Advisory Board Independent Expert, that expert will decide, as an expert, which two Californian pools demonstrate medium grain paddy rice pricing most commercially representative of Californian medium grain paddy rice pool prices.

### Pool Price for Medium Grain Pool 3

The Pool Price for Medium Grain Pool 3 for each Medium Grain Rice Crop Post 2011 will be the prevailing market price determined by Ebro (acting in good faith) as reflecting the market prices in locations where the Medium Grain Pool 3 is sold.

If rice of the Pool is sold in a Crop Year after the Crop Year of the Rice Crop, regard will be paid to the estimated market prices in that later Crop Year in which part or all of the Pool is planned to be sold in determining the prevailing market price. The Crop Year of a Rice Crop is the year during which it is marketed commencing on 1 May of the calendar year in which it is harvested.

Promptly after SunRice/Ebro have determined the prevailing market price, they must provide the Grower Advisory Board with their calculation of the prevailing market price together with all reasonable supporting information requested by the Grower Advisory Board. The Grower Advisory Board will consider these materials and consult with SunRice/Ebro on the outcome of their determination.

If the Grower Representatives on the Grower Advisory Board form the view that SunRice/Ebro have not determined the market price in good faith or that the materials provided by them show that they have made a manifest error in determining the prevailing market price, then SunRice/Ebro must reconsider their determination of the prevailing market price. If SunRice/Ebro do not thereafter change their determination of the prevailing market price to a price which addresses the concerns raised by the Grower Representatives, then the matter will be referred to the Grower Advisory Board Independent Expert for determination.

## Currency of Pool Prices

Where any Pool Price is calculated by reference to Californian Pools priced in US\$, the Pool Price and payments to Growers will be calculated in US\$. Payments to Growers, however, will be made in \$.

## Conversion rate

Conversion from US\$ to \$ for Grower payments will be made at the average \$:US\$ exchange rate for the 12 months from 1 May of each year (averaged on daily calculations) using the historical daily exchange rates for the \$ against the US\$ as published by the Reserve Bank of Australia: [http://www.rba.gov.au/statistics/tables/index.html-exchange\\_rates](http://www.rba.gov.au/statistics/tables/index.html-exchange_rates).

## Grower payments

SunRice/Ebro will retain the SunRice schedule of Grower payments, provided that they will not be required to make a payment instalment to the extent, in the reasonable opinion of SunRice/Ebro, that were it to do so, the effect of the payment would be to overpay the Grower because the aggregate of amounts paid would then exceed the Grower's total crop payment entitlement.

Before the Pool Prices are determined, instalments will be calculated having regard to SunRice/Ebro forecasts of Pool Prices, the Final Price of applicable Californian Pools when determined and the average Californian cash price to date applying the Cash Price Reference.

## 9.12 Grower Advisory Board and Grower consultation

In order to provide for "Grower Interface", rule 9 of the Grower Advisory Board Rules establishes a process for the Grower Advisory Board to receive and consider information and make recommendations to SunRice/Ebro in relation to Grower Issues. There is also to be consultation from time to time between SunRice/Ebro and the Grower Advisory Board in relation to *implementation* of Grower Services and "Grower Consultation Elements" being policies and practices of SunRice at the date of the Ebro Group Undertaking in relation to matters such as on farm rice production enhancement. These provisions apply regardless of the continuation or not of the Paddy Purchase and Pricing Rules and relate to matters such as:

- a. economic, environmental and other factors affecting rice growing in New South Wales;
- b. activities of SunRice/Ebro affecting rice growing in New South Wales;
- c. on farm production enhancement;
- d. harvest management;
- e. Grower payments;
- f. Grower communications;
- g. Grower payment options including Grower deduction/redirection authorities;
- h. Grower credit to pay for crop inputs from Grower Payments;
- i. procuring crop inputs, supplies and services for Growers; and
- j. facilitation of Grower forward financing.

SunRice/Ebro has also undertaken that it will not implement a material variation to the system of grading and categorising rice receivals (including by reference to moisture, quality or variety) (**Appraisal Variation**) unless:

- a. the Appraisal Variation has been submitted to the Grower Advisory Board for review together with reasonable supporting information in respect of, particularly, the quantum of any premium or discount;
- b. the Grower Advisory Board has had not less than 30 days to convene a meeting and consider the Appraisal Variation; and
- c. SunRice/Ebro have in good faith considered and responded to any issue raised by any Grower Representative, in particular, but without limitation, in relation to the practicalities for Growers of meeting any appraisal criterion.

In addition, SunRice/Ebro undertakes that SunRice/Ebro will not discontinue or materially vary any Grower Service or any of the policies and processes in Grower Consultation Elements without first consulting with the Grower Advisory Board about the discontinuation or material change.

## Section 9: Summary of the Proposal

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### 9.13 Conditions of the Proposal

The Proposal is subject to a number of conditions and steps including, but not limited to:

- a. the 35% shareholder in Trukai Industries agreeing to waive its pre-emptive rights over the shares of SunRice in Trukai Industries triggered by a change in control of SunRice;
- b. no objection under the foreign investment laws in Australia to the proposed acquisition by Ebro of SunRice, and any conditions imposed on the acquisition under those laws being acceptable to Ebro;
- c. Ebro executing the Ebro Group Undertaking;
- d. agreement to the Scheme by the holders of A Shares and the holders of B Shares by the requisite majorities of each class of Shareholder;
- e. passing of the Supporting Resolutions by the requisite majority of the holders of A Shares;
- f. approval of the Scheme by the Court;
- g. no occurrence of a SunRice Prescribed Occurrence between the date of the Scheme Implementation Agreement (being 25 November 2010) and 8.00am (Sydney time) on the Second Court Date; and
- h. the representations and warranties made by SunRice and Ebro in the Scheme Implementation Agreement being true and correct in all material respects as at the date of the Scheme Implementation Agreement (being 25 November 2010) and at 8.00am (Sydney time) on the Second Court Date.

The Proposal will not be implemented unless all of the Scheme Conditions are satisfied or waived in accordance with the Scheme Implementation Agreement. Further information relating to these Scheme Conditions and other conditions to the Proposal are set out in section 12.2.

In addition, if Ebro fails to subscribe for the Implementation Shares in order to fund the SunRice Dividend SunRice may terminate the Scheme Implementation Agreement and in such case the Proposal will not be implemented.

As at the date of this Scheme Booklet, SunRice and Ebro are not aware of any circumstances which would cause the Scheme Conditions referred to above and set out in more detail in section 12.2 not to be satisfied.

### 9.14 If the Proposal does not proceed

If the Proposal, or any other proposal, does not proceed, the Board will take action to address SunRice's high debt and enable SunRice to continue to grow. This action will include any one or more of the following to raise additional capital: paddy price deductions, lower dividend pay-outs and issuing external equity which may include an ASX listing.

If the Proposal does not proceed because of a Competing Proposal, SunRice may be liable to pay a break fee to Ebro of \$3,148,000 (exclusive of GST). The break fee would be payable if a Competing Proposal is announced before implementation of the Proposal and within nine months after that announcement that Competing Proposal is implemented or becomes free of any defeating conditions. Your Directors consider the break fee to be reasonable and appropriate in amount, structure and effect. The break fee is not payable if the Proposal does not proceed merely because Shareholders do not vote in favour of the resolutions required for the Proposal in the requisite majorities. Further information in relation to the break fee is set out in section 12.4.

Prior to the Meetings, transaction costs for approximately \$3.3 million (excluding GST) will have been incurred by SunRice in relation to the Proposal. Those transaction costs have either already been paid or will be payable by SunRice regardless of whether or not the Proposal is implemented. If the Proposal does proceed, additional costs will be incurred.

### 9.15 Tax implications

Further information on the relevant tax consequences for Australian residents is included in section 14 of this Scheme Booklet. Shareholders should seek their own professional advice regarding the individual tax consequences applicable to them before making a decision. SunRice has applied for a Class Ruling from the ATO in relation to the franking credits in connection with the SunRice Dividend and has received a favourable draft ruling. The ATO is currently in the process of issuing the final Class Ruling (see section 14).

### 9.16 No brokerage or stamp duty

Scheme Shareholders will not incur any brokerage or stamp duty in connection with the Scheme.

### 9.17 Warranties by Shareholders

Each Scheme Shareholder is deemed to have warranted to SunRice and Ebro and appointed and authorised SunRice as its attorney and agent to warrant to Ebro, that all their Shares (including any rights and entitlements attaching to those Shares) transferred to Ebro under the Scheme will, at the date of transfer, be fully paid and free from mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind and that they have full power and capacity to sell and transfer their Shares (including any rights and entitlements attaching to those Shares) to Ebro under the Scheme.

### 9.18 C Shares

Under the Scheme Implementation Agreement, after the Scheme becomes Effective but before its implementation, Ebro will subscribe \$76,965,697 for 76,965,697 C Shares to fund the SunRice Dividend (**Implementation Shares**). C Shares are non-voting shares entitling Ebro to a dividend in preference to any dividend paid on the B Shares at the rate of LIBOR plus 2.3% per annum, except that this dividend will be zero if the Scheme is not implemented after the Effective Date because of the default of Ebro. On a redemption of A Shares or a winding up of SunRice, any dividend owing but unpaid on C Shares will be subordinated to the right of holders of A Shares to be repaid the amount paid up on the A Shares. The C Shares rank behind the holders of A Shares and in priority to the holders of B Shares in respect of the repayment of capital and the distribution of surplus on a winding up of SunRice. See sections 9.2 and 15.2 for further information about the C Shares.

In the event that after the issue of such shares to Ebro the Proposal is not implemented by the transfer of all Shares to Ebro, then, unless failure to implement is due to the default of Ebro, SunRice must take all steps within its power to effect a buyback or capital reduction of the Implementation Shares at face value and with accrued dividends (if any) as soon as possible. A share buyback or capital reduction of this nature would be a selective buyback or capital reduction governed by the Corporations Act and currently requiring approval by special resolution of the holders of A Shares. If the Proposal has not been implemented but Ebro is not at fault in relation to that failure, the C Shares will accrue a preferential dividend at the rate of LIBOR plus 2.3% per annum.

## Section 9: Summary of the Proposal

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### 9.19 Review of holdings of A Shares

The Board redeemed A Shares held by persons shown not to be Active Growers as at mid-December 2009 and who, as at 25 February 2010, had not responded to an invitation from SunRice to confirm in writing their intention to grow rice in the future. A number of such persons have complained to SunRice in relation to the redemption, including their failure to obtain a new A Share.

The Board has conducted a review of the entitlements to hold A Shares and assessed such complaints. The Board is satisfied that A Shares have been issued and redeemed in accordance with the Constitution and the law and no further A Shares will be issued before the Meetings. Ebro is aware that some former holders of A Shares have continued to press their complaints. Ebro has agreed to include the Review Mechanism in the Ebro Group Undertaking to take effect if the Proposal is implemented. The Board's decision above does not preclude an application from a person who has previously made a complaint to SunRice.

Under the Review Mechanism, following implementation of the Proposal, SunRice will appoint a retired Judge to hear applications for compensation from eligible persons who believe they have a legal claim against SunRice in connection with the redemption of their A Shares in February 2010. Rules to apply to the Review Mechanism (**Review Rules**) are attached as Schedule 3 to the Ebro Group Undertaking.

Applications for compensation must comply with the Review Rules and be made on the application form which is attached to the Review Rules. Only a person alive at the Implementation Date who has delivered at least one tonne of paddy to SunRice during the period 1 July 2008 to the day before the Implementation Date and who was not the holder of an A Share on the Implementation Date will be entitled to make an application.

The retired Judge appointed to be the "Decision Maker" will consider applications and be entitled to award a maximum of \$50,000 in compensation in relation to any successful application subject to an aggregate total fund for all successful compensation applications of \$2,500,000 including the costs to SunRice of conducting the Review Mechanism.

The Review Rules and application form are set out on pages 208 to 220 of this Scheme Booklet. Further information about the review process and its timing is set out in section 13.11.

## Section 10:

Information about SunRice

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## Section 10: Information about SunRice

### 10.1 Key events in SunRice history

YEAR	EVENT
1950s	<ul style="list-style-type: none"><li>Ricegrowers' Co-operative Mills Limited was registered on 24 July 1950 as a co-operative and commenced a rice milling and marketing business in 1951</li></ul>
1970s	<ul style="list-style-type: none"><li>The Co-operative invested in a storage and marketing business in Papua New Guinea in 1970</li></ul>
1980s	<ul style="list-style-type: none"><li>A significant restructure of the industry, following a study by McKinsey &amp; Co. in 1985, resulted in the Co-operative assuming all marketing and operating activities of the industry. RMB assumed a statutory role and continued investment in and ownership of the receival facilities</li><li>The name of the Co-operative changed to "Ricegrowers Co-operative Limited" on 13 December 1985</li></ul>
2000s	<ul style="list-style-type: none"><li>A record high of 1.7 million tonnes of paddy crop was harvested in the Riverina in 2001</li><li>19,297 tonnes of paddy crop was harvested in the Riverina in 2008, which was the smallest crop since 1929</li><li>The Riverina was drought affected from the 2002/03 growing season to the 2009/10 growing season with production below 550,000 tonnes except for the 2005/06 growing season</li><li>The Co-operative was converted to a public company limited by shares on 14 December 2005 and was renamed "Ricegrowers Limited"</li><li>The New South Wales Government announced deregulation of the domestic rice market in November 2005 to commence on 1 July 2006. SunRice was to continue as exclusive exporter of New South Wales rice</li><li>AGS acquired the Storage Sheds from RMB in June 2006</li><li>SunRice acquired a 65% interest in SunFoods, a Californian milling and marketing business in 2008</li></ul>
2010	<ul style="list-style-type: none"><li>Rice production is expected to return to normal levels in the 2010/11 growing season</li></ul>

### 10.2 Overview of the business

SunRice supplies its rice food products in approximately 60 countries around the world including Australia, New Zealand, the USA, the Middle East, Asia, the Solomon Islands, Papua New Guinea and several countries in the Pacific. In addition to its well known table rice products, SunRice markets rice foods, including ready to eat meals and rice based snacks and stock feed and pet food through the CopRice division. SunRice also supplies rice to restaurants through the food service channel and rice by-products as ingredients for large food and non-food processors.

SunRice Subsidiary, Riviana Foods, markets branded gourmet foods under the *Always Fresh* and other brands including olives, pickled vegetables, olive oil, relishes, snacks, pâtés, sandwich fillers, seafood, canned fruit and cooking sauces through retail and foodservice channels in Australia. SunRice division, CopRice, markets stockfeed and pet food products in Australia.

The SunRice Group has operations, marketing offices and Subsidiaries in Australia, USA, Jordan, Singapore, Papua New Guinea and the Solomon Islands. SunRice's primary processing facilities are based in regional New South Wales (where the majority of SunRice's rice is sourced) which store, mill and pack rice and rice flour and manufacture rice cakes and convenience rice foods. SunRice also owns a network of rice processing and packing facilities outside Australia and has strong relationships with overseas suppliers to supply its global brands with a full range of table rice and rice foods. SunRice employs over 700 highly skilled and qualified people in Australia and an additional 1,000 people overseas.

### 10.3 Markets and operations

#### Australian rice business

SunRice is the primary rice processor in Australia. 99% of Australian rice is produced in the Riverina region of New South Wales. When irrigation water is available, one million tonnes or more of paddy rice may be grown in New South Wales. 70-85% of rice produced in Australia is of Japonica varieties while the balance is of long grain and fragrant varieties. In a normal year of New South Wales rice production, up to 80% of the rice crop is exported and sold through SunRice's well established distribution networks in the Middle East, Asia and the Pacific. SunRice, as the only exporter of New South Wales rice, can represent between 15-25% of world Japonica rice trade in normal years.

The Rice Marketing Board for the State of New South Wales (**RMB**) is a statutory body established under the Rice Marketing Act. All rice grown in the state is currently vested in the RMB under the Rice Marketing Act except rice sold to “Authorised Buyers” of RMB. After domestic deregulation in 2006, SunRice ceased to be the only domestic Authorised Buyer of RMB and is now one of seven Authorised Buyers for domestic rice sales. RMB, however, has entered into the Sole and Exclusive Export Agreement with SunRice under which SunRice is the only organisation permitted to export rice grown in New South Wales from Australia. Under the Sole and Exclusive Export Agreement SunRice has the obligation to buy all rice of merchantable quality grown in New South Wales which is offered to SunRice for purchase. While the export of Australian rice is regulated, the import into Australia of white milled rice from overseas is not. White milled rice is relatively freely imported into Australia and has a significant market share due to consumer demand for Indica and fragrant varieties which are not grown in Australia.

SunRice is the primary processor of rice grown in New South Wales and most of that rice is delivered to the SunRice specialist receival and storage facilities before being milled and packed at one of SunRice's manufacturing locations at Leeton, Deniliquin or Coleambally. SunRice's Australian facilities are complemented with storage, processing and packing facilities in Jordan and Papua New Guinea to provide a competitive network of operations for the marketing of Australian and globally sourced rice.

During the recent drought affected years in Australia, SunRice has had to source rice from overseas to ensure ongoing supply of rice for its brands and markets. SunRice undertakes sourcing and processing strategies to ensure the supply of rice from established sources in Thailand, Vietnam, China, the United States, Egypt, India and Pakistan and has interests in a rice storage, milling and packing facility in California.

## **Global rice businesses and Subsidiaries**

### ***Trukai Industries***

Trukai Industries is a rice product packaging, distribution, sales and marketing company which is two thirds owned by SunRice. It is Papua New Guinea's leading supplier of quality rice products.

Registered in 1970 by SunRice, Trukai Industries has a number of well established brands including *Trukai*, and *Roots* Rice. Trukai Industries' head office and processing base is located in Lae, with distribution facilities located throughout Papua New Guinea.

### ***SunFoods***

SunRice owns a 65% interest in SunFoods, a rice milling, distribution and marketing company which was established in 2008 to acquire Gold River Mills. SunFoods is the owner of the *Hinode* brand, which was created by the California based Rice Grower's Association in the 1930s. The Hinode brand is very strong in medium grain rice in Hawaii and Northern California.

SunFoods' head office and milling base is located in Woodlands, California.

### ***Aqaba Processing Company***

Aqaba Processing Company, which is 80% owned by SunRice and 20% owned by Yousef Nader and Sons Co., is in the business of receiving, storing and packing rice as well as operating grain handling and storage facilities. The business is located in the Aqaba port in Jordan.

### ***Solrice***

Solrice, located in the Solomon Islands, is a distribution, sales and marketing company wholly owned by SunRice. It is the Solomon Islands' leading supplier of quality rice products, including the well established *Solrais* brand. Solrice's head office and distribution facility is located in Honiara.

### ***AGS***

SunRice's wholly owned subsidiary AGS owns and operates Riverina based grain storage infrastructure with capacity exceeding one million tonnes. With an extensive Grower base in the Riverina and beyond, AGS is well placed to meet storage requirements for all grain types. Under the Sole and Exclusive Export Agreement, SunRice is obliged to make this infrastructure available to other Authorised Buyers of rice in New South Wales on reasonable commercial terms and to the extent it is not required by SunRice.

## Section 10: Information about SunRice

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### ***Rice Research Australia Pty Ltd (RRAPL)***

RRAPL, a wholly owned subsidiary of SunRice, undertakes rice varietal and agronomic research and development in partnership with Industry & Investment New South Wales and the Rural Industries Research and Development Corporation. RRAPL operates a leased farm in the Riverina for its activities.

### **Other Subsidiaries and investments**

#### ***Riviana Foods***

Riviana Foods is a gourmet food manufacturing, distribution, sales and marketing company which is wholly owned by SunRice. It has the largest share of olives and pickled vegetables in the retail channel in Australia. Riviana Foods' head office is located in Melbourne, with manufacturing, sales and distribution facilities located throughout Australia.

Established in the 1950s, and acquired by SunRice in 1993, the Riviana Foods business has over 500 products. In its grocery business, important brands include *Always Fresh*, *Admiral*, *Captain*, *Riviana* and *Mahatma*. Riviana has a strong presence in the foodservice sector and an extensive portfolio of brands including *Riviana*, *Menu Master*, *Garden Supreme* and *Ocean Supreme*.

#### ***CopRice***

CopRice is a division of SunRice. CopRice has been supplying quality animal feeds for over 30 years through its plants in Leeton, Tongala and Cobden.

The CopRice business was originally established in response to the availability of rice by-products such as rice pollard, a high quality feed which is high in energy and protein. Today, rice is only one of many ingredients CopRice uses in producing stockfeed as a result of the drought affected rice crops in Australia. Traditional feed ingredients such as wheat and barley are used as well as vegetable proteins such as canola and lupins to produce feed for livestock.

CopRice also operates a pet food business which caters for a wide variety of companion animals including dogs, cats, horses, etc.

### **10.4 Board and senior management**

The SunRice Constitution provides that the Board will comprise up to 10 directors from the following categories:

- a. up to three elected Grower members of the RMB (**Elected RMB Members**) (who must also be holders of A Shares);
- b. up to four other directors who must be holders of A Shares; and
- c. up to three other directors who are persons with appropriate experience nominated for election by the other directors and only one of which may be an employee of SunRice.

It is a requirement of the Sole and Exclusive Export Agreement that the Elected RMB Members be appointed to the Board. If, however, the Proposal is implemented and SunRice becomes a wholly owned Subsidiary of Ebro, the terms of the Sole and Exclusive Export Agreement will vary so as to remove this requirement. The SunRice Constitution will also change to remove the requirement for Elected RMB Directors to be on the Board of SunRice if the Proposal is implemented.

Under clause 11.10 of the Constitution, a quorum for a meeting of the directors is half their number. In addition, for a quorum to exist, the number of Active Grower Directors (holders of A Shares or corporate representatives of companies holding A Shares) must exceed the number of other directors by at least one. Therefore decisions at Board level require the agreement of Active Grower Directors.

The current Directors of SunRice are:

DIRECTORS' NAMES	DETAILS
Gerry Lawson	Chairman, Grower, non-executive Director (Elected RMB Member)
Mark Robertson	Deputy Chairman, Grower, non-executive Director
Laurie Arthur	Grower, non-executive Director
Noel Graham	Grower, non-executive Director (Elected RMB Member)
Gary Helou	Executive Director
Russell Higgins AO	Non-executive Director
Gillian Kirkup	Grower, non-executive Director (Elected RMB Member)
Grant F Latta AM	Non-executive Director
Norm McAllister	Grower, non-executive Director
Alan Walsh	Grower, non-executive Director

The SunRice corporate management team includes the following people:

NAME	POSITION
Milton Bazley	General Manager, Global Procurement
Sharyn Brown	General Manager, People and Culture
Mandy Del Gigante	Company Secretary
Mike Hedditch	General Manager, Grower Services
Gary Helou	Chief Executive Officer
Brad Hingle	Chief Financial Officer
David Keldie	General Manager, Consumer Markets
Aditya Swarup	General Manager, Strategy
Gerard Woods	General Manager, CopRice and AGS
Patrick Youil	General Manager, Operations

If the Proposal is not approved and the Scheme does not proceed, it is intended that the current Directors and the senior management team will remain the same. If the Scheme is approved, Ebro's intentions in relation to the management and other employees generally are set out in section 11.7.

## Section 10: Information about SunRice

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### 10.5 Share capital structure of SunRice

The capital structure of SunRice at the date of the Scheme Booklet comprises 794 A Shares held principally by Active Growers (which confer voting rights) and 54,701,988 B Shares (non-voting and tradeable on NSX, subject to restrictions on transfer).

**A Share** characteristics are as follows:

- a. redeemable preference shares;
- b. able to be issued by the Board only to Active Growers or persons the Board believes, on reasonable grounds, will become Active Growers;
- c. non-transferable;
- d. a holder of an A Share has one vote, no matter how many A Shares they hold;
- e. the maximum number of A Shares able to be held by one person is five;
- f. each holder of an A Share must also hold 1,000 B Shares;
- g. no entitlement to dividends;
- h. the holder has the right to be repaid the amount paid up on each A Share on redemption or on winding up of SunRice in preference to all other Shareholders (the amount actually paid up on A Shares is \$nil);
- i. redeemable by the directors of SunRice if:
  - (i) the whereabouts of the holder are not precisely known to SunRice and have not been known for a continuous period of two years before redemption;
  - (ii) at any time after 30 June 2006, the member is not an Active Grower;
  - (iii) the member or their "approved entity" (a superannuation trustee approved by the Board) does not own or has not agreed to acquire not less than the minimum holding of 1,000 B Shares;
  - (iv) the holder holds more than the maximum number of A Shares; and
  - (v) death, insolvency, dissolution (or similar) of the holder.

**B Share** characteristics are as follows:

- a. non-voting, except in limited circumstances affecting the rights attaching to the B Shares;
- b. transferable only to:
  - (i) a holder of A or B Shares;
  - (ii) an "approved entity" of a Shareholder (a superannuation trustee approved by the Board);
  - (iii) a person who is a joint holder of Shares (in the absolute discretion of the Board);
  - (iv) a person who becomes entitled to B Shares in certain circumstances after the death, insolvency, dissolution or similar of another member, with that person then only permitted to transfer the B Shares to a Shareholder or an approved entity of a Shareholder;
  - (v) SunRice in a buyback;
- c. may be issued only to:
  - (i) existing holders of A Shares and B Shares;
  - (ii) a person to whom the directors of SunRice have agreed to issue an A Share;
  - (iii) an "approved entity" of a person referred to in subparagraphs (c)(i) and (ii) above;
  - (iv) RMB Equity Holders; and
  - (v) participants under an employee share plan; and
- d. the holders of B Shares are entitled to dividends and to participate equally with the other holders of B Shares in any surplus on a winding up.

A person must not hold a number of B Shares which, when aggregated with the B Shares of the person's Associates (as defined in the Corporations Act), exceeds 5% of the total number of B Shares on issue. B Shares may be traded on NSX.

SunRice has implemented an employee share plan. Participants in the employee share plan may freely dispose of their B Shares but the plan specifically provides that plan participants may only acquire B Shares by an issue under the plan and by dividend reinvestment.

SunRice may also implement the Suppliers Share Plan to provide for Supplier Members to subscribe for new B Shares. SunRice has not previously activated this plan. Under the plan, SunRice may require Supplier Members to subscribe a portion of the amount payable by SunRice to the Supplier Members for their rice. The maximum amount able to be required to be subscribed by any Supplier Member under the Suppliers Share Plan in relation to an annual delivery period is \$10 per tonne of rice delivered and is also subject to the limits on holdings of B Shares. The Board will determine the issue price of any B Shares required to be so subscribed.

## **10.6 Rice industry regulation**

### **Rice Marketing Act**

The Rice Marketing Act provides for the establishment of the Rice Marketing Board (**RMB**) and sets out the regime under which SunRice operates as an Authorised Buyer of RMB to provide a single export desk for rice produced in New South Wales.

Under the Rice Marketing Act, orders have been made from time to time vesting all rice produced in New South Wales in the RMB. The last proclamation is dated 28 January 2009 (five years after the earlier proclamation) and has continuing effect until 31 January 2013. Rice is excluded from vesting in the RMB to the extent it is acquired by Authorised Buyers or Authorised Agents appointed by the RMB.

The RMB has appointed seven Authorised Buyers (including SunRice) to acquire rice for domestic resale. The RMB has entered into the Sole and Exclusive Export Agreement with SunRice under which SunRice is entitled to act as the sole Authorised Buyer entitled to sell or supply outside Australia the rice it acquires from New South Wales Growers.

### **Sole and Exclusive Export Agreement**

Under the Sole and Exclusive Export Agreement, SunRice:

- a. must accept all rice of merchantable quality offered to it by Growers; and
- b. operate an equitable crop marketing and payment system as required by section 64 of the Rice Marketing Act (including acquiring rice of the same quality or grade as near as possible at a uniform rate).

The initial term of the Sole and Exclusive Export Agreement as it is currently drafted continues until 1 July 2011. Under the current provisions, the RMB can continue the Sole and Exclusive Export Agreement for any further period which it permits and either the RMB or SunRice may terminate such further term by giving the other five years' written notice. At any time during the term of the Sole and Exclusive Export Agreement, it may be terminated by either party immediately in the following circumstances:

- a. a party commits a material breach which is not remedied within 30 days after notice to remedy;
- b. the RMB is dissolved for whatever reason;
- c. there is a change of control of SunRice without the consent of the RMB;
- d. SunRice ceases to be an Authorised Buyer for any reason;
- e. vesting is revoked or the vesting proclamation is not renewed; or
- f. either party suffers an insolvency event.

The Sole and Exclusive Export Agreement also provides that if at any time during its term, the single export desk becomes illegal or is rendered unenforceable, RMB is not in breach of the Sole and Exclusive Export Agreement if it appoints other Authorised Agents or other Authorised Buyers to export rice grown in NSW outside Australia.

As noted in section 9.4, the RMB has agreed to continue the Sole and Exclusive Export Agreement to 30 June 2016 on amended terms following the implementation of the Proposal. This term may be continued for a further period if permitted by the RMB in writing.

## Section 10: Information about SunRice

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Under the amended terms of the Sole and Exclusive Export Agreement, SunRice will still be required to:

- a. accept all rice of merchantable quality offered to it by Growers; and
- b. operate an equitable crop marketing and payment system as required by section 64 of the Rice Marketing Act (including acquiring rice of the same quality or grade as near as possible at a uniform rate).

Additional terms of the extension of the Sole and Exclusive Export Agreement are set out in section 9.4.

### Protection from restrictive trade practices prohibitions

The agreements of the RMB with SunRice in the Sole and Exclusive Export Agreement are expressly excluded from the application of the restrictive trade practices prohibitions in legislation of the Commonwealth and New South Wales by Ministerial consent under section 164 of the Rice Marketing Act. Therefore, the activities of SunRice under the Sole and Exclusive Export Agreement are authorised and not prohibited though they may be contrary to the restrictive trade practices legislation (including in relation to the pricing of rice acquisitions).

### Review of the Rice Marketing Act

Under section 165 of the Rice Marketing Act, a review of the Rice Marketing Act was required to take place with a report of the outcome of the review to be completed and made public in or around December 2010. The review considered the objectives of the Rice Marketing Act and whether the Rice Marketing Act is the best way to achieve those objectives. In particular it has considered the balance of benefits and costs of the single export desk.

The review of the Rice Marketing Act was undertaken during 2010. The Rice Marketing Act Review was dated October 2010 and made public in January 2011. Briefly, the Rice Marketing Act Review found:

- a. the policy objectives of the Rice Marketing Act (to maximise single export desk premiums for Growers while ensuring a competitive domestic rice market) remain valid;
- b. the provisions of the Rice Marketing Act remain efficient to achieve its objectives (efficiency requires that the objectives of the Rice Marketing Act can only be achieved by restrictions on competition but the benefits of those restrictions to the community as a whole outweigh their costs);
- c. a higher level and continuous monitoring program to assess SunRice's performance in delivering the core objectives of the Rice Marketing Act was warranted;
- d. the performance of SunRice against key performance indicators should be relevant to a decision to continue vesting after January 2013;
- e. to promote innovation and competition in the domestic market and minimise the efficiency costs of the single export desk the RMB should develop more Grower exemptions from vesting; and
- f. variable domestic authorised buyer fees should be replaced by a higher Sole and Exclusive Export Agreement fee to be paid by SunRice.

In response to the Rice Marketing Act Review, SunRice/Ebro and the RMB have agreed to changes to the Sole and Exclusive Export Agreement and the commitments of Ebro under the Ebro Guarantee to the RMB, which are discussed in section 9.4.

## **Changes to the structure of the rice industry**

The Rice Marketing Act Review has found that the policy objectives of the Rice Marketing Act remain valid and the provisions of that act (which include vesting and the single export desk) remain efficient for the purpose of achieving these objectives. The Rice Marketing Act Review has not yet been adopted or implemented by Government. Changes to the structure of the industry may occur in the future.

Some types of possible future industry restructure may remove the current protection of SunRice from the application of the restrictive trade practices prohibitions of the Competition and Consumer Act and comparable prohibitions in New South Wales legislation.

## **Regulatory risk**

Vesting is due to expire on 31 January 2013. There is currently no certainty that it will be renewed. On cessation of vesting, the Sole and Exclusive Export Agreement falls away as a practical matter. Some form of transitional regime may be implemented in circumstances of loss of vesting or the termination of the Sole and Exclusive Export Agreement but it is hard to know what such a regime will involve, given that it will be an issue for Government in the future.

If vesting ceases and the Proposal has not been implemented, SunRice would need to consider the impact of restrictive trade practices prohibitions on its paddy pricing practices. If the Proposal has been implemented and vesting ceases, the Paddy Pricing and Purchase Rules may not be fully enforceable because of the operation of restrictive trade practices prohibitions.

The Ebro Group Undertaking provides that if one of its provisions is illegal the operation of that provision will be suspended pending authorisation, approval or no action notification by an appropriate regulatory or statutory body (such as the ACCC) so as to enable implementation of any such provision in accordance with its terms. If circumstances arise which cause or which are likely to cause such illegality or prohibition, Ebro undertakes to apply for, and use reasonable endeavours to obtain relevant authorisations to enable implementation of any such illegal or prohibited provision in accordance with its terms. There is no guarantee that such authorisations would be granted.

If the Rice Marketing Act Review is accepted and implemented, its recommendations in relation to continuation of the single export desk are likely to be referred to in relation to a decision on vesting. In such case, results of monitoring of SunRice performance under the continued Sole and Exclusive Export Agreement are likely to be relevant to a decision to continue vesting.

If vesting is renewed, the Sole and Exclusive Export Agreement with SunRice/Ebro should continue, subject to continuing compliance with the terms of the Sole and Exclusive Export Agreement, including performance indicators, and any future regulatory changes.

## Section 10: Information about SunRice

### 10.7 Financial information

The summary profit and loss and balance sheet data for the financial years ended 30 April 2007 to 30 April 2010 and the six months to 31 October 2010 are derived from SunRice's published consolidated financial statements.

#### SUNRICE FINANCIAL SUMMARY (\$ MILLION)

	YEAR TO 30 APRIL 2007	YEAR TO 30 APRIL 2008	YEAR TO 30 APRIL 2009	YEAR TO 30 APRIL 2010	6 MTHS TO 31 OCTOBER 2010
<b>Summary Profit and Loss</b>					
Sales revenue	733.9	707.7	896.2	815.1	387.6
<b>EBITDA</b>	<b>64.2</b>	<b>62.4</b>	<b>156.6</b>	<b>55.3</b>	<b>31.2</b>
Depreciation, amortisation	(20.4)	(22.8)	(22.7)	(21.6)	(10.7)
Impairment of fixed assets	0.0	0.0	(8.7)	0.0	0.0
<b>EBIT</b>	<b>43.8</b>	<b>39.6</b>	<b>125.2</b>	<b>33.7</b>	<b>20.5</b>
Finance cost (net)	(22.0)	(19.5)	(19.5)	(18.5)	(13.1)
Associated company profit	0.8	0.4	0.6	0.3	0.0
<b>Profit before tax</b>	<b>22.6</b>	<b>20.5</b>	<b>106.3</b>	<b>15.5</b>	<b>7.4</b>
Tax expense	(7.8)	(5.5)	(29.5)	(3.8)	(2.2)
<b>Profit after tax</b>	<b>14.8</b>	<b>15.0</b>	<b>76.8</b>	<b>11.7</b>	<b>5.2</b>
Minority interests	(0.3)	(0.9)	(1.0)	0.4	(0.3)
<b>Profit after tax – SunRice members</b>	<b>14.5</b>	<b>14.1</b>	<b>75.8</b>	<b>12.2</b>	<b>4.9</b>
<b>Summary Balance Sheet</b>					
<b>Assets</b>					
Total current assets	367.4	325.2	485.9	464.6	442.1
Total non-current assets	286.4	271.6	274.6	255.4	247.9
<b>Total assets</b>	<b>653.8</b>	<b>596.9</b>	<b>760.6</b>	<b>720.0</b>	<b>690.0</b>
<b>Liabilities</b>					
Total current liabilities	267.9	300.3	309.6	311.2	342.7
Total non-current liabilities	274.9	163.8	227.5	148.8	89.8
<b>Total liabilities</b>	<b>542.7</b>	<b>464.1</b>	<b>537.1</b>	<b>460.0</b>	<b>432.6</b>
<b>Net assets</b>	<b>111.1</b>	<b>132.8</b>	<b>223.5</b>	<b>260.0</b>	<b>257.4</b>
Minority interests	(4.7)	(5.3)	(15.3)	(11.5)	(11.4)
<b>Net assets – SunRice members</b>	<b>106.4</b>	<b>127.5</b>	<b>208.2</b>	<b>248.5</b>	<b>246.0</b>

Additional financial information about SunRice can be obtained from SunRice's website ([www.sunrice.com.au](http://www.sunrice.com.au)).

## **10.8 Material changes to SunRice's financial position since 31 October 2010**

The last balance sheet sent to Shareholders was a balance sheet prepared at 30 April 2010 and sent to Shareholders on 23 July 2010 as part of SunRice's annual report. However, the latest published financial statements of SunRice are the financial statements for the half year ended 31 October 2010 which were released to NSX on 17 December 2010. A copy of these financial statements is available free of charge on SunRice's website ([www.sunrice.com.au](http://www.sunrice.com.au)), the NSX website using SunRice's NSX code "RGWB" ([www.nsx.com.au](http://www.nsx.com.au)) or obtained (free of charge) by calling 1800 643 604 (toll free in Australia) or +61 2 8256 3383 (if overseas).

To the knowledge of the Directors, and except as disclosed elsewhere in this Scheme Booklet, the financial position of SunRice has not materially changed since 31 October 2010.

## **10.9 Public information**

As SunRice's B Shares are quoted on NSX, SunRice is bound to comply with the continuous disclosure requirements of the Listing Rules. In particular, the Listing Rules oblige SunRice to disclose any information that is necessary to enable an appraisal of SunRice's financial position and information that a reasonable person would expect to have a material effect on the price or value of SunRice's securities. The Board believes that SunRice is in compliance with its continuous disclosure obligations.

SunRice's recent announcements to NSX can be accessed on SunRice's website ([www.sunrice.com.au](http://www.sunrice.com.au)), the NSX website using SunRice's NSX code "RGWB" ([www.nsx.com.au](http://www.nsx.com.au)) or obtained (free of charge) by calling 1800 643 604 (toll free in Australia) or +61 2 8256 3383 (if overseas).

SunRice is required to prepare and lodge with ASIC and NSX both annual and half-yearly financial statements accompanied by a statement and report from the Directors and an audit or review report. Copies of these and other documents lodged with ASIC may be obtained from or inspected at an ASIC office and on the SunRice website [www.sunrice.com.au](http://www.sunrice.com.au).

## **10.10 Recent SunRice B Share price history**

SunRice's B Share price in the period November 2009 to September 2010 is set out in the graph in section 2.11.

The latest recorded share price of B Shares on NSX before the public announcement of Ebro's indicative non-binding proposal on 21 October 2010 was \$1.60 per B Share. The latest recorded price of B Shares on NSX on Friday, 15 April 2011 (being the last practical date before this Scheme Booklet was lodged for registration with ASIC) was \$2.80 per B Share.

Since 21 October 2010, there have been four trades of B Shares. Two trades occurred on 4 November 2010 with an aggregate of 5,000 B Shares traded at an average price of \$3.00 per B Share. Two trades occurred on 22 November 2010 with an aggregate of 10,000 B Shares traded at an average price of \$2.80 per B Share.

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# Section 11:

About Ebro

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## Section 11: About Ebro

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### 11.1 Overview

Information contained in this section 11 has been prepared by Ebro. The information concerning Ebro and the intentions, views and opinions contained in this section are the responsibility of Ebro.

Ebro is the leading corporate group in the Spanish food sector, by turnover, profits, market capitalisation and international presence. Ebro's sales throughout the world for the year ended 31 December 2010 exceeded €900 million in relation to its pasta business and €800 million in relation to its rice business.

Ebro is a company incorporated in Spain, with its head office located at Paseo de la Castellana 20, 28046 Madrid, Spain. Ebro was formed by the merger of Puleva, S.A. and Azucarera Ebro Agrícolas, S.A. in January 2001. The merged entity became Azucarera Ebro Agrícolas, S.A., which subsequently changed its name to Ebro Puleva, S.A. In 2010, its name was changed again to Ebro Foods S.A.

Ebro operates in more than 20 countries, including in France, the United States, Spain, Canada, Germany and Belgium. Its shares have been listed on the Bolsa de Madrid since 12 February 2001 and its major shareholders consist of private and public companies.

Ebro has more than 60 brands in each of the rice and pasta sectors, including: Panzani®, Ronzoni®, American Beauty®, Skinner®, Lancia®, Catelli®, Healthy Harvest®, Birkel®, 3 Glocken®, Schule®, Minuto®, Lustucru® and Nudel Up® in the pasta and sauces sector; and Mahatma®, Success®, Carolina®, Minute Rice®, Taureau Ailé®, Oryza®, Bosto®, Reis-Fit®, Riceland®, Risella®, Brillante®, Nomen®, La Cigala® and La Fallera® in the rice sector.

### 11.2 Rice business

Ebro completed the acquisition of Arrocerias Herba, S.A. and its controlled entities (the **Herba Group**) in 2002. The Herba Group has operations in eight countries and has leading positions with respect to market share of branded rice in Spain, Portugal, France and Germany. The Herba Group operates in the food services and industrial sectors in the United Kingdom, with the company group supplying rice and rice related products for industrial application. The Herba Group has a wide sales network and production facilities in eight countries.

Ebro acquired Riviana Foods, Inc and its controlled entities in 2004 (the **Riviana Group**). Riviana Foods, Inc is a leading seller of rice in the United States. Riviana markets its products under several brand names, including Mahatma®.

In 2005, Ebro acquired Panzani S.A. and its controlled entities (the **Panzani Group**). Lustucru® and Taureau Ailé® are among Panzani's leading brands in the French market. Panzani operates primarily in the French market; however, it also has business operations in the Czech Republic and businesses jointly operated with the Herba Group in Belgium.

As a result of these acquisitions and ongoing investments made by Ebro in the businesses operated by the Herba Group, the Riviana Group and the Panzani Group, Ebro has an extensive global presence with net sales in 2009 of over €1 billion in Europe and over €500 million in the United States.

### 11.3 Pasta business

The Panzani Group is a leader in the pasta (dry and fresh) and sauce sectors in France by market share, with a portfolio of brands and products. The Panzani Group's principal sales channel is commercial distribution and the company is one of the principal distributors in the pasta (dry and fresh), rice and cous cous markets in France.

Birkel Teigwaren GmbH and its controlled entities (the **Birkel Group**) were acquired by Ebro in 2007. The Birkel Group was a leader of dried pasta in Germany in 2009 by market share, with its most successful brand names being Birkel® and 3 Glocken®.

Ebro acquired New World Pasta Co and its controlled entities (the **New World Group**) in 2006. The New World Group had sales of over US\$448,000,000 in the United States and Canada in 2009 with a significant market share by volume in the United States and Canadian markets. The New World Group's brand names include Ronzoni®, Skinner®, Prince®, American Beauty®, San Giorgio® and Creamette® in the United States, and Catelli®, Lancia® and Ronzoni Tradizione D'Italia Since/Dépuis 1915® in Canada.

## 11.4 Ebro Directors

The Ebro Directors as at the date of this Scheme Booklet are:

NAME	TYPE OF DIRECTOR
Antonio Hernández Callejas	Chairman/Executive
José Barreiro Seoane	Vice Chairman/Non-executive and independent
Alimentos y Aceites, S.A.	Non-executive corporate director represented by José Francisco Ballesteros Pinto
Demetrio Carceller Arce	Non-executive
Fernando Castelló Clemente	Non-executive and independent
José Ignacio Comenge Sánchez-Real	Non-executive and independent
Sol Daurella Comadrán	Non-executive and independent
Leopoldo del Pino y Calvo-Sotelo	Non-executive
Blanca Hernández Rodríguez	Non-executive
Instituto Hispánico del Arroz, S.A.	Non-executive corporate director represented by Felix Hernández Callejas
Dr. August Oetker	Non-executive
Eugenio Ruíz-Gálvez Priego	Non-executive
José Nieto de la Cierva	Non-executive

## 11.5 Ebro's financial background

The summary operating results and financial position data for the financial years ended 31 December 2009 and 31 December 2010 are derived from Ebro's audited consolidated financial statements as at 31 December 2009 and consolidated financial statements as at 31 December 2010 respectively, which were prepared in accordance with International Financial Reporting Standards (**IFRS**) as adopted by the European Union.

The summary operating results and financial position data for the fiscal year ended 31 December 2009 as adjusted are derived from Ebro's audited consolidated financial statements as at 31 December 2009, which were prepared in accordance with IFRS.

Historical results are not necessarily indicative of the results to be expected in the future.

## Section 11: About Ebro

(€ IN THOUSANDS)	FISCAL YEAR ENDED 31 DECEMBER 2010	FISCAL YEAR ENDED 31 DECEMBER 2009 <sup>1</sup>	FISCAL YEAR ENDED 31 DECEMBER 2009 AS ADJUSTED <sup>2</sup>
<b>Operating results:</b>			
Net sales	1,702,023	2,197,731	1,765,397
Earnings before interest, taxes, depreciation and amortisation	271,549	308,491	243,824
Net profit	388,797	176,539	176,539
<b>Financial position (at end of period)</b>			
Total current assets	1,164,337	888,949	913,280
Total assets	2,885,030	2,684,465	2,684,465
Total current liabilities	604,045	590,355	590,355
Total liabilities	1,277,584	1,386,305	1,386,305
Cash & cash equivalent	555,707	199,930	199,930

### NOTES:

1. as published in Ebro's 31 December 2009 Annual Financial Report
2. adjusted to take into account the discontinuation of Ebro's dairy business, Puleva Food.

Information about Ebro may also be obtained from Ebro's corporate website [www.ebrofoods.es/ep/en/home.jsp](http://www.ebrofoods.es/ep/en/home.jsp).

### 11.6 Rationale for Ebro's acquisition of SunRice

Ebro is looking to further implement its long-term international growth strategy, which has previously resulted in an international expansion program from its core market in Europe, of acquiring market leading operators in the international rice sector.

The acquisition of SunRice, with leading brand positions in its main markets including Australia, New Zealand, the Pacific Islands, Hong Kong, Singapore, Papua New Guinea, the Middle East and California/Hawaii in the United States of America, fits directly within this strategy.

### 11.7 Ebro's intention if the Scheme is implemented

If the Scheme is implemented, Ebro will hold all the shares in SunRice and, accordingly, SunRice will become a wholly-owned Subsidiary of Ebro.

This section 11.7 sets out Ebro's intentions in relation to:

- a. the continuation of the business of SunRice;
- b. any major changes to be made to the business of SunRice, including redeployment of the fixed assets of SunRice; and
- c. the future employment of the present employees of SunRice.

The intentions set out in this section 11.7 have been formed on the basis of facts and information concerning SunRice and the general business environment which is known to Ebro at the date of this Scheme Booklet, based on publicly available information and certain limited information that SunRice made available to Ebro as a result of enquiries made by Ebro. Final decisions will only be made by Ebro in light of all material facts and circumstances at the relevant time and after conducting a detailed review of the SunRice business. Accordingly, the statements set out in this section 11.7 are statements of present intention only, which may change as new information becomes available. Intentions of Ebro which may change on the basis of a detailed review do not include commitments under the Ebro Group Undertaking, including commitments in relation to the Paddy Purchase and Pricing Rules and the Grower Advisory Board. These commitments must be implemented by SunRice/Ebro in accordance with their terms.

### **SunRice Board**

If the Scheme is implemented, Ebro intends to replace the current Directors with nominees of Ebro; however, such nominees have not yet been identified.

### **Head office**

It is the intention of Ebro that SunRice's head office will remain at Leeton, New South Wales.

### **Intentions for the continuation of the SunRice business**

Ebro intends to continue to operate SunRice in a manner consistent with its existing business model, and will endeavour to grow the business through continued capital investment and by providing development opportunities to current employees and senior management.

In addition to the intentions noted above, Ebro will support the Australian rice growing industry pursuant to the Ebro Group Undertaking by:

- a. implementing a minimum rolling seven year rice purchasing commitment for rice grown in New South Wales as part of the Proposal (refer to section 9 of this Scheme Booklet for further details) (the **Rice Purchasing Commitment**);
- b. continuing SunRice's support of research and development in rice production;
- c. continuing SunRice's support of the Riverina region, the New South Wales rice farming industry and the local community including continuing support for the RGA;
- d. sharing its seeding and agronomical experience with the New South Wales rice industry; and
- e. establishing a Grower Advisory Board comprising three Grower representatives and three Ebro representatives.

Ebro considers SunRice's existing relationship with New South Wales rice growers to be fundamental to the success of the SunRice business and that the Rice Purchasing Commitment provides a base for building that relationship for the longer term.

Ebro believes Australian medium grain rice is a quality rice variety that has great potential in wider world markets. Ebro intends to use its best endeavours to further promote Australian medium grain rice as a high quality rice in the European Union and North American markets and the other markets in which Ebro operates with a view to increasing visibility and sales of Australian medium grain rice throughout the relevant world markets. In particular, Ebro intends to provide Growers with the ability to access new markets to sell rice through Ebro's existing supply networks throughout the world.

Ebro also considers SunRice's employees to be an integral part of the success of the SunRice business and expects that all employees currently employed by SunRice will be retained following the implementation of the Scheme.

## Section 11: About Ebro

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### 11.8 Funding arrangements for Scheme Consideration

If the Scheme becomes Effective, Scheme Shareholders will receive the Scheme Consideration of:

- a. \$50,000 per A Share; and
- b. \$3.618 per B Share (or \$5.025 per B Share should the Directors revoke their decision to pay the SunRice Dividend).

Based on SunRice's issued share capital as at the date of this Scheme Booklet, the maximum amount of cash required to be paid by Ebro to Scheme Shareholders under this Scheme is approximately \$314,577,490. This amount includes \$76,965,697 to be subscribed for 76,965,697 C Shares to fund the SunRice Dividend.

Ebro will fund the Scheme Consideration and the Implementation Subscription (for C Shares) by using its existing cash reserves. On the day of the Dividend Record Date, Ebro will deposit (in cleared funds) an amount equal to the aggregate Scheme Consideration (**Implementation Funds**) into a trust account operated by DLA Phillips Fox as trustee (being the Australian solicitors for Ebro). The Implementation Funds will only be returned to Ebro in the event that the Scheme is not implemented following the Effective Date, other than as a result of Ebro being in default under the terms of the Scheme Implementation Agreement.

DLA Phillips Fox (in its capacity as trustee) will direct that the Implementation Funds be paid into a trust account operated by SunRice as trustee on the Implementation Date for the purpose of paying the aggregate Scheme Consideration to the Scheme Shareholders.

### 11.9 Ebro's interests in A Shares and B Shares

#### Interest in Shares

As at the date of the Scheme Booklet neither Ebro, Ebro Directors nor Ebro's Associates have a relevant interest or voting power in any A Shares or B Shares.

#### Acquisition of SunRice's Shares by Ebro

Other than the proposed subscription by Ebro for C Shares to fund the SunRice Dividend and as otherwise described under this Scheme Booklet, in the four months prior to the date of this Scheme Booklet, neither Ebro nor any of its Associates have provided or agreed to provide any consideration for any Shares under a purchase or an agreement.

#### Pre-Scheme benefits

Other than as described under this Scheme Booklet, neither Ebro nor any of its Associates have given, or agreed to give, a benefit to another person that might induce that person to vote in favour of the Scheme or dispose of their Shares during the four month period immediately preceding the date of this Scheme Booklet, where that benefit was not offered to all Shareholders.

## Section 12:

Key terms of the Scheme Implementation Agreement

## Section 12: Key terms of the Scheme Implementation Agreement

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### 12.1 Overview

The Scheme Implementation Agreement was executed by SunRice and Ebro on 25 November 2010 and amended and restated on 11 February 2011 and 31 March 2011. It sets out the obligations of SunRice and Ebro in relation to the Proposal, bringing the Proposal to Shareholders and implementing the Proposal if it is approved.

A summary of the key elements of the Scheme Implementation Agreement is set out below and a full copy is available on the SunRice website at [www.sunrice.com.au](http://www.sunrice.com.au).

### 12.2 Scheme Conditions

Implementation of the Proposal is subject to the Scheme Conditions which must be satisfied or waived before the Proposal can be implemented. The Scheme Conditions are as follows:

- a. before 8.00am on the Second Court Date, either:
  - (i) the Treasurer of the Commonwealth of Australia or his delegate has provided a notice in writing (without any term or condition which Ebro reasonably considers unacceptable) stating or to the effect that, in terms of Australia's foreign investment policy, the Australian Government does not object to Ebro acquiring the Scheme Shares pursuant to the Scheme; or
  - (ii) the period provided for under FATA during which the Treasurer may make orders under section 18 or 22 of that Act, prohibiting the acquisition of the Scheme Shares by Ebro has elapsed without any such order being made; or
  - (iii) if an interim order under section 22 of the FATA prohibiting such acquisition is made, the subsequent period for making a final order prohibiting the acquisition of the Scheme Shares by Ebro, having elapsed without any such order being made;
  - (iv) before 8.00am on Second Court Date, the ACCC has notified Ebro or its advisors stating in substance that, based on the information available to it, the ACCC does not intend to take any action to oppose the Proposal;
- b. before 8.00am on the Second Court Date, Melanesian Trustee has provided a binding written waiver, in a form acceptable to Ebro, of its rights under rule 4.1 of the constitution of Trukai Industries resulting from the change of control of SunRice on the implementation of the Proposal;
- c. all applicable filings have been made under the United States Hart-Scott-Rodino Anti-Trust Improvement Act of 1976 or under the regulations made under that Act and all applicable waiting periods under that Act, all those regulations having expired, lapsed or been terminated as appropriate, in each case, in connection with the Proposal;
- d. before 8.00am on the Second Court Date, ASIC and NSX issue or provide any consents or approvals, as are necessary, or which Ebro and SunRice agree are necessary or desirable to implement the Proposal;
- e. the Independent Expert concludes in its Independent Expert's Report that in its opinion the Scheme is in the best interests of Shareholders and the Independent Expert does not publicly withdraw or qualify its conclusions before the Second Court Date;
- f. Shareholders agree to the Scheme and the Supporting Resolutions by the requisite majorities;
- g. no Ebro Prescribed Occurrence or SunRice Prescribed Occurrence occurs between 25 November and 8.00am on the Second Court Date (unless, being capable of remedy it is so remedied no later than 8.00am on the Second Court Date);
- h. there is no SunRice SIA Material Adverse Change or Ebro SIA Material Adverse Change between 25 November 2010 and 8.00am on the Second Court Date;
- i. the Ebro Warranties and SunRice Warranties are true and correct in all material respects as at 25 November 2010 and at 8.00am on the Second Court Date;
- j. no Government agency takes any action or imposes any legal restraint or prohibition to prevent the implementation of the Scheme which remains in force at 8.00am on the Second Court Date; and
- k. the Court approves the Scheme.

Of the Scheme Conditions set out above, the following have been satisfied:

- a. the binding waiver of Melanesian Trustee has been provided in relation to its rights under the constitution of Trukai Industries on a change of control of SunRice;
- b. Ebro has received a notification from the ACCC stating in substance that based on the information available to it, the ACCC does not intend to take any action in relation to the Proposal; and
- c. all applicable filings have been made under the United States Hart-Scott-Rodino Anti-Trust Improvement Act of 1976 or under applicable regulations and all applicable waiting periods have expired, lapsed or been terminated.

The term “**Ebro Prescribed Occurrence**” is defined in the Scheme Implementation Agreement and means that Ebro is the subject of an insolvency event including matters such as ceasing or threatening to cease to carry on business, having a liquidator, controller, receiver or similar insolvency official appointed, being subject to an order to wind up, suspending payments or entering a compromise with its creditors.

The term “**SunRice Prescribed Occurrence**” is defined in the Scheme Implementation Agreement. It covers certain events such as changes to the capital structure of SunRice, payment of dividends, breach of external debt financing, disposal or acquisition of assets over a certain value, insolvency events and entry into or variation of contracts over certain threshold levels, but excludes matters required by the Scheme Implementation Agreement or fairly disclosed by SunRice to Ebro or as agreed with Ebro.

Representations and warranties given by Ebro (**Ebro Warranties**) and SunRice (**SunRice Warranties**) are the type usual in a transaction of this nature. For example, SunRice warrants its current share capital, that it is validly incorporated, that the Scheme Implementation Agreement is binding on it and that information in the Scheme Booklet is compiled in good faith in compliance with applicable laws and regulations. Similarly, the Ebro Warranties include that Ebro is validly incorporated, the Scheme Implementation Agreement has been validly authorised and is binding on it, that the information it has provided in the Scheme Booklet has been provided in good faith and does not contain any material misstatement that is false or misleading in a material respect, including by omission and at relevant times it will have sufficient cash to comply with its obligations under the Scheme.

Ebro indemnifies SunRice and SunRice Group companies and their directors, officers, employees, agents and advisors against all claims and loss which they incur by reason of a breach of any of the Ebro Warranties.

SunRice indemnifies Ebro and Ebro Group companies and their directors, officers, employees, agents and advisors against all claims and loss which they incur by reason of a breach of any of the SunRice Warranties except where SunRice pays the break fee referred to in section 12.4.

The terms “**SunRice SIA Material Adverse Change**” and “**Ebro SIA Material Adverse Change**” are described in section 12.6.

As at the date of the Scheme Booklet, SunRice is not aware of any reason why any of the Scheme Conditions (other than the Court Approval) will not be satisfied by 8.00am on the Second Court Date.

### **12.3 No talk no shop obligations**

SunRice has agreed that during the period from 25 November 2010 until the earlier of termination of the Scheme Implementation Agreement, the date it is implemented or the End Date (**Exclusivity Period**), SunRice must not and must ensure that its Authorised Persons do not breach any of the following (**No Talk Obligations**), except with the prior written consent of Ebro:

- a. negotiate or enter into a Competing Proposal;
- b. continue to negotiate or participate in negotiations or discussions in relation to, or in the expectation of receiving, a Competing Proposal;
- c. solicit or invite a Competing Proposal or expression of interest or offer or invitation which may lead to a Competing Proposal; or
- d. initiate discussions with any third party with a view to obtaining any expression of interest, offer or proposal from any person in relation to, or which may reasonably be expected to lead to, a Competing Proposal.

## Section 12: Key terms of the Scheme Implementation Agreement

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However, SunRice and its Authorised Persons may do an act which would otherwise be prohibited under the No Talk Obligations if the Board acting in good faith determines:

- a. the relevant action is in response to a bona fide Competing Proposal which was not solicited or invited in contravention of the No Talk Obligations; or
- b. where there is a bona fide third party expression of interest or offer or invitation or proposal with respect to a transaction which the Board reasonably expects to lead to a Competing Proposal and which was not solicited or invited in contravention of the No Talk Obligation,

and the Board has received written legal advice from SunRice's external legal advisors that failing to respond to the said Competing Proposal, expression of interest, offer, invitation or proposal would be likely to involve a breach of its fiduciary or statutory duties.

During the Exclusivity Period, SunRice must promptly (and in any event within 48 hours) notify Ebro if it or any of its Authorised Persons receive a Competing Proposal or a communication, invitation, approach or enquiry which could reasonably be expected to lead to a Competing Proposal. The obligations of SunRice to notify Ebro do not apply to the extent that SunRice has received legal advice from its external legal advisors that notifying Ebro of the communication, invitation, approach or enquiry (as relevant) will be likely to involve a breach of a duty of the Directors of SunRice or otherwise be a breach of law (except breach of a confidentiality agreement in relation to the communication, invitation, approach or enquiry).

### 12.4 SunRice Break Fee

SunRice has agreed to pay Ebro an amount of \$3,148,000 (exclusive of GST) (**SunRice Break Fee**) if at any time during the term of the Scheme Implementation Agreement a Competing Proposal is announced and within nine months thereafter, the Competing Proposal is implemented or becomes free of any defeating conditions. The SunRice Break Fee is not payable merely because the resolutions submitted to Scheme Meetings are not approved by the majorities required under the Corporations Act or the Supporting Resolutions are not passed by the requisite majorities.

### 12.5 Ebro Group Undertaking

Ebro and SunRice each agreed that they would execute and deliver the Ebro Group Undertaking prior to the despatch of the Scheme Booklet. The Ebro Group Undertaking has been duly executed by both Ebro and SunRice and is attached at Annexure F to this Scheme Booklet. The Ebro Group Undertaking is more particularly described in section 9.

### 12.6 Termination of Scheme Implementation Agreement

Ebro or SunRice may by notice in writing to the other, terminate the Scheme Implementation Agreement at any time prior to the Second Court Date:

- a. if the other is in breach of any of its material obligations and fails to remedy that breach within five Business Days of a receipt of a notice setting out details of the circumstances and requesting remedy of the breach or by 8.00am on the Second Court Date if that is sooner;
- b. if the Board has publicly recommended a Competing Proposal, provided that SunRice may only terminate the Scheme Implementation Agreement in these circumstances if at all times prior to putting such Competing Proposal to relevant Shareholders, SunRice has complied with its No Talk Obligations; or
- c. a Scheme Condition is not satisfied or waived or is incapable of satisfaction or waiver and SunRice and Ebro are unable to reach agreement within five Business Days or 8.00am on the Second Court Date, if that is earlier, on an alternative means to proceed or on an extension of time.

SunRice may terminate the Scheme Implementation Agreement by notice to Ebro on or before 8.00am on the Second Court Date, if:

- a. at any time prior to 8.00am on the Second Court Date, Ebro breaches an Ebro Warranty and fails to remedy that breach within five Business Days of notice to remedy the breach or the breach cannot be remedied by 8.00am on the Second Court Date and the breach is of a kind that, had it been disclosed to SunRice prior to entry into the Scheme Implementation Agreement, it could reasonably be expected to have resulted in SunRice either not entering into the agreement or entering into it on materially different terms; or
- b. the breach amounts to, or results in, or discloses, an Ebro SIA Material Adverse Change.

Ebro may by notice in writing to SunRice terminate the Scheme Implementation Agreement at any time prior to 8.00am on Second Court Date if:

- a. SunRice commits a breach of a SunRice Warranty and fails to remedy that breach within five Business Days of notice to remedy or the breach cannot be remedied by subsequent action on the part of SunRice before 8.00am on the Second Court Date and the breach is of a kind that had it been disclosed to Ebro prior to its entry into the Scheme Implementation Agreement, it could reasonably be expected to have resulted in Ebro not entering into the Scheme Implementation Agreement or entering into that Agreement on materially different terms; or
- b. the breach amounts to, or results in, or discloses, a SunRice SIA Material Adverse Change.

An “**Ebro SIA Material Adverse Change**” is essentially a deliberate or reckless act of Ebro or a Change of Law reasonably likely to have a material adverse effect on the ability of Ebro to carry out its obligations under the Scheme Implementation Agreement.

A “**SunRice SIA Material Adverse Change**” is a deliberate or reckless act of SunRice or a Change of Law reasonably likely to have a material adverse effect on the business assets, liabilities, financial or trading position, profitability or prospects if the SunRice Corporate Group taken as a whole, other than as contemplated in the Scheme Implementation Agreement or fairly disclosed to Ebro before execution of the Scheme Implementation Agreement or a Change of Law publicly announced before the date of the Scheme Implementation Agreement. A change to the Rice Marketing Act is not a relevant Change of Law unless it results in SunRice losing its ability to export rice grown in New South Wales and not being able to regain it before the Second Court Date.

If the Scheme does not become Effective by the **End Date** (30 June or such later date as Ebro and SunRice agree) and no Competing Proposal has been publicly recommended by SunRice, then SunRice and Ebro will consult in good faith in relation to changes to Scheme Conditions or extensions of time to achieve the Proposal. If agreement cannot be reached within five Business Days then either Ebro or SunRice may terminate the Scheme Implementation Agreement. A party may not so terminate if it has caused the failure to satisfy a Scheme Condition by deliberate act or omission or breach. If termination follows or results from a breach by a party that party may be liable in damages to the other.

The Scheme Implementation Agreement automatically terminates if the Proposal is not approved by the necessary majorities at the various Meetings.

The Scheme will lapse if after it becomes Effective it is not implemented by the End Date (the later of the date determined as set out above and the 30th Business Day after the Effective Date) or, before it is implemented it is terminated by SunRice because Ebro has not subscribed for the Implementation Shares as agreed.

## 12.7 C Shares

Ebro has agreed to subscribe \$76,965,697 for C Shares (**Implementation Shares**) to fund the payment by SunRice of the SunRice Dividend. The terms of these C Shares and the implications of their issue are more fully explained in section 9.18.

## 12.8 Deed Poll

On 12 April 2011, Ebro executed the Deed Poll. A copy of the Deed Poll is at Annexure E. Under the Deed Poll Ebro undertakes, subject to the Scheme becoming Effective, to make the subscription for Implementation Shares to fund the SunRice Dividend and to procure the deposit of an amount sufficient to pay the Scheme Consideration to Scheme Shareholders into a trust account operated by SunRice as trustee for Scheme Shareholders. Under the Scheme, SunRice must pay the Scheme Consideration to Scheme Shareholders.

## 12.9 Other matters

If any stamp duty is payable in connection with the Scheme, Ebro has an obligation under the Scheme Implementation Agreement to pay the stamp duty.

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## Section 13:

Implementation of the Proposal

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## Section 13: Implementation of the Proposal

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### 13.1 Scheme Meetings

On or about the date of this Scheme Booklet, the Court ordered that the Meetings be convened in accordance with the Notice of A Scheme Meeting and the Notice of B Scheme Meeting and appointed Gerry Lawson to chair both the Scheme Meetings. The Notice of A Scheme Meeting is set out in Annexure A and the Notice of B Scheme Meeting is set out in Annexure B to this Scheme Booklet.

Each holder of an A Share or B Share who is registered on the Share Register at 7.00pm on Sunday, 29 May 2011 is entitled to attend and vote at either or both of the:

- a. A Scheme Meeting (which is a meeting of the holders of A Shares); and
- b. B Scheme Meeting (which is a meeting of the holders of B Shares).

Voting may be in person or by proxy or attorney or, in the case of a body corporate, by its corporate representative appointed in accordance with section 250D of the Corporations Act. Voting at each Scheme Meeting will be by poll.

Instructions on how to attend and vote at the Scheme Meetings (in person or by proxy) are set out in section 8 of this Scheme Booklet and in the notes for the Notices of Scheme Meetings in Annexures A and B of this Scheme Booklet.

Approval of the Scheme requires approval of the Scheme by the holders of A Shares at the A Scheme Meeting and approval of the Scheme by the holders of B Shares at the B Scheme Meeting. Further, the Proposal will not be implemented unless the Supporting Resolutions are passed at the Extraordinary General Meeting.

### 13.2 Extraordinary General Meeting

SunRice has convened the Extraordinary General Meeting to take place immediately following the Scheme Meetings. The holders of A Shares at 7.00pm on Sunday, 29 May 2011 are entitled to attend and vote at the Extraordinary General Meeting.

Voting may be in person or by proxy or attorney or, in the case of a body corporate, by its corporate representative appointed in accordance with section 250D of the Corporations Act. Voting at the Extraordinary General Meeting will be by poll.

Instructions on how to attend and vote at the Extraordinary General Meeting (in person or by proxy) are set out in section 8 of this Scheme Booklet and in the notes for the Notice of Extraordinary General Meeting in Annexure C of this Scheme Booklet.

The Supporting Resolutions have no effect unless the Scheme is approved by the holders of A Shares and B Shares and becomes Effective.

### 13.3 Court approval of the Scheme

In the event that:

- a. the Scheme is agreed to by the requisite majorities of the holders of A Shares and the holders of B Shares at, respectively, the A Scheme Meeting and the B Scheme Meeting;
- b. the Supporting Resolutions have been passed by the requisite majorities at the Extraordinary General Meeting; and
- c. all the Scheme Conditions have been satisfied or waived if they are capable of being waived (see section 12.2),

SunRice will apply to the Court for orders approving the Scheme. Each Shareholder has the right to appear at the Second Court Hearing.

### 13.4 Effective Date

The Scheme will become Effective on the Effective Date, being the date an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. On the date the Scheme becomes Effective, SunRice will give notice of that event to NSX. SunRice intends to apply to NSX for the B Shares to be suspended from official quotation on NSX from the close of trading on the Effective Date. The Effective Date is proposed to be the day following the Second Court Date, subject to approval of the Scheme and the Supporting Resolutions by the requisite majorities.

SunRice may apply for a trading halt on the Second Court Date and, if the Proposal is approved, seek suspension of trading of B Shares on the same day. In such case, B Shares will not trade after the Second Court Date.

### **13.5 Determination of the SunRice Dividend**

Following the Meetings and provided the Scheme has been approved by the requisite majorities and the Supporting Resolutions have been passed by the requisite majorities, SunRice proposes to determine to pay the SunRice Dividend to the holders of B Shares. The Dividend Record Date for the SunRice Dividend would be the seventh Business Day following the date of the Meetings, that is, on the current timetable, Thursday, 9 June 2011. Subject to Ebro complying with its obligations to make the Implementation Subscription on the Dividend Record Date, the SunRice Dividend would be paid on Friday, 10 June 2011 to the holders of B Shares on the Share Register on the Dividend Record Date.

### **13.6 Scheme Record Date**

Shareholders on the Share Register on the Scheme Record Date will become entitled to the Scheme Consideration in relation to the transfer of their Shares to Ebro and are referred to as "Scheme Shareholders" and their Shares are "Scheme Shares". The Scheme Record Date is scheduled at this stage to be Thursday, 16 June 2011 with implementation of the Proposal by transfer of Scheme Shares to Ebro occurring on Friday, 17 June 2011.

### **13.7 Determination of persons entitled to the Scheme Consideration**

Persons on the Share Register of SunRice as holding A or B Shares at the Scheme Record Date (expected to be 7.00pm on Thursday, 16 June 2011) will be Scheme Shareholders and entitled to receive the relevant Scheme Consideration for their Shares.

In relation to B Shares, which may be traded, for the purposes of determining who is a Scheme Shareholder, dealings in B Shares will be recognised if:

- a. in the case of dealings of the type effected by NETS, the transferee is registered in the Register as the holder of the relevant shares by the Scheme Record Date; and
- b. in all other cases, share transfer forms and registrable formal transmission applications in respect of those dealings are received at the place where the Register is kept prior to the Scheme Record Date.

SunRice is obliged to register any registrable transfers or transmission applications relating to B Shares received in accordance with the above by the Scheme Record Date. SunRice will not accept for registration or recognise for any purpose any transfer, transmission or application in respect of B Shares received after 7.00pm on the Scheme Record Date, other than a transfer to Ebro in accordance with the Scheme.

For the purposes of determining entitlements to Scheme Consideration, SunRice must, until the Scheme Consideration has been paid, maintain, or cause the Registrar to maintain, the Share Register in accordance with the provisions of the Scheme and entitlements to the Scheme Consideration will be determined solely on the basis of the Share Register.

After 7.00pm on the Scheme Record Date, any share certificate or holding statement for A Shares and B Shares other than statements of holding in favour of Ebro and its successors will cease to have any effect as a document of title in respect of those Shares and each current entry on the Share Register as at 7.00pm on the Scheme Record Date will cease to have any effect, other than as evidence of the entitlement of Scheme Shareholders to the Scheme Consideration (other than entries in respect of Ebro).

### **13.8 Ebro funding**

Ebro has stated that it will fund the subscription for the Implementation Shares and the payment of the Scheme Consideration from its own cash resources. On the day of the Dividend Record Date, Ebro will deposit (in cleared funds) an amount equal to the aggregate Scheme Consideration (Implementation Funds) into a trust account operated by DLA Phillips Fox as trustee (being the Australian solicitors for Ebro). The Implementation Funds will only be returned to Ebro in the event that the Scheme is not implemented following the Effective Date, other than as a result of Ebro being in default under the terms of the Scheme Implementation Agreement.

DLA Phillips Fox (in its capacity as trustee) will direct that the Implementation Funds be paid into a trust account operated by SunRice as trustee on the Implementation Date for the purpose of paying the aggregate Scheme Consideration to the Scheme Shareholders.

## Section 13: Implementation of the Proposal

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### 13.9 Implementation Date

It is proposed that the Implementation Date be the Business Day immediately following the Scheme Record Date or such later Business Day, no later than three Business Days after the Scheme Record Date, as the parties agree. Ebro must procure that its solicitors pay the Scheme Consideration to SunRice as trustee for Scheme Shareholders. Thereafter, the Scheme Shares will be transferred to Ebro without need for further acts by Scheme Shareholders. SunRice must pay the Scheme Consideration to Scheme Shareholders within five Business Days. Payment will be made by cheque or direct deposit (if SunRice has a record of a Scheme Shareholder's account for this purpose).

### 13.10 Delisting of SunRice

On a date after the Implementation Date to be determined by Ebro, SunRice will apply to terminate the official quotation of B Shares on NSX and to have SunRice removed from the official list of NSX.

### 13.11 Review of holdings of A Shares

As set out in section 9.19, certain persons may be entitled to make an application for compensation in connection with the redemption of their A Share in February 2010. If an A Share which was redeemed was held jointly, all holders must make and be bound by one application.

Applications from entitled persons must be made on the form which is Annexure A to Schedule 3 of the Ebro Group Undertaking (see pages 208 to 220 of this Scheme Booklet). Applicants may download a PDF copy of the application from the SunRice website or contact the SunRice Information Line (1800 643 604 toll free or +61 2 8256 3383 if overseas) and ask for one to be sent to them. The applicant must include with their application all written material and a detailed recount of any verbal statements that they wish to rely on.

The application must reach SunRice at the address set out in the Review Rules no later than the date which is one calendar month after the Implementation Date or, if that is not a Business Day, the immediately following Business Day (**Cut-off Date**).

SunRice must appoint a retired Judge to assess applications (**Decision Maker**). In making determinations in relation to applications, the Decision Maker will:

- a. have regard to applicable principles of substantive law, including any relevant discretions;
- b. have regard to the nature of the Review Mechanism and of the evidence able to be considered for the purposes of the Review Mechanism; and
- c. award compensation to entitled persons having regard to the total amount available for compensation of all claims (\$2,500,000 inclusive of the costs of the Review Mechanism) and the maximum compensation of \$50,000 in relation to any one application.

Applicants may be required to provide further information about their application and meet with the Decision Maker. Applicants are bound by the Review Rules, the application is irrevocable and the decision of the Decision Maker is final and binding. The Decision Maker is not required to give reasons for any decision.

Within 30 days after the end of the nine month period following the Cut-off Date, SunRice will receive a report in relation to the outcome of the Review Mechanism containing:

- a. details of the applications received;
- b. details of applications rejected by the Decision Maker;
- c. details of applications determined by the Decision Maker to justify a conclusion that the applicant has a claim; and
- d. details of applicants determined to be entitled to compensation and the amount determined in respect of each and required to be paid by SunRice.

Promptly after receipt of the report referred to above SunRice must:

- a. notify applicants of the decision made by the Decision Maker in respect of their application; and
- b. implement the decision of the Decision Maker by payment of compensation (if any) determined by the Decision Maker to be payable.

SunRice must pay, and Ebro agrees to procure that SunRice pays all compensation determined by the Decision Maker under the Review Rules.

# Section 14:

Taxation

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## Section 14: Taxation

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### 14.1 Background

This outline contains a general overview of the Australian income tax implications of the Scheme for Shareholders who are Australian residents for taxation purposes, who hold their Shares on capital account and who are Scheme Shareholders.

The outline does not discuss the taxation implications for the following Shareholders:

- a. Shareholders who hold their Shares on revenue account; and
- b. non-Australian resident Shareholders.

All Shareholders should seek independent professional advice on the taxation implications of the Scheme based on their particular circumstances.

SunRice has applied for a Class Ruling from the ATO on certain matters discussed in this section, including:

- a. the assessability of the SunRice Dividend proposed to be paid by SunRice to the holders of B Shares;
- b. the ability of the holders of B Shares to claim a franking tax offset in respect of the SunRice Dividend; and
- c. confirmation that the SunRice Dividend will be included in the capital proceeds of the B Shares under the Scheme.

The following commentary is based on a favourable draft Class Ruling which has been obtained from the ATO in relation to the above matters. The ATO is currently in the process of issuing the final Class Ruling. SunRice will post the final Class Ruling on its website as soon as it becomes available.

### 14.2 SunRice Dividend – B Shares

#### Assessability of SunRice Dividend

If the SunRice Dividend is determined by the Directors in respect of the B Shares, Shareholders who receive the SunRice Dividend should include the SunRice Dividend in their assessable income in the year the SunRice Dividend is received.

If the SunRice Dividend is determined by the Directors, the SunRice Dividend is expected to be a fully franked dividend. Accordingly, the amount included in assessable income should be the cash amount of the SunRice Dividend 'grossed-up' by the franking credits attached to the SunRice Dividend, i.e. \$2.01.

#### Holding period requirement and franking tax offset

The holders of B Shares are entitled to offset their tax liability by the amount of franking credits attached to the SunRice Dividend provided they are a "qualified person" in relation to the SunRice Dividend.

A holder of B Shares will be a "qualified person" if they hold their shares "at risk" for at least 45 clear continuous days in the period from 26 April 2011 to 15 June 2011.

An example of where a holder of B Shares may not be considered to hold their Shares "at risk" is where a hedging relationship is entered into in respect of those Shares.

Where the franking tax offset is higher than the tax liability of the holder of B Shares for an income year, that holder of B Shares, if an individual or complying superannuation fund, may be entitled to a refund of the difference.

## 14.3 Disposal of A Shares and B Shares

### CGT

The disposal of Shares on acquisition by Ebro will give rise to a CGT event.

#### **A Shares**

A holder of A Shares will make a capital gain as the capital proceeds from the disposal are greater than the tax cost base of their A Shares. As holders of A Shares have not paid anything to acquire their A Shares, the tax cost base of those shares will be limited to any incidental costs of acquisition.

The holders of A Shares may be entitled to the CGT Discount depending on the type of Shareholder and the time the A Shares were acquired. This is discussed further below.

#### **B Shares**

##### a. Cost base

The holders of B Shares will make a capital gain or capital loss depending on the tax cost base of their B Shares. The tax cost base of the B Shares will generally include their original or deemed cost of acquisition, plus any incidental costs incurred in relation to their acquisition.

Where a holder of B Shares received additional B Shares when SunRice converted from a co-operative to a company, (whether as a member or qualifying ex-member at that time), the tax cost base and acquisition dates of the additional B Shares should be modified as follows:

- (i) additional B Shares issued in relation to original B Shares which are taken to be acquired before 20 September 1985, are also taken to be acquired before 20 September 1985 (please refer to our comments below in relation to pre-CGT B Shares);
- (ii) additional B Shares issued in relation to original B Shares which are acquired, or taken to be acquired, on a day on or after 20 September 1985, are taken to be acquired on that day.

The tax cost base of the original B Shares is then apportioned in a reasonable way across both the original B Shares and the additional B Shares. This will then form the tax cost base in order to determine the taxable capital gain or capital loss in relation to the Scheme Consideration.

For further information in respect of the relevant tax cost base for your B Shares issued when SunRice converted from a co-operative to a company, please refer to Class Ruling CR 2005/68 and your tax advisor.

##### b. Capital gain

The holders of B Shares will make a capital gain if the capital proceeds from the disposal are greater than the tax cost base of their B Shares. Under the terms of the Scheme, the capital proceeds should be \$5.025. However, where the holder of a B Share is in a capital gain position, the capital proceeds will be reduced by the amount of the SunRice Dividend of \$1.407. In calculating the capital gain, the holders of B Shares may be entitled to CGT concessions such as the CGT Discount, indexation or pre-CGT exemption (discussed below), depending on the type of Shareholder and the time the B Shares were originally acquired.

##### c. Capital loss

The holders of B Shares will make a capital loss if the capital proceeds from the disposal are less than the reduced tax cost base of their B Shares. For this purpose, the capital proceeds will not be reduced by the amount of the SunRice Dividend and will therefore be \$5.025.

## Section 14: Taxation

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### 14.4 CGT rollover in respect of B Shares that were Former Co-operative Interests

#### Pre-CGT B Shares

Some B Shares could potentially be pre-CGT shares where interests in the Co-operative were acquired prior to 20 September 1985 and those interests were converted into B Shares when the Co-operative became a company in 2005.

Where the B Shares are pre-CGT shares, the holder of those B Shares will not be subject to CGT on the capital proceeds in respect of those B Shares. It should be noted however that the SunRice Dividend will still be included in assessable income as per the comments above.

#### B Shares eligible for indexation

Some B Shares could potentially be eligible for indexation of the tax cost base where interests in the Co-operative were acquired on or after 20 September 1985 but prior to 11.45am on 21 September 1999, and those interests were converted into B Shares when the Co-operative became a company in 2005.

Holders of B Shares who acquired their interests in the Co-operative prior to 11.45am on 21 September 1999 can elect to apply indexation to the cost base of their Shares up to 30 September 1999.

Shareholders who elect to apply indexation may not also apply the CGT Discount.

The above treatment in respect of pre-CGT shares and shares eligible for indexation will only apply if the holder of the B Shares has acquired the interest in the Co-operative at the relevant time and has also elected for CGT rollover to apply in relation to the 2005 conversion into a company in accordance with Class Ruling CR 2005/68.

We recommend that you speak to your tax adviser to determine the appropriate treatment of your B Shares in this regard.

### 14.5 CGT Discount – A Shares and B Shares

Broadly, individuals, trusts and complying superannuation funds that have held their A Shares or B Shares for at least 12 months prior to the Implementation Date of the Scheme should be entitled to the CGT Discount in calculating the amount of the capital gain on the disposal of their A Shares or B Shares.

The applicable CGT Discount which will reduce a capital gain arising from the disposal of the A Shares or B Shares is as follows:

- a. 50% for individuals and trustees (except a trust that is a complying superannuation trust); and
- b. 33.33% for a complying superannuation trust.

The CGT Discount is not available to Shareholders that are companies.

The rules described above relating to the CGT Discount and trusts are complex. Trustees should seek their own advice as to how the CGT Discount provisions apply to them and their beneficiaries, having regard to their own particular circumstances.

### 14.6 Stamp duty

No stamp duty should be payable by any Shareholder on the disposal of their Shares to Ebro. Ebro, as the transferee/acquirer of those Shares, will be the party who will be liable for any stamp duty that is payable in respect of the Scheme.

### 14.7 GST

You will not be liable to pay GST on the Scheme Consideration you receive for your Shares.

# Section 15:

Additional information

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## Section 15: Additional information

### 15.1 Shares on issue

As at Friday, 15 April 2011, the last Trading Day before this Scheme Booklet was lodged with ASIC for registration, the following securities were on issue:

A Shares: 794

B Shares: 54,701,988.

### 15.2 Constitutional restrictions and the Supporting Resolutions

#### Constitutional changes

The first resolution set out in the Notice of Extraordinary General Meeting is for the approval of changes to the Constitution by special resolution of the holders of A Shares.

Below is a table setting out the impact of the proposed changes to the Constitution. These changes take effect on the Effective Date of the Scheme. The changes described in items 4, 8, 9, 10 and 11 are only relevant if the Scheme is implemented by the transfer of all the A Shares and B Shares to Ebro. If the Scheme becomes Effective but is not implemented because Ebro does not subscribe for the Implementation Shares, the changes other than changes to enable all Shareholders to attend the general meeting (regardless of whether they have voting rights) will have no practical effect. If the Scheme becomes Effective but is not implemented even though Ebro does subscribe for the Implementation Shares, the changes referred to in items 4, 8, 9, 10 and 11 will have no practical effect. In such case, the A Shares and B Shares will continue to be held by the current holders and the restrictions on the issue and transfer of A Shares and B Shares and the regime connected with the appointment of directors will continue to apply.

NO.	PROPOSED CHANGE	EXPLANATION
1.	<p>It is proposed that:</p> <p>a. the following definitions be included (in the relevant alphabetical order) in rule 1.1:</p> <ul style="list-style-type: none"><li>• “<b>C Class Share</b>” means a preference Share having the rights conferred on C Class Shares by this Constitution”;</li><li>• “<b>LIBOR</b>” (with respect to determining a dividend on C Class Shares) means the applicable Screen Rate as at the time the Directors determine that a dividend is payable pursuant to the Constitution and the Corporations Act”;</li><li>• “<b>Scheme</b>” means the proposed scheme of arrangement pursuant to Part 5.1 of the Act between the Company and Scheme Shareholders in respect of all Scheme Shares”;</li><li>• “<b>Screen Rate</b>” means the British Bankers Association Interest Settlement Rate for Australian dollars at a “1M” period (30 days) displayed on the page entitled “BBA LIBOR” on Thomson Reuters”; and</li></ul> <p>b. the definition of “<b>Elected RMB Member</b>” be deleted from rule 1.1.</p>	<p>As explained in section 9.2 of this Scheme Booklet, Ebro has agreed to subscribe \$76,965,697 for the issue to Ebro of 76,965,697 C Shares in order to enable SunRice to pay the SunRice Dividend. Certain changes are required to the Constitution in order to allow the issue of the C Shares to occur and to accommodate implementation of the Scheme.</p> <p>The additional definitions are required in order that the terms “C Class Share”, “LIBOR”, “Scheme” and “Screen Rate” can be used throughout the Constitution.</p> <p>The term “<b>Elected RMB Member</b>” is no longer required because the RMB will not have any of its members sit on the Board of SunRice. Rather, the RMB will be represented on the Grower Advisory Board.</p>

NO.	PROPOSED CHANGE	EXPLANATION
2.	It is proposed that the interpretation rule (rule 1.2(m)) be updated to provide that <i>"a word or phrase defined in the Scheme has the same meaning in this Constitution unless a contrary intention appears"</i> .	<p>The purpose of this proposed new rule regarding interpretation is to link the definitions contained in the Scheme to the Constitution. This means that the definitions already defined in the Scheme do not have to be redefined in the Constitution.</p> <p>Examples of words defined in the Scheme that are proposed to be included in the Constitution through the operation of the new rule 1.2(m) include "Ebro", "End Date", "Effective Date" and "Scheme Implementation Agreement".</p>
3.	It is proposed that rule 3.1 of the Constitution be amended to include C Shares as an additional class of shares in SunRice.	Currently the Constitution only provides for SunRice's share capital to be divided into A Shares and B Shares. The proposed amendment to rule 3.1 is required in order to enable C Shares (an additional class of shares) to be issued by SunRice. This amendment will enable Ebro to subscribe for 76,965,697 C Shares at an issue price of \$1 per C Share.
4.	<p>It is proposed that a new rule 4A be included above the current rule 4.1 as follows:</p> <p><i>"Rules 4.1, 4.2, 4.3, 4.5, 4.6, 4.7, 9.1 and 9.4 do not apply to Ebro or to the transfer of all of the Scheme Shares to Ebro on the Implementation Date pursuant to the Scheme provided that Rule 9.5(a) applies to such transfer of Scheme Shares to Ebro as if it referred to A Class Shares and B Class Shares"</i>.</p>	<p>The effect of the proposed rule 4A is to enable Ebro to acquire 100% of the A Shares and B Shares under the Scheme. Without this change the Scheme could not be implemented. New rule 4A provides that if the Scheme is implemented the following provisions do not apply to Ebro as a shareholder or the transfer of shares to Ebro:</p> <ul style="list-style-type: none"> <li>• there is no maximum holding of A Shares or B Shares;</li> <li>• there are no restrictions on the issue or transfer of A Shares or B Shares;</li> <li>• there are no consequences of breach in the event that Ebro holds more than the maximum number of A Shares or B Shares; and</li> <li>• the definitions provided for in rule 4.7 do not apply given that rules 4.1, 4.2, 4.3, 4.5 and 4.6 are not applicable to Ebro.</li> </ul> <p>The change to Rule 9.5(a) is to provide for a form of transfer for the A Shares.</p>

## Section 15: Additional information

NO.	PROPOSED CHANGE	EXPLANATION
5.	<p>It is proposed that a new rule 5.2A be inserted below the current rule 5.2 to provide for the rights attaching to the C Shares. C Shares are non-voting shares entitling their holder to a dividend in preference to any dividend paid on the B Shares except that the preferred dividend will be zero if the Scheme is not implemented because of the default of Ebro. On a redemption of A Shares or a winding up of SunRice, any dividend owing but unpaid on the C Shares will be subordinated to the right of the holders of A Shares to be repaid the amount paid up on the A Shares. C Shares entitle their holder to participate in priority to holders of B Shares, equally with other holders of C Shares and behind holders of A Shares in respect of the repayment of capital and the distribution of surplus in the event of a winding up of SunRice.</p> <p>The rights attaching to C Shares are set out in detail in the Notice of Extraordinary General Meeting.</p>	<p>Currently, the Constitution only sets out the rights attaching to A Shares and B Shares. In order for the Board to be able to issue 76,965,697 C Shares to Ebro, the rights attaching to those C Shares need to be included in the Constitution in a similar way to the rights attaching to the A Shares and B Shares which are set out in rules 5.1 and 5.2 respectively.</p>
6.	<p>It is proposed that rule 10.2(a)(i) be amended by replacing the words <i>"an A Class Shareholder"</i> with <i>"a Shareholder"</i>.</p>	<p>Currently rule 10.2(a)(i) only provides for holders of A Shares to receive 21 days' notice of a general meeting.</p> <p>The effect of amending rule 10.2(a)(i) to read <i>'a Shareholder'</i> (rather than <i>'an A Class Shareholder'</i>) is to enable all Shareholders (i.e. the holders of A Shares, B Shares and C Shares) to receive 21 days' notice of a general meeting.</p>
7.	<p>It is proposed that rule 10.2(e) be amended by replacing the words <i>"the A Class Shareholder"</i> with <i>"the Shareholders"</i>.</p>	<p>Currently rule 10.2(e) only provides for a general meeting to be simultaneously held at two or more venues in order to give holders of A Shares a reasonable opportunity to participate.</p> <p>The effect of amending rule 10.2(e) is to give all Shareholders (i.e. the holders of A Shares, B Shares and C Shares) a reasonable opportunity to participate in general meetings.</p>
8.	<p>It is proposed that a new rule 10.5A be included above the current rule 10.5 as follows:</p> <p><i>"Rule 10.5 does not apply if Ebro is the sole Shareholder following the implementation of the Scheme."</i></p>	<p>Currently rule 10.5(b) provides that a quorum for a general meeting is 10 or more holders of A Shares.</p> <p>The effect of the proposed new rule 10.5A is to allow for a quorum to be constituted at a general meeting of SunRice by the attendance of only Ebro once Ebro has become the sole Shareholder of SunRice following the Implementation of the Scheme.</p>

NO.	PROPOSED CHANGE	EXPLANATION
9.	<p>It is proposed that a new rule 11.1A be included above the current rule 11.1 as follows:</p> <p><i>"On implementation of the Scheme, by which Ebro becomes the sole Shareholder, then Rule 11.1 is to operate as if it were amended as follows:</i></p> <ul style="list-style-type: none"> <li>rule 11.1(a) was deleted and replaced with <i>"The Board will comprise up to ten (10) Directors who are on implementation of the Scheme, nominated by Ebro in accordance with clause 7 of the Scheme Implementation Agreement and thereafter elected by the A Class Shareholders in accordance with Rule 11.1(h). All Directors must be natural persons and at least 18 years old."</i></li> <li>rule 11.1(a)(i) was deleted;</li> <li>rule 11.1(a)(ii) was deleted;</li> <li>rule 11.1(a)(iii) was deleted;</li> <li>rule 11.1(b) was deleted;</li> <li>rule 11.1(d) was deleted;</li> <li>rule 11.1(f) was deleted;</li> <li>rule 11.1(g) was deleted; and</li> <li>rule 11.1(h) was replaced with <i>"Directors referred to in rule 11.1(a) will be nominated by the Board and elected by A Class Shareholders in general meeting"</i>.</li> </ul>	<p>Currently the Constitution provides for the Board to be made up of:</p> <ul style="list-style-type: none"> <li>three elected Grower members of the RMB (who must also be holders of A Shares);</li> <li>three persons with appropriate experience nominated for election by the other directors. One of these additional directors only may be an employee of SunRice; and</li> <li>four holders of A Shares other than Elected RMB Directors and who are elected by the holders of A Shares.</li> </ul> <p>The proposed changes will operate only if the Scheme is implemented and enables SunRice to comply with its obligations to Ebro under the Scheme Implementation Agreement which provides that on the Implementation Date (subject to the Scheme Consideration having been paid in full to the Scheme Shareholders and receipt by SunRice of signed consents to act as directors of SunRice) SunRice must:</p> <ul style="list-style-type: none"> <li>take all necessary actions to appoint persons nominated by Ebro as new directors of SunRice and its Subsidiaries; and</li> <li>procure that all Directors (other than the new directors) resign from the Board.</li> </ul> <p>If Ebro is the sole holder of Shares on implementation of the Scheme, the Board will be constituted by 10 persons nominated by Ebro on implementation of the Scheme and thereafter elected by the holders of A Shares (Ebro).</p>
10.	<p>It is proposed that a new rule 11.2A be inserted above the current rule 11.2:</p> <p><i>"Rule 11.2 does not apply if Ebro is the sole Shareholder following the implementation of the Scheme."</i></p>	<p>New rule 11.2A deletes the election process of Active Grower Directors which is redundant in the event that Ebro becomes the sole holder of all the A Shares following implementation of the Scheme.</p>
11.	<p>It is proposed that a new rule 11.10A be inserted above the current 11.10:</p> <p><i>"If Ebro becomes the sole Shareholder following the implementation of the Scheme, then Rule 11.10(b) is to operate as if the following wording in Rule 11.10(b) were deleted – 'However, for a quorum to exist the number of Active Grower Directors present must exceed the number of Independent Directors present by at least one'."</i></p>	<p>Following the transfer of all A Shares to Ebro, there will not be any "Active Grower Directors".</p> <p>The proposed new rule 11.10A deletes the requirement for there to be a higher number of Active Grower Directors than Independent Directors (other directors) in order for a quorum to exist at any meeting of Directors.</p>

### Approval of the issue of Implementation Shares

Rule 3.7 of the Constitution provides that the holders of A Shares must approve by special resolution the issue of any shares, other than A Shares and B Shares. Therefore, if the Implementation Shares are to be issued to fund the SunRice Dividend, the second resolution on the Notice of Extraordinary General Meeting must be passed as a special resolution of the holders of A Shares. In addition, Listing Rule 6.25 requires that the issue of the Implementation Shares is approved at a general meeting.

## Section 15: Additional information

### 15.3 Interests of Directors in A Shares and B Shares

The table below sets out the Shares and RMB Equity held by or on behalf of each Director as at 31 March 2011:

NAME OF DIRECTOR	HOW HELD	TOTAL NUMBER A SHARES	TOTAL NUMBER B SHARES	TOTAL AMOUNT OF RMB EQUITY
Gerry Lawson	GF and SB Lawson	1	Nil	Nil
	GF & SB Lawson Pty Ltd as trustee for the Lawson Family Superannuation Fund	Nil	330,139	Nil
Mark Robertson	DM and MS Robertson Pty Ltd	1	146,804	Nil
	DM & MS Robertson Superannuation Pty Ltd	Nil	77,735	Nil
Laurie Arthur	LJ Arthur	1	84,707	Nil
	LJ Arthur and RF Arthur	Nil	150,111	Nil
Noel Graham	NG Graham and LE Graham	1	100,897	Nil
Gary Helou	G Helou	Nil	54,000	Nil
Russell Higgins AO	RA Higgins	Nil	29,838	Nil
Gillian Kirkup	Kirkup Farms Pty Ltd	1	67,424	Nil
Grant F Latta AM	Latta Nominees Pty Ltd as trustee of Latta Superannuation fund	Nil	29,838	Nil
Norm McAllister	N McAllister	1	26,137	\$5,778
	Strathcona Pty Ltd	1	292,947	\$134,537
Alan Walsh	AD Walsh and KL Walsh trading as Plains Wanderer Pastoral	1	Nil	Nil
	AD Walsh and KL Walsh trading as Archdale Farms	1	Nil	Nil
	AD Walsh and KL Walsh trading as Dalree Pastoral	1	Nil	Nil
	AD Walsh	Nil	467,254	Nil
	AD Walsh, TR Walsh and R Walsh trading as Lilly Pastoral	1	6,065	Nil
<b>TOTAL</b>		<b>11</b>	<b>1,863,896</b>	<b>\$140,315</b>

The effect of the Scheme on the interests of the Directors listed above is the same as its effect on the like interests of other Shareholders.

## 15.4 Material personal interests of SunRice Directors

The Directors, in their capacity as Growers, sell rice to SunRice on the same terms as other Supplier Members.

SUNRICE DIRECTOR FARMING INTEREST	TONNES OF PADDY DELIVERED IN 2010
Gerry Lawson	90
Mark Robertson	896
Laurie Arthur	471
Noel Graham	Nil
Gary Helou	Nil
Russell Higgins AO	Nil
Gillian Kirkup	1,168
Grant F Latta AM	Nil
Norm McAllister	Nil
Alan Walsh	1,163

In addition to the sale of rice, Directors may, as Growers, enter other transactions with SunRice on the same terms as other Supplier Members, including the acquisition of rice seed, fertiliser and crop insurance, and receive the benefit of Grower Services provided by SunRice.

In common with other Supplier Members, Directors who are Supplier Members may enjoy Grower Services provided by SunRice including deduction and redirection authorities and credit facilities.

## Section 15: Additional information

### 15.5 Agreements or other benefits to Directors

#### Benefits in connection with retirement from office

At the SunRice Annual General Meeting on 27 August 2010, the holders of A Shares approved resolutions to effect:

- replacement of the remuneration structure for non-executive Directors by fixing a sum of \$750,000 as the total remuneration inclusive of superannuation;
- discontinuation of the non-executive Director retirement scheme as at 30 April 2010 and grandfathering of accrued entitlements as at that date; and
- payment, at the discretion of the Board, of the grandfathered retirement benefits to relevant Directors on their retirement.

The entitlements of the non-executive Directors to the grandfathered retirement benefits are as follows:

NAME	ENTITLEMENT \$
Gerry Lawson	174,477
Mark Robertson	117,412
Laurie Arthur	25,641
Noel Graham	73,747
Russell Higgins AO	60,521
Gillian Kirkup	49,576
Grant F Latta AM	132,138
Norm McAllister	68,804
Alan Walsh	84,717

Ebro has agreed in the Scheme Implementation Agreement that Directors retiring on implementation of the Proposal will receive their grandfathered retirement benefit.

All non-executive Directors, including the Elected RMB Directors, are expected to retire on implementation of the Proposal. Except as set out above, there is no payment or other benefit proposed to be made or given to any Director, secretary or executive officer of SunRice (or any of its Related Bodies Corporate) as compensation for the loss of or in connection with their retirement from office in SunRice or any of its Related Bodies Corporate in connection with the Scheme.

#### Agreements conditional on or connected with the Scheme including indemnities

There are no agreements made between any Director or any other person in connection with or conditional on the outcome of the Proposal other than in their capacity as a Shareholder or a Grower, in respect of their retirement as set out above and as set out below.

Each of SunRice and Ebro release their rights against, and will not make a claim against any past or present director or Authorised Person of SunRice in relation to information provided to Ebro or SunRice or in relation to the execution and delivery of the Scheme Implementation Agreement, to the extent the past or present director or Authorised Person has acted in good faith.

Ebro indemnifies SunRice and SunRice Group companies and their directors, officers, employees, agents and advisors against all claims and loss which they incur by reason of a breach of any of the Ebro Warranties.

In addition, subject to the Corporations Act, none of the past or present officers and directors of SunRice will be liable for anything done or purported to be done in connection with the Scheme or any transaction contemplated by the Scheme Implementation Agreement in good faith. This provision does not exclude directors and officers of SunRice from any liability that may arise from wilful misconduct or from such person not having acted in good faith. SunRice receives and holds the benefit of this release, as agent for its directors and officers.

Ebro has also agreed that it will (subject to the Corporations Act):

- a. for a period of seven years from implementation of the Proposal ensure that the Constitution of SunRice and the constitution of each of its Subsidiaries continues to contain rules to indemnify their directors and officers against liability incurred by those directors and officers in that capacity (except to SunRice or the relevant Subsidiary); and
- b. procure that SunRice and its Subsidiaries comply with deeds of indemnity and access made with Directors and ensure that, so far as is reasonably available at reasonable cost and in accordance with industry standards, run off insurance cover for Directors is maintained for a minimum period of seven years from implementation of the Proposal.

The Grower Advisory Board will be established under the Ebro Group Undertaking. A Director who becomes a Grower Representative will be entitled to receive the remuneration set out in section 15.11.

### **Benefits under the Scheme**

None of the Directors has agreed to receive, or is entitled to receive, any benefit from Ebro which is conditional on or related to the Proposal other than as a Shareholder, as a Grower or as set out in this section 15.5.

### **Interests of Directors under agreements with Ebro**

None of the Directors has any interest in any contract entered into by Ebro except as a Grower in relation to the Ebro Group Undertaking, as an Elected RMB Member who may be appointed to the Grower Advisory Board in accordance with the requirements of the Sole and Exclusive Export Agreement or as a person who may otherwise be selected as a Grower Representative.

### **15.6 Interests and dealings of Directors in Ebro shares**

As at the date immediately before the date of this Scheme Booklet, no Director had a Relevant Interest in any shares in Ebro.

None of the Directors has ever acquired or disposed of a Relevant Interest in any shares in Ebro.

### **15.7 Voting intentions of Directors**

The Directors recommend that you vote in favour of the Proposal in respect of all of your Shares in the absence of a Superior Proposal. In the absence of a Superior Proposal, the Directors intend to vote in favour of the Scheme and the Supporting Resolutions for all Shares held by them or on their behalf.

Some Directors hold interests in Shares through partnerships and companies. If the Director controls the partnership or company, he or she intends to procure that the Shares of the partnership and/or company are voted in favour of the Proposal.

If the Director does not control the partnership or company, he or she intends to exercise their rights in respect of the partnership or company in favour of the partnership or company voting relevant Shares in favour of the Proposal.

The exercise of the legal rights of the Director referred to above may or may not result in the partnership or company being required to vote relevant Shares in favour of the Proposal.

## Section 15: Additional information

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### 15.8 Employee share plan and dividend reinvestment plan

A total of 131 employees of SunRice and its Subsidiaries hold 591,391 fully paid B Shares under the Employee Share Plan. These B Shares are transferable as provided under the Constitution and will be Scheme Shares to be acquired by Ebro if the Proposal is implemented. Employee holders of B Shares are Shareholders entitled to vote at the B Scheme Meeting. The Board has suspended the operation of the Employee Share Plan and no further B Shares will be offered under the Employee Share Plan before the outcome of the Meetings is determined. If the Proposal is implemented, the Employee Share Plan will be terminated by Ebro.

The Board has suspended the operation of the Dividend Reinvestment Plan until further notice. Accordingly, dividends will not be capable of reinvestment unless and until the suspension is lifted by the Board. If the Proposal is implemented, the Dividend Reinvestment Plan will be terminated.

### 15.9 Effect of Scheme on creditors including the effect of the SunRice Dividend

SunRice has paid and is paying all its creditors within normal terms of trade. It is solvent and trading in an ordinary commercial manner.

The implementation of the Scheme will not materially prejudice the ability of SunRice to pay its creditors as and when debts owed to those creditors are due.

### 15.10 Material litigation

Legal proceedings arise from time to time in the course of the business of SunRice. As at the date of this Scheme Booklet, current proceedings of SunRice are not considered to give rise to a material adverse effect on the business or financial position of SunRice.

### 15.11 Grower Advisory Board: further information

The Grower Advisory Board will be constituted if the Proposal is implemented. It will be a body of six members. The first members will be appointed by agreement of Ebro and SunRice and include an Elected RMB Member who consents to act. If Ebro and SunRice cannot agree on the Chairman, he or she will be appointed by the Grower Representatives. Three of the six members will be Grower Representatives, and may include an Elected RMB Member. Grower Representatives other than an Elected RMB Member must be Growers at the date of their appointment. SunRice will consult with the RGA before agreeing the first Grower Representatives with Ebro. The Chairman of the Grower Advisory Board will be a Grower Representative. The first Chairman of the Grower Advisory Board will serve for three years.

The Grower Representatives will be appointed for terms of three years and be eligible for reappointment. The RGA will conduct a selection process in relation to the appointments, including in relation to the inclusion of an Elected RMB Member as a Grower Representative. Amendments to the Sole and Exclusive Export Agreement require that not less than one Elected RMB Member who consents to act is appointed to the Grower Advisory Board. The Sole and Exclusive Export Agreement as amended to apply after implementation of the Proposal will take precedence in the event of any inconsistency between the provisions of the Grower Advisory Board Rules and the provisions of the Sole and Exclusive Export Agreement as amended. The Grower Advisory Board Rules therefore provide for the selection of at least one consenting Elected RMB Member as a Grower Representative on the Grower Advisory Board. RGA has notified SunRice that it accepts this role to appoint and replace the Grower Representatives from time to time.

The Grower Representatives will receive remuneration from SunRice/Ebro (Ebro and SunRice). The Chairman will be entitled to a fee of \$100,000 per annum and each other Grower Representative will be entitled to a fee of \$50,000 per annum. The fees will be indexed annually to the All Groups Consumer Price Index of Australia. All Grower Advisory Board Members will be entitled to be paid or reimbursed for travelling expenses and other expenses properly incurred by them in attending and returning from any meeting of the Grower Advisory Board or otherwise in connection with the business or affairs of the Grower Advisory Board. A Grower Advisory Board Member may also be paid additional amounts for extra services.

All decisions and recommendations to be made by the Grower Advisory Board under rules 4 and 5 of the Paddy Purchase and Pricing Rules must be made by a majority of the members of the Grower Advisory Board. The Chairman will have a deliberative vote but not a casting vote at meetings of the Grower Advisory Board.

If for any reason a majority cannot be reached on a determination or recommendation of the Grower Advisory Board under rule 4 or 5 of the Grower Advisory Board Rules, that determination or recommendation will be referred to the Grower Advisory Board Independent Expert, acting as an expert and not as an arbitrator. The Grower Advisory Board Independent Expert in relation to a matter will be appointed by resolution passed by at least four of the six members of the Grower Advisory Board. If such a majority cannot agree on that appointment, each Grower Advisory Board Member will nominate a candidate and appoint the President for the time being of the Australian Institute of Chartered Accountants or a person nominated by that President to select the Grower Advisory Board Independent Expert from the candidates so nominated.

A quorum for decisions of the Grower Advisory Board is six members. This can be reduced in certain circumstances but the reduced quorum cannot make a determination or recommendation under rules 4 and 5 of the Grower Advisory Board Rules.

All members of the Grower Advisory Board may appoint an alternate to act in their place. The appointment must be in writing, signed by the member of the Grower Advisory Board appointing the alternate and also signed by that member's appointer (in the case of a Grower Representative, the RGA must therefore assent to the appointment of the alternate).

The Grower Advisory Board Rules may be amended from time to time by resolution or agreement of all members of the Grower Advisory Board.

SunRice/Ebro undertakes to provide reasonable administrative and resource support for the Grower Advisory Board to carry out its functions including access to:

- a. advice and support of SunRice/Ebro executives;
- b. SunRice/Ebro budget information; and
- c. market information and independent data reasonably required to make the determinations set out in the Grower Advisory Board Rules.

In the Ebro Guarantee to the RMB, Ebro gives a direct commitment to the RMB in relation to the matters immediately above.

SunRice/Ebro will also consider in good faith a request of any member of the Grower Advisory Board for that member to seek independent professional advice at the expense of SunRice/Ebro. Any advice so funded by SunRice/Ebro must be available to all members of the Grower Advisory Board.

## **15.12 Scheme Booklet lodged with ASIC**

This Scheme Booklet was lodged with ASIC on 31 March 2011 in accordance with section 411(2)(b) of the Corporations Act. Neither ASIC nor any of its officers are responsible for the contents of this Scheme Booklet.

## Section 15: Additional information

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### 15.13 Regulatory modifications and approvals

#### Material personal interests of Directors

Section 195 of the Corporations Act provides that a director of a public company with a material personal interest in a matter being considered at a directors' meeting of the public company must not be present while the matter is being considered at the meeting or vote on the matter.

The Proposal involves benefits to certain Directors as Growers. Each such Director has a material interest in the Proposal arising under the terms of the Ebro Group Undertaking.

The Constitution of SunRice essentially requires that corporate decision making at the Board and general meeting level is vested in Active Growers. A quorum for any decision of the Board is one half of the number of Directors, provided that for a quorum to exist, the number of Active Grower Directors must exceed the number of independent Directors by at least one. Decisions in relation to the Proposal, in particular decisions necessary to enable Shareholders to have the opportunity to consider the Proposal, could not be made by the independent directors alone. An application was therefore made to ASIC for a declaration that the material personal interests of Directors as Supplier Members did not preclude their being involved in decisions in connection with the Proposal.

Pursuant to an instrument dated 24 November 2010, ASIC has declared that each Director who has a material personal interest arising solely as a "Supplier Member" may, despite that interest, be present at Board meetings while certain matters are being considered and vote in relation to the matters. The relevant matters are any resolution considered at a Board meeting to enter into the Scheme Implementation Agreement in respect of a proposed Scheme of Arrangement between SunRice and Ebro, together with such other resolutions as are required for SunRice to:

- a. approach the Court to convene, and itself convene, meetings of SunRice members to consider the Proposal; and
- b. if approved by the members of SunRice, implement the Proposal.

#### Matters required in Part 3 of Schedule 8 to the Corporations Regulations

Sub-regulation 5.1.01 of the Corporations Regulations requires that, unless ASIC otherwise allows, this Scheme Booklet must contain all the matters set out in Part 3 of Schedule 8 to the Corporations Regulations. ASIC has granted the following relief from certain of those disclosure requirements.

#### *Payments or benefits proposed to be made or given to Directors or officers*

Clause 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations requires that this Scheme Booklet discloses particulars of any payments or benefits proposed to (**Relevant Person**) as compensation for loss of office, or as consideration for or in connection with his or her retirement from office.

ASIC has granted SunRice relief from this requirement, such that SunRice is not required to disclose particulars of payments or benefits proposed to be made or given to a Relevant Person in relation to their loss of office or retirement from office unless:

- a. the Relevant Person will lose office or retire from office as a consequence of or in connection with the Proposal; or
- b. the amount of any payment or benefit which may be made to the Relevant Person upon their loss of office or retirement from office may be materially affected by the Proposal.

### ***Change in financial position***

Clause 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations requires the Scheme Booklet to set out whether, within the knowledge of the Directors, the financial position of SunRice has materially changed since the date of the last balance sheet laid before a SunRice annual general meeting or sent to Shareholders in accordance with sections 314 or 317 of the Corporations Act.

ASIC has granted SunRice relief from this requirement on the condition that:

- a. SunRice has complied with Division 2 of Part 2M.3 of the Corporations Act in respect of the half year ended 31 October 2010;
- b. SunRice has lodged with ASIC and NSX the documents referred to in section 303 of the Corporations Act for the half year ended 31 October 2010 on or before the date this Scheme Booklet is despatched to Shareholders;
- c. the Scheme Booklet states that SunRice will give a copy of the documents referred to in paragraph (b) free of charge to anyone who requests them before the Scheme to which the Scheme Booklet relates is approved by the Court;
- d. all material changes to the financial position occurring after 31 October 2010 but prior to the date of the Scheme Booklet are disclosed in the Scheme Booklet; and
- e. the Scheme Booklet sent to members is substantially in the form given to ASIC on 13 April 2011.

For the purposes of sub-paragraph (c) above, SunRice will give a copy of any of the documents referred to in paragraph (b) above free of charge to anyone who requests them before the Second Court Date. In order to obtain a copy of a document, please contact the company secretary.

### **15.14 Future intentions of Directors and Ebro Directors**

If the Proposal is implemented, it is a matter for Ebro to determine its intentions in relation to:

- a. the continuity of the business of SunRice;
- b. any major changes to be made to the business of SunRice, including any redeployment of the fixed assets of SunRice; and
- c. the future employment of the current employees of SunRice.

The current intentions of Ebro in relation to these matters are set out in section 11.

If the Proposal is not implemented, the Board will take action to address SunRice's high debt and enable SunRice to continue to grow. This action will include any one or more of the following to raise additional capital: paddy price deductions, lower dividend pay-outs and issuing external equity which may include an ASX listing.

### **15.15 Consents**

#### **Consents to be named**

The following parties have given and, before the time of registration of this Scheme Booklet by ASIC, have not withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- a. Rothschild as financial advisor to SunRice;
- b. Chang, Pistilli & Simmons as legal advisor to SunRice;
- c. Lonergan Edwards & Associates Limited as Independent Expert and to the inclusion of the Independent Expert's Report as set out in Annexure G;
- d. Link Market Services Limited as the Share Registry; and
- e. PricewaterhouseCoopers as the taxation advisor to SunRice in respect of the taxation information included in section 14 and references in the Scheme Booklet which rely on section 14.

## Section 15: Additional information

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### Consents to inclusion of statements

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to the inclusion of statements made by them:

- a. Ebro in respect of the Ebro Information only; and
- b. Lonergan Edwards & Associates Limited in respect of the Independent Expert's Report.

### 15.16 Fees and other interests of advisors

Each of the persons named in section 15.15 above (except Ebro) as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet will be entitled to receive professional fees charged in accordance with their normal basis of charging. It is estimated that the fees for SunRice's professional advisors who have provided a report will be approximately:

Lonergan Edwards & Associates (Independent Expert's Report at Annexure G)	\$200,000
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### 15.17 Disclaimers

No person referred to in section 15.15 makes, or purports to make, any statement in this Scheme Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above.

This Scheme Booklet is issued by SunRice. To the maximum extent permitted by law, each person referred to in section 15.15 expressly disclaims and takes no responsibility for any part of this Scheme Booklet or the issue of the Scheme Booklet other than as described in this section with that person's consent.

### 15.18 Copy of the Share Register

Under section 173 of the Corporations Act, any Shareholder has a right to inspect and to ask for a copy of the Share Register which contains details of the names and addresses of each Shareholder and other details regarding the terms of the Shares. SunRice is obliged to make a copy of the Share Register available to any Shareholder upon payment of the prescribed fee (if applicable) under the Corporations Act.

### 15.19 Supplementary information

If SunRice becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Effective Date:

- a. a material statement in this Scheme Booklet that is false or misleading;
- b. a material omission from this Scheme Booklet;
- c. a significant change affecting a matter included in this Scheme Booklet; or
- d. a significant new matter that has arisen which would have been required to be included in this Scheme Booklet if known about at the date of lodgement with ASIC,

then SunRice will prepare a supplementary document to this Scheme Booklet. The form which any supplementary document may take will depend on the nature and timing of the new or changed circumstances.

### 15.20 Other material information

Other than as disclosed in this Scheme Booklet, there is no information that is material to the making of a decision in relation to the Proposal (being information that is within the knowledge of any Director or a Related Body Corporate) that has not previously been disclosed to Shareholders.

# Glossary

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## Glossary

The following is a glossary of certain terms used in this Scheme Booklet:

TERM	MEANING
<b>\$ or \$</b>	means Australian dollar.
<b>ACCC</b>	means the Australian Competition and Consumer Commission.
<b>Active Grower</b>	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 SunRice during the period commencing on the first day of the immediately preceding Two Year Delivery Period and ending on the day before the Test Date. "Active Grower" for the purposes of the Review Rules uses the above principles assuming a Test Date of the Implementation Date and a date on and from which deliveries are assessed of 1 July 2008.
<b>Active Grower Director</b>	means a director of SunRice who holds an A Share or is the corporate representative of a body corporate that holds an A Share.
<b>Advisor</b>	means any person who is engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to SunRice or Ebro in respect of the Proposal.
<b>Agreed Discount Criteria</b>	in relation to Medium Grain Pool 2 means the price for which Ebro is able to sell Medium Grain Pool 2 relative to Medium Grain Pool 1.
<b>AGS</b>	means Australian Grain Storage Pty Ltd ACN 000 333 648.
<b>Annexure</b>	means an Annexure to and forming part of this Scheme Booklet.
<b>Appraisal Regime</b>	means the regime of the Operating Company applicable to grading and categorising receivals of a Rice Crop including: <ol style="list-style-type: none"> <li>by reference to moisture content, quality and variety; and/or</li> <li>for the purposes of ascertaining and allocating any varietal or appraisal premiums and discounts, as amended and modified from time to time in accordance with the Grower Advisory Board Rules.</li> </ol>
<b>A Scheme Meeting</b>	means the meeting of holders of A Shares ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of any such meeting, the notice for which is set out in Annexure A.
<b>A Share</b>	means an A class share in the capital of SunRice as provided in the Constitution.
<b>ASIC</b>	means Australian Securities & Investments Commission.
<b>Associate</b>	has the meaning given in Division 2 of Part 1.2 of the Corporations Act.
<b>ASX</b>	means ASX Limited ACN 008 624 691 and, where the context requires, the market conducted by ASX.
<b>ATO</b>	means Australian Taxation Office.
<b>Aqaba Processing Company</b>	means Aqaba Processing Company Ltd, incorporated in Jordan.
<b>Authorised Person</b>	means in relation to any person: <ol style="list-style-type: none"> <li>a director, officer, employee, contractor or agent of the person;</li> <li>an Advisor of the person; and</li> <li>a director, officer, partner or employee of an Advisor of the person.</li> </ol>
<b>Board</b>	means the board of directors of SunRice as constituted from time to time (or any committee of the board of directors of SunRice constituted to consider the Proposal on behalf of SunRice).
<b>B Scheme Meeting</b>	means the meeting of holders of B Shares ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of any such meeting, the notice for which is set out in Annexure B.
<b>B Share</b>	means a B class share in the capital of SunRice as provided in the Constitution.

TERM	MEANING
<b>Business Day</b>	means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales, Australia.
<b>Californian Pools</b>	means, in relation to the application of the Medium Grain Crop Pricing Formula to any Medium Grain Rice Crop, the two Californian medium grain rice pools determined by the Grower Advisory Board for the purposes of that Medium Grain Rice Crop in accordance with the selection process set out in the Grower Advisory Board Rules, and a “ <b>Californian Pool</b> ” means one of such pools.
<b>Cash Price Reference</b>	means, in relation to the application of the Medium Grain Crop Pricing Formula to any Medium Grain Rice Crop, the measure of the cash price for medium grain rice determined by the Grower Advisory Board for the purposes of that Medium Grain Rice Crop in accordance with the Grower Advisory Board Rules.
<b>CGT</b>	means capital gains tax.
<b>CGT Discount</b>	means the discount available to certain taxpayers in relation to CGT and described as relevant in section 14.5.
<b>Change of Law</b>	means: <ul style="list-style-type: none"> <li>a. new law or a change in the law or its interpretation becoming known and taking effect on or after 21 October 2010 but does not include a change to or repeal of the Rice Marketing Act; or</li> <li>b. SunRice losing its ability to export rice grown in New South Wales or its status as an authorised buyer of rice grown in New South Wales and not being able to regain the same by 8.00am on the Second Court Date.</li> </ul>
<b>Commencement Date</b>	means the date upon which the Scheme Shares have been transferred to Ebro in accordance with the Scheme Implementation Agreement.
<b>Competing Proposal</b>	means any expression of interest, offer or proposal: <ul style="list-style-type: none"> <li>a. in respect of a transaction (including, by way of takeover bid or scheme of arrangement) under which, if ultimately completed, a person (other than Ebro or an Associate of Ebro) or two or more persons who are Associates would: <ul style="list-style-type: none"> <li>(i) acquire an interest in or become the holder of the whole or substantially the whole of the business or property of SunRice or the SunRice Group; or</li> <li>(ii) acquire an interest in more than 26% of the entire issued capital of SunRice or any class of voting shares in the issued capital of SunRice or acquire voting power in SunRice in excess of 26%; or</li> <li>(iii) otherwise acquire or merge with SunRice; or</li> </ul> </li> <li>b. to form a dual listed company structure, stapled security structure or other form of synthetic merger having the same or substantially the same effect as an acquisition of, or scheme of arrangement or merger in respect of, SunRice as contemplated in paragraph (a) above.</li> </ul>
<b>Competition and Consumer Act</b>	means the <i>Competition and Consumer Act 2010</i> (Cth), formerly known as the <i>Trade Practices Act 1974</i> .
<b>Constitution</b>	means the constitution of SunRice.
<b>Co-operative</b>	means Ricegrowers’ Co-operative Limited, the co-operative which converted to the public company Ricegrowers Limited.
<b>CopRice</b>	means Ricegrowers Limited ACN 007 481 156 trading as CopRice.
<b>Corporate Group</b>	means a group of companies which are related bodies corporate.
<b>Corporations Act</b>	means <i>Corporations Act 2001</i> (Cth).
<b>Corporations Regulations</b>	means <i>Corporations Regulations 2001</i> (Cth).
<b>Court</b>	means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act determined by SunRice.

## Glossary

TERM	MEANING
<b>Crop Year</b>	means the Australian crop marketing year which is the 12 months commencing on 1 May in each year and the Crop Year of a Rice Crop means the Crop Year commencing in the calendar year of harvest of that Rice Crop.
<b>C Shares</b>	means non transferable (except to SunRice in a buyback), non-voting preference shares in the capital of SunRice to be issued at an issue price of \$1.00 per share on the terms set out in Schedule 1 to the Notice of Extraordinary General Meeting and entitling the holder (amongst other things) to receive, subject to the Corporations Act, an annual dividend in arrears in preference to the holders of B Shares at the rate which is LIBOR plus 2.3% per annum unless the Scheme is not implemented by the End Date as a result of default of Ebro, in which case the rate will be 0%.
<b>Deed Poll</b>	means the document executed by Ebro set out in Annexure E.
<b>Director</b>	means a director of SunRice as at the date of this Scheme Booklet.
<b>Dividend Payment Date</b>	means the date for payment of the SunRice Dividend being no earlier than the Business Day after the Dividend Record Date and no later than the Business Day before the Scheme Record Date.
<b>Dividend Record Date</b>	means the record date for the SunRice Dividend being 7.00pm on the day which is the later of the seventh Business Day after the date of the Scheme Meetings and the Business Day after the Effective Date (or such other date after the Effective Date as Ebro and SunRice agree) and at least three clear Business Days before the Scheme Record Date.
<b>€</b>	means Euro, the currency of the eurozone which includes Spain.
<b>Ebro</b>	means Ebro Foods S.A.
<b>Ebro Act</b>	means a deliberate or reckless act of Ebro.
<b>Ebro Directors</b>	means the directors of Ebro as at the date of this Scheme Booklet.
<b>Ebro Group</b>	means Ebro and its Related Bodies Corporate.
<b>Ebro Group Undertaking</b>	means the document titled "Continuity Undertaking Deed Poll" in the form of Annexure F.
<b>Ebro Guarantee to the RMB</b>	means the Deed of Guarantee and Undertaking executed by Ebro and the RMB on 25 March 2011.
<b>Ebro Information</b>	means the information contained in section 11 including as referred to in section 1.6.
<b>Ebro Prescribed Occurrence</b>	means the occurrence of an Insolvency Event in relation to Ebro.
<b>Ebro SIA Material Adverse Change</b>	means one or more Ebro Acts or Changes of Law occurs which (whether individually or when aggregated with all such Ebro Acts and/or Changes of Law) has had or is reasonably likely to have a material adverse effect on the ability of Ebro to carry out its obligations under the Scheme Implementation Agreement, other than an Ebro Act required to be undertaken under this agreement or the Scheme.
<b>Effective</b>	means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.
<b>Effective Date</b>	means the date upon which the Scheme becomes Effective.
<b>EFT</b>	means electronic funds transfer.
<b>Elected RMB Member</b>	means an elected member of the RMB made under and in accordance with the Rice Marketing Act including a person appointed by the Governor (on the nomination of the Minister who administers the Rice Marketing Act) to fill a casual vacancy who is deemed by the Rice Marketing Act to be an elected member of the RMB.

TERM	MEANING
<b>End Date</b>	means: a. 30 June 2011; or b. such other date agreed in writing by Ebro and SunRice, provided that if the Scheme becomes Effective on or before the date determined above, then the End Date is the later to occur of the date determined above and the 30th Business Day after the Effective Date.
<b>Extraordinary General Meeting</b>	means an extraordinary general meeting of the holders of A Shares to consider, and if thought fit pass, the Supporting Resolutions by the requisite majorities, the notice for which is set out in Annexure C.
<b>FATA</b>	means the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth).
<b>Final Price</b>	in relation to a Californian Pool to be taken into account for application of the Medium Grain Crop Pricing Formula to a Medium Grain Rice Crop, means the final gross price per tonne (including premium and loan elements and before levies or taxes) for that pool determined and published in or about December of the Crop Year of that Medium Grain Rice Crop.
<b>First Court Date</b>	means the date the Court first hears the application to order the convening of the Scheme Meetings under section 411(1) of the Corporations Act.
<b>Former Co-operative Interests</b>	means issued shares in the Co-operative.
<b>Grower</b>	means a person by whom or on whose behalf paddy rice is grown or produced for sale in New South Wales, and, where paddy rice is grown or produced pursuant to a written share-farming agreement, includes the parties to the agreement, but does not include a person engaged as an employee on wages or salary or piece work rates.
<b>Grower Advisory Board</b>	means the Grower Advisory Board constituted under the Ebro Group Undertaking and the Grower Advisory Board Rules.
<b>Grower Advisory Board Independent Expert</b>	means a person who is independent and competent to determine the matters referred to them in accordance with the Grower Advisory Board Rules and appointed under section 19 of the Grower Advisory Board Rules.
<b>Grower Advisory Board Member</b>	means a person appointed or elected to the Grower Advisory Board in accordance with the Grower Advisory Board Rules and includes any alternate Grower Advisory Board Member acting as a Grower Advisory Board Member.
<b>Grower Advisory Board Rules</b>	means the rules of the Grower Advisory Board as set in the Ebro Group Undertaking.
<b>Grower Consultation Elements</b>	means the policies and procedures of SunRice in relation to the matters outlined in Annexure A of the Ebro Group Undertaking (Annexure F to this Scheme Booklet) including on farm production enhancement, harvest management, post harvest review Grower payments and Grower communications.
<b>Grower Interface</b>	means the Operating Company/ Grower consultation process effected through the Grower Advisory Board consideration of Grower Issues.
<b>Grower Issues</b>	means matters affecting Growers as Growers including, without limitation, matters such as: a. economic, environmental and other factors affecting the growing of rice in New South Wales; b. activities of the Ebro Corporate Group affecting the growing of rice in New South Wales; c. Grower Services; and d. Grower Consultation Elements.
<b>Grower Representatives</b>	means persons appointed as Grower Representatives under the Grower Advisory Board Rules.

## Glossary

TERM	MEANING
<b>Grower Services</b>	means services SunRice provides to Growers which at the Commencement Date are the services set out in Annexure B of the Ebro Group Undertaking being policies and procedures of SunRice for: <ol style="list-style-type: none"> <li>efficient Grower financial management including implementation of Grower deduction/redirection authorities, facilitation of forward financing and Grower credit for payment of crop inputs; and</li> <li>procuring inputs, supplies, and services for aggregations of Growers, in particular fertilisers and chemicals.</li> </ol>
<b>GST</b>	has the same meaning as in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
<b>Implementation Date</b>	means, with respect to the Scheme, the Business Day following the Scheme Record Date, or such later date, no later than three Business Days after the Scheme Record Date, as Ebro and SunRice agree.
<b>Implementation Funds</b>	means an amount equal to the aggregate of the Scheme Consideration payable to all Scheme Shareholders.
<b>Implementation Shares</b>	means 76,965,697 C Shares issued for an aggregate issue price of \$76,965,697.
<b>Implementation Shares Resolution</b>	means the second resolution listed in the Notice of Extraordinary Meeting relating to the issue of the Implementation Shares to Ebro.
<b>Implementation Subscription</b>	means the subscription by Ebro for the Implementation Shares in accordance with clause 5.3(b) of the Scheme Implementation Agreement.
<b>Implementation Subscription Payment</b>	means the amount of \$76,965,697, representing an interest free prepayment of the subscription price for the Implementation Shares.
<b>Independent Expert</b>	means Lonergan Edwards & Associates Limited ACN 095 445 560, which has been engaged by SunRice to give an opinion on whether the Scheme is in the best interests of Shareholders.
<b>Independent Expert's Report</b>	means the report prepared by the Independent Expert and set out in Annexure G.
<b>Initial Pricing Term</b>	means the seven Crop Years following the Crop Year of the Rice Crop 2011.
<b>Insolvency Event</b>	has the same meaning given to that term in the Scheme Implementation Agreement.
<b>LIBOR</b>	the letters "LIBOR" stand for London Interbank Offered Rate which is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money market (or interbank market). With respect to determining a dividend on C Shares, LIBOR means the applicable Screen Rate as at the time the Directors determine that a dividend is payable pursuant to the Constitution and the Corporations Act.
<b>Listing Rules</b>	means the official listing rules of NSX as amended from time to time.
<b>Local Time</b>	means in respect of the time on a day, Eastern Daylight Saving Time or Eastern Standard Time as applicable in New South Wales on that day (Eastern Daylight Saving Time ended in New South Wales at 3.00am on Sunday 3 April 2011 when clocks were put back one hour).
<b>Long Grain Rice Crop</b>	means all long grain paddy rice of merchantable quality harvested by Growers in New South Wales during the period February to June in a calendar year.
<b>Medium Grain Crop Pricing Formula</b>	means the basis for calculating the Pool Price in relation to each Medium Grain Rice Crop post 2011 under the Paddy Purchase and Pricing Rules.
<b>Medium Grain Pool</b>	means Medium Grain Pool 1, Medium Grain Pool 2 and Medium Grain Pool 3.
<b>Medium Grain Pool 1</b>	means a Pool of all the medium grain rice of a Medium Grain Rice Crop offered to Rice Buyers up to the first 400,000 tonnes.
<b>Medium Grain Pool 2</b>	means a Pool of all medium grain rice of a Medium Grain Rice Crop offered to Rice Buyers up to the second 400,000 tonnes.
<b>Medium Grain Pool 2 Discount</b>	means the discount of between US\$50 and US\$90 per tonne as determined in respect of Medium Grain Pool 2 under section 5 of the Grower Advisory Board Rules.

<b>TERM</b>	<b>MEANING</b>
<b>Medium Grain Pool 3</b>	means a Pool of any of a Medium Grain Rice Crop offered to Rice Buyers in excess of the aggregate of Pool 1 and Pool 2.
<b>Medium Grain Rice Crop</b>	means all medium grain paddy rice of merchantable quality harvested in New South Wales during the period February to June in a calendar year.
<b>Medium Grain Rice Crop 2010</b>	means such of the Medium Grain Rice Crop harvested in New South Wales during the period February to June 2010 as is offered by Growers for sale to SunRice.
<b>Medium Grain Rice Crop 2011</b>	means such of the Medium Grain Rice Crop harvested in New South Wales during the period February to June 2011 as is offered by Growers for sale to a Rice Buyer.
<b>Medium Grain Rice Crop Post 2011</b>	means each Medium Grain Rice Crop harvested in New South Wales during the period February to June in each calendar year after the calendar year 2011.
<b>Meetings</b>	means the Scheme Meetings and the Extraordinary General Meeting.
<b>Melanesian Trustee</b>	means Melanesian Trustee Services Limited, a Papua New Guinea company which is the holder of 33.7% of the shares in Trukai Industries.
<b>Notice of A Scheme Meeting</b>	means the notice to convene the Scheme meeting of the holders of A Shares set out at Annexure A.
<b>Notice of B Scheme Meeting</b>	means the notice to convene the Scheme meeting of the holders of B Shares set out at Annexure B.
<b>Notice of Extraordinary General Meeting</b>	means the notice of Extraordinary General Meeting set out at Annexure C.
<b>NSW</b>	means the State of New South Wales.
<b>NSX</b>	means National Stock Exchange of Australia Limited ACN 000 902 063 or, if the context requires, the financial market operated by it.
<b>Number 2 Pool 2010</b>	means the Rice Crop 2010 other than the Premium Pool and any rice which is not offered by Growers for sale to SunRice.
<b>Operating Company</b>	means SunRice and/or any other company which makes the decisions in respect of New South Wales rice acquisitions by all or any of the members of its Corporate Group.
<b>Other Rice Varieties Crop</b>	means the Long Grain Rice Crop and any other Rice Crop of merchantable quality harvested in New South Wales during the period February to June in a calendar year but not including the Medium Grain Rice Crop in that calendar year.
<b>Other Rice Varieties Pool</b>	means a Pool of all the Other Rice Varieties Crop which is offered to Rice Buyers up to a maximum of 100,000 tonnes.
<b>Paddy Purchase Material Adverse Change</b>	means a material change in business conditions relevant to the Paddy Purchase and Pricing Rules and described generally in section 9.8.
<b>Paddy Purchase and Pricing Rules</b>	means the rules set out in the Ebro Group Undertaking for determining certain prices applicable to the undertakings and covenants of Ebro to acquire rice grown in New South Wales.
<b>Pool</b>	means a designated amount and/or type of rice of a Rice Crop to bear the same Pool Price.
<b>Pool Price</b>	means the price per tonne of rice which is the benchmark for the Pool and against which appraisal premiums and discounts, calculated by reference to the Appraisal Regime (on a basis consistent with the historical practice of SunRice), are measured for application to price rice received into the Pool.
<b>Pool Price 2011</b>	means the Pool Price for the Rice Crop 2011 determined in accordance with the Paddy Purchase and Pricing Rules.
<b>Premium Pool 2010</b>	means approximately 86,500 tonnes of the Rice Crop 2010 contracted for purchase by SunRice.
<b>Premium Pool Price 2010</b>	means the Pool Price for the Premium Pool 2010 determined in accordance with the Paddy Purchase and Pricing Rules.

## Glossary

TERM	MEANING
<b>Pricing Term</b>	means the Initial Pricing Term and each successive seven Crop Year extension of the Initial Pricing Term or part thereof until the termination by Ebro in accordance with the Ebro Group Undertaking.
<b>Prior Californian Crop Year</b>	means, at any time, the immediately preceding full year terminating on 31 August.
<b>Proposal</b>	means the Scheme of Arrangement between SunRice and its shareholders under which Ebro will acquire all the issued share capital of SunRice and including binding and enforceable arrangements for the acquisition of New South Wales rice into the future by the Ebro Group and other undertakings under the Ebro Group Undertaking.
<b>Related Body Corporate</b>	of a person, means a related body corporate of that person under section 50 of the Corporations Act.
<b>Resolution for Constitutional Change</b>	means the resolution to amend the Constitution as set out in the Notice of Extraordinary General Meeting.
<b>Review Mechanism</b>	means the mechanism provided for in clause 14 and Schedule 3 of the Ebro Group Undertaking to provide for a retired Judge to assess claims for compensation in connection with the redemption of A Shares in February 2010.
<b>Review Rules</b>	means the rules applicable to the Review Mechanism and set out in Schedule 3 of the Ebro Group Undertaking.
<b>RGA</b>	means Ricegrowers' Association of Australia Inc. or its successor or another body selected by Growers for the purpose of the Ebro Group Undertaking and/or the Grower Advisory Board Rules.
<b>Rice Bonds</b>	means a debt instrument available for issue on a compulsory/voluntary basis under the <i>Co-operatives Act 1992 (NSW)</i> .
<b>Rice Buyer</b>	means each of Ebro, SunRice and any member of the Ebro Group or the SunRice Group and their Associates and each Successor Entity acquiring rice in New South Wales.
<b>Rice Crop</b>	means all paddy rice of any variety harvested in New South Wales during the period February to June in a calendar year.
<b>Rice Crop 2010</b>	means the Rice Crop harvested in 2010.
<b>Rice Crop 2011</b>	means the Rice Crop harvested in 2011.
<b>Rice Crop Post 2011</b>	means each Rice Crop harvested in New South Wales during the period of February to June in each calendar year after the calendar year 2011.
<b>Rice Marketing Act</b>	means the <i>Rice Marketing Act 1983 (NSW)</i> .
<b>Rice Marketing Act Review</b>	means the review of the Rice Marketing Act required to take place under section 165 of the Rice Marketing Act, prepared for the NSW Minister for Primary Industries by Integrated Marketing Communications Pty Ltd, titled "Review of the NSW Rice Marketing Act 1983" dated October 2010 and publically released in January 2011.
<b>Riviana Foods</b>	means Riviana Foods Pty Ltd ACN 061 388 092.
<b>RMB</b>	means Rice Marketing Board for the State of New South Wales.
<b>RMB Equity</b>	means an entitlement to a payment from RMB under the RMB Equity Rollover Scheme.
<b>RMB Equity Holders</b>	means persons who are entitled to receive a payment from RMB under the RMB Equity Rollover Scheme.
<b>RMB Equity Rollover Scheme</b>	means the scheme so described and approved pursuant to section 65 of the Rice Marketing Act to raise funds for capital programs of RMB and make provision for repayments of certain deductions made by RMB from payments to Growers of proceeds for rice delivered to RMB on and from 1 February 1993.
<b>RRAPL</b>	means Rice Research Australia Pty Ltd ACN 003 678 644.

<b>TERM</b>	<b>MEANING</b>
<b>Scheme of Arrangement or Scheme</b>	means the proposed scheme of arrangement pursuant to Part 5.1 of the Corporations Act between SunRice and Scheme Shareholders in respect of all Scheme Shares, substantially in the form set out in Annexure D or in such other form as the parties agree in writing, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by each party.
<b>Scheme Booklet</b>	means this document, including the Annexures to it.
<b>Scheme Conditions</b>	means the conditions of the Scheme as outlined in section 12.2, as provided for in clause 3.1 of the Scheme Implementation Agreement.
<b>Scheme Consideration</b>	means: <ul style="list-style-type: none"> <li>a. in respect of each Scheme Share which is an A Share held by a Scheme Shareholder, \$50,000 in cash; and</li> <li>b. in respect of each Scheme Share which is a B Share held by a Scheme Shareholder, \$3.618 in cash (or \$5.025 if the Directors revoke their decision to pay the SunRice Dividend).</li> </ul>
<b>Scheme Implementation Agreement</b>	means the agreement entitled "Scheme Implementation Agreement" dated 25 November 2010 between SunRice and Ebro as amended and restated by an Amendment and Restatement Agreement dated 11 February 2011 and a further Amendment and Restatement Agreement dated 31 March 2011.
<b>Scheme Meetings</b>	means the meetings of Shareholders by Voting Class and ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of any such meeting, the notices for which are set out in Annexures A and B.
<b>Scheme Record Date</b>	means the record date for the Scheme which is 7.00pm on the sixth Business Day after the Effective Date or, if such date is not at least three clear Business Days after the Dividend Record Date, such other Business Day which is three clear Business Days after the Dividend Record Date (or such other date as Ebro and SunRice agree).
<b>Scheme Share</b>	means an A Share or B Share on issue as at the Scheme Record Date.
<b>Scheme Shareholder</b>	means a person who holds one or more Scheme Shares at the Scheme Record Date.
<b>Screen Rate</b>	means the British Bankers Association Interest Settlement Rate for Australian dollars at a "1M" period (30 days) displayed on the page entitled "BBA LIBOR" on Thomson Reuters.
<b>Second Court Date</b>	means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.
<b>Share</b>	means an issued A Share or B Share.
<b>Shareholder</b>	means each person who is registered in the Share Register maintained by SunRice under section 168(1) of the Corporations Act as a holder of an A Share or a B Share.
<b>Share Register</b>	means the SunRice share register.
<b>Share Registry</b>	means Link Market Services Limited ACN 083 214 537 or any replacement provider of share registry services to SunRice.
<b>Sole and Exclusive Export Agreement</b>	means the Sole and Exclusive Export Agreement between SunRice, the RMB and AGS (formerly Riviana Australia Pty Ltd) and dated 30 June 2006 as amended from time to time.
<b>Solrice</b>	means Solomon Rice Company Limited.
<b>Storage Sheds</b>	means paddy storage and drying sheds and associated infrastructure acquired by AGS from the RMB in 2006.
<b>Subsidiary</b>	has the meaning given to that term in section 46 of the Corporations Act.
<b>Successor Entity</b>	means any person who acquires SunRice or the SunRice Business and their Associates.

## Glossary

TERM	MEANING
<b>SunFoods</b>	means SunFoods, LLC, a California limited liability corporation.
<b>SunRice</b>	means Ricegrowers Limited ACN 007 481 156.
<b>SunRice Act</b>	means a deliberate or reckless act of SunRice.
<b>SunRice Business</b>	means the business of acquiring and storing rice in New South Wales and manufacturing, distributing and selling rice and rice products in Australia and/or internationally.
<b>SunRice Dividend</b>	means a cash special dividend of \$1.407 per B Share (being an aggregate maximum dividend of \$76,965,697) to be: <ol style="list-style-type: none"> <li>determined by SunRice and, provided it is not revoked, paid by SunRice following the Implementation Subscription on the Dividend Payment Date out of retained earnings of SunRice;</li> <li>fully franked, subject to the then available franking credits of SunRice; and</li> <li>paid to each SunRice Shareholder holding a B Share on the Dividend Record Date.</li> </ol>
<b>SunRice/Ebro</b>	means Ebro and SunRice jointly and severally as covenantors under the Ebro Group Undertaking and where the context so requires, includes other entities which SunRice/Ebro must cause to comply with the Ebro Group Undertaking.
<b>SunRice Group</b>	means SunRice and its Subsidiaries.
<b>SunRice Information</b>	means all the information contained in this Scheme Booklet other than the Ebro Information and the Independent Expert's Report.
<b>SunRice Prescribed Occurrence</b>	has the meaning provided in the Scheme Implementation Agreement and is more particularly described in section 12 referring to the operation of the Scheme Implementation Agreement.
<b>SunRice SIA Material Adverse Change</b>	has the meaning provided in the Scheme Implementation Agreement and is more particularly described in section 12 referring to the operation of the Scheme Implementation Agreement.
<b>Superior Proposal</b>	means a bona fide Competing Proposal which is publicly announced by SunRice.
<b>Supplier Member</b>	means a Shareholder who supplies rice to SunRice and any person who has been admitted as a Shareholder on the basis that they are, or the Board believes they will become, an Active Grower.
<b>Supporting Resolutions</b>	means: <ol style="list-style-type: none"> <li>the Resolution for Constitutional Change; and</li> <li>the Implementation Shares Resolution.</li> </ol>
<b>Trading Day</b>	means a day upon which NSX is open for trading.
<b>Treasurer</b>	means the Treasurer of the Commonwealth of Australia.
<b>Trukai Industries</b>	means Trukai Industries Limited, incorporated in Papua New Guinea.
<b>Trukai Wholesale</b>	means Trukai (Wholesale) Limited, wholly owned by Trukai Industries, incorporated in Papua New Guinea.
<b>Two Year Delivery Period</b>	means, at any time, the two most recent whole periods of 1 July to 30 June.
<b>Voting Class</b>	means a group of Shareholders constituting a class for the purposes of the Scheme.

# Annexure A:

## Notice of A Scheme Meeting

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## Annexure A: Notice of A Scheme Meeting

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### Notice of Court ordered meeting of holders of A Shares

#### Ricegrowers Limited ACN 007 481 156 (SunRice)

#### Notice of the A Scheme Meeting

Notice is given that, by an Order of the Federal Court of Australia (**Court**) made on 18 April 2011 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), the Court has directed that a meeting of the holders of A Class Shares (**A Shares**) will be held at 10.00am (Local Time) on Tuesday, 31 May 2011 at the Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie New South Wales 2716 (the **A Scheme Meeting**).

The Court has appointed Gerry Lawson or, failing him, Mark Robertson to act as Chairman of the A Scheme Meeting (**Chairman**) and has directed that the Chairman report the result of the A Scheme Meeting to the Court.

#### Purpose of the A Scheme Meeting

The purpose of the A Scheme Meeting is to consider and, if thought fit, to agree (with or without alterations or conditions required by the Court to which SunRice and Ebro agree) to a scheme of arrangement proposed to be made between SunRice, the holders of A Shares and the holders of B Shares (**Scheme**).

#### The A Scheme Resolution

To consider and, if thought fit, pass the following resolution (the **A Scheme Resolution**) in accordance with section 411(4) (a)(ii) of the Corporations Act:

*"That:*

- a. the Scheme proposed between SunRice and its Shareholders on the terms more particularly described in the Scheme Booklet accompanying this notice of meeting, is agreed to (with or without modification as approved by the Court); and*
- b. this agreement is given:*
  - (i) in accordance with the provisions of section 411 of the Corporations Act; and*
  - (ii) subject to and conditional upon the passing of the B Scheme Resolution and the Supporting Resolutions."*

By order of the Board of Ricegrowers Limited



**M Del Gigante**  
Company Secretary  
Dated 19 April 2011

## EXPLANATORY NOTES

### Material accompanying this Notice of the A Scheme Meeting

This Notice of the A Scheme Meeting (**Notice**) and the A Scheme Resolution should be read in conjunction with the Scheme Booklet of which this Notice forms part. Terms used in this Notice, unless otherwise defined, have the same meaning as set out in the Glossary in the Scheme Booklet.

A copy of the Scheme is contained in Annexure D to this Scheme Booklet.

**A yellow proxy form also accompanies this Notice.**

### Directors' recommendation

The Directors of SunRice unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the A Scheme Resolution. Each Director proposes to vote A Shares held by him or her (or on his or her behalf) in favour of the A Scheme Resolution.

### Quorum

A quorum is 10 or more holders of A Shares who are present at the A Scheme Meeting personally or separately represented by proxy, representative or attorney.

### Required majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the A Scheme Resolution must be agreed to by:

- a. unless the Court orders otherwise, a majority in number of the holders of A Shares present and voting (either in person, by proxy or attorney or, in the case of a corporate holder, by duly appointed corporate representative); and
- b. at least 75% of the votes cast on the A Scheme Resolution being cast in favour of the A Scheme Resolution.

### Court approval

If the A Scheme Resolution is agreed to at the A Scheme Meeting by the required majorities, the B Scheme Resolution is agreed to at the B Scheme Meeting by the required majorities, the Supporting Resolutions are approved at the Extraordinary General Meeting by the required majorities and the Scheme Conditions are satisfied or waived, SunRice will apply to the Court for the necessary orders to give effect to the Scheme. The implementation of the Scheme (with or without modification) will be subject, among other things, to the approval of the Court.

### Voting entitlement

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Board has determined that, for the purposes of the A Scheme Meeting, entitlements to vote at the A Scheme Meeting will be determined with reference to those persons who are registered as holders of A Shares as at 7.00pm on Sunday, 29 May 2011.

### Jointly held A Shares

In the case of A Shares held by joint holders, each joint holder is entitled to vote. However, if more than one joint holder votes in respect of a jointly held A Share, only the vote of the Shareholder whose name appears first in the Share Register will be counted. All joint holders of A Shares are entitled to attend the A Scheme Meeting.

## Annexure A: Notice of A Scheme Meeting

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### How to vote

Those entitled to vote at the A Scheme Meeting can vote at the A Scheme Meeting:

- a. in person;
- b. by proxy;
- c. by attorney; or
- d. by corporate representative (if you are a corporate Shareholder).

You will be counted as being present at the A Scheme Meeting if you vote in any of the ways outlined above.

### Voting at the A Scheme Meeting will occur by poll

All persons attending the A Scheme Meeting are asked to arrive at least 30 minutes prior to the time the A Scheme Meeting is to commence so that their shareholding may be checked against the Share Register, or their power of attorney or appointment as corporate representative can be verified (as the case may be), and their attendance noted.

### Voting in person

If you wish to vote in person at the A Scheme Meeting, please attend the A Scheme Meeting, which will be held at 10.00am (Local Time) on Tuesday, 31 May 2011 at the Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie New South Wales 2716.

### Voting by proxy

As a holder of an A Share entitled to attend and vote at the A Scheme Meeting you are also entitled to appoint a proxy to vote on your behalf. A yellow proxy form is enclosed with this Scheme Booklet. You may not appoint more than one proxy to attend and act for you at the A Scheme Meeting. A proxy need not be a holder of an A Share.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the A Scheme Meeting. If you appoint the Chairman as your proxy and do not instruct him on how to vote, he intends to vote in favour of the Scheme.

At the point of entry to the A Scheme Meeting, a proxy will be admitted and given a voting card upon providing written evidence of their name and address.

The lodging of a yellow proxy form will not preclude a holder of an A Share from attending in person and voting at the A Scheme Meeting if the holder of an A Share is entitled to attend and vote. If the holder of the A Share votes on the A Scheme Resolution, their appointed proxy is not entitled to vote and must not vote as that holder's proxy on the A Scheme Resolution.

Please refer to the enclosed yellow proxy form for instructions on completion and lodgement. In order for the appointment of a proxy to be valid, the yellow proxy form MUST be received by the Share Registry not less than 48 hours before the time for holding the A Scheme Meeting. Yellow proxy forms received after this time will be invalid.

Proxy forms sent by post must be received by the Share Registry by close of business on Friday, 27 May 2011.

Where the yellow proxy form is executed under a power of attorney, the original power of attorney or an attested copy of the power of attorney or other authority under which it is signed MUST be lodged with the yellow proxy form (unless it has already been lodged with the Share Registry).

### **Voting by attorney**

At the point of entry to the A Scheme Meeting, an attorney will be admitted and given a voting card upon providing written evidence of their appointment, their name and address and the identity of their appointer.

The lodging of a power of attorney will not preclude a holder of an A Share from attending in person and voting at the A Scheme Meeting if the holder of the A Share is entitled to attend and vote. If the holder of the A Share votes on the A Scheme Resolution, their appointed attorney is not entitled to vote, and must not vote as that holder's attorney on the A Scheme Resolution.

In order for the appointment of an attorney to be valid, the original power of attorney or an attested copy of the power of attorney or other authority under which it is signed **MUST** be lodged with the Share Registry not less than 48 hours before the time for holding the A Scheme Meeting. An appointment of attorney received after this time will be invalid.

### **Voting by corporate representative**

To vote at the A Scheme Meeting (other than by proxy or by attorney), a corporation that is a holder of an A Share may appoint a person to act as its authorised corporate representative. The appointment must comply with section 250D of the Corporations Act.

At the point of entry to the A Scheme Meeting, an authorised corporate representative will be admitted and given a voting card upon providing written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

### **Lodgement of yellow proxy forms, powers of attorney and authorities**

Duly signed yellow proxy forms, powers of attorney and authorities **MUST** be lodged with the Share Registry not less than 48 hours before the time for holding the A Scheme Meeting in any of the following ways:

- a. by using the enclosed reply paid envelope or, if you are outside Australia or do not use the reply paid envelope, to the Share Registry at the following address:

**Ricegrowers Limited  
c/o Link Market Services Limited  
Locked Bag A14  
SYDNEY SOUTH NSW 1235  
AUSTRALIA;** or

- b. by hand delivery to the Share Registry at the following address:

**Link Market Services Limited  
Level 12, 680 George Street  
SYDNEY NSW 2000;** or

- c. by successfully transmitting a facsimile to the Share Registry on (02) 9287 0309; or
- d. by visiting [www.investorcentre.linkmarketservices.com.au](http://www.investorcentre.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the yellow proxy form. Select "Voting" and follow the prompts to lodge your vote. To use the online lodgement facility, Shareholders will need their "Holder Identifier" (Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) as shown on the front of the yellow proxy form).

### **Further information**

For further information, please call the SunRice information line on 1800 643 604 (toll free in Australia) or +61 2 8256 3383 (if overseas) between 9.00am and 5.00pm (Local Time), Monday to Friday.

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# Annexure B:

## Notice of B Scheme Meeting

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## Annexure B: Notice of B Scheme Meeting

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### Notice of Court ordered meeting of holders of B Shares

#### Ricegrowers Limited ACN 007 481 156 (SunRice)

#### Notice of the B Scheme Meeting

Notice is given that, by an Order of the Federal Court of Australia (**Court**) made on 18 April 2011 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), the Court has directed that a meeting of the holders of B Class Shares (**B Shares**) will be held at the later of 11.00am (Local Time) and the conclusion or adjournment of the A Scheme Meeting on Tuesday, 31 May 2011 at the Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie New South Wales 2716 (the **B Scheme Meeting**).

The Court has appointed Gerry Lawson or, failing him, Mark Robertson to act as Chairman of the B Scheme Meeting (**Chairman**) and has directed that the Chairman report the result of the B Scheme Meeting to the Court.

#### Purpose of the B Scheme Meeting

The purpose of the B Scheme Meeting is to consider and, if thought fit, to agree (with or without alterations or conditions required by the Court to which SunRice and Ebro agree) to a scheme of arrangement proposed to be made between SunRice, the holders of B Shares and the holders of A Shares (**Scheme**).

#### The B Scheme Resolution

To consider and, if thought fit, pass the following resolution (the **B Scheme Resolution**) in accordance with section 411(4)(a)(ii) of the Corporations Act:

*"That:*

- a. the Scheme proposed between SunRice and its Shareholders on the terms more particularly described in the Scheme Booklet accompanying this notice of meeting, is agreed to (with or without modification as approved by the Court); and*
- b. this agreement is given:*
  - (i) in accordance with the provisions of section 411 of the Corporations Act; and*
  - (ii) subject to and conditional upon the passing of the A Scheme Resolution and the Supporting Resolutions."*

By order of the Board of Ricegrowers Limited



**M Del Gigante**

Company Secretary

Dated 19 April 2011

## EXPLANATORY NOTES

### Material accompanying this Notice of the B Scheme Meeting

This Notice of the B Scheme Meeting (**Notice**) and the B Scheme Resolution should be read in conjunction with the Scheme Booklet of which this Notice forms part. Terms used in this Notice, unless otherwise defined, have the same meaning as set out in the Glossary in the Scheme Booklet.

A copy of the Scheme is contained in Annexure D to this Scheme Booklet.

**A blue proxy form also accompanies this Notice.**

### Directors' recommendation

The Directors of SunRice unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the B Scheme Resolution. Each SunRice Director proposes to vote B Shares held by him or her (or on his or her behalf) in favour of the B Scheme Resolution.

### Quorum

A quorum is 10 or more holders of B Shares who are present at the B Scheme Meeting personally or separately represented by proxy, representative or attorney.

### Required majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the B Scheme Resolution must be agreed to by:

- a. unless the Court orders otherwise, a majority in number of the holders of B Shares present and voting (either in person, by proxy or attorney or, in the case of a corporate holder, by duly appointed corporate representative); and
- b. at least 75% of the votes cast on the B Scheme Resolution being cast in favour of the B Scheme Resolution.

### Court approval

If the B Scheme Resolution is agreed to at the B Scheme Meeting by the required majorities, the A Scheme Resolution is agreed to at the A Scheme Meeting by the required majorities, the Supporting Resolutions are approved at the Extraordinary General Meeting by the required majorities and the Scheme Conditions are satisfied or waived, SunRice will apply to the Court for the necessary orders to give effect to the Scheme. The implementation of the Scheme (with or without modification) will be subject, among other things, to the approval of the Court.

### Voting entitlement

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Board has determined that, for the purposes of the B Scheme Meeting, entitlements to vote at the B Scheme Meeting will be determined with reference to those persons who are registered as holders of B Shares as at 7.00pm on Sunday, 29 May 2011. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the B Scheme Meeting.

### Jointly held B Shares

In the case of B Shares held by joint holders, each joint holder is entitled to vote. However, if more than one joint holder votes in respect of a jointly held B Share, only the vote of the Shareholder whose name appears first in the Share Register will be counted. All joint holders of B Shares are entitled to attend the B Scheme Meeting.

## Annexure B: Notice of B Scheme Meeting

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### How to vote

Those entitled to vote at the B Scheme Meeting can vote at the B Scheme Meeting:

- a. in person;
- b. by proxy;
- c. by attorney; or
- d. by corporate representative (if you are a corporate Shareholder).

You will be counted as being present at the B Scheme Meeting if you vote in any of the ways outlined above.

### Voting at the B Scheme Meeting will occur by poll

All persons attending the B Scheme Meeting are asked to arrive at least 30 minutes prior to the time the B Scheme Meeting is to commence so that their shareholding may be checked against the Share Register or their power of attorney or appointment as corporate representative can be verified (as the case may be), and their attendance noted.

### Voting in person

If you wish to vote in person at the B Scheme Meeting, please attend the B Scheme Meeting which will be held at the later of 11.00am (Local Time) and the conclusion or adjournment of the A Scheme Meeting on Tuesday, 31 May 2011 at the Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie New South Wales 2716.

### Voting by proxy

As a holder of a B Share entitled to attend and vote at the B Scheme Meeting you are also entitled to appoint a proxy to vote on your behalf. A blue proxy form is enclosed with this Scheme Booklet. You may not appoint more than one proxy to attend and act for you at the B Scheme Meeting. A proxy need not be a holder of a B Share.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the B Scheme Meeting. If you appoint the Chairman as your proxy and do not instruct him on how to vote, he intends to vote in favour of the Scheme.

At the point of entry to the B Scheme Meeting, a proxy will be admitted and given a voting card on providing written evidence of their name and address.

The lodging of a blue proxy form will not preclude a holder of a B Share from attending in person and voting at the B Scheme Meeting if the holder of a B Share is entitled to attend and vote. If the holder of the B Share votes on the B Scheme Resolution, their appointed proxy is not entitled to vote and must not vote as that holder's proxy on the B Scheme Resolution.

Please refer to the enclosed blue proxy form for instructions on completion and lodgement. In order for the appointment of a proxy to be valid, the blue proxy form MUST be received by the Share Registry not less than 48 hours before the time for holding the B Scheme Meeting. Blue proxy forms received after this time will be invalid.

Proxy forms sent by post must be received by the Share Registry by close of business on Friday, 27 May 2011.

Where the blue proxy form is executed under a power of attorney, the original power of attorney or an attested copy of the power of attorney or other authority under which it is signed MUST be lodged with the blue proxy form (unless it has already been lodged with the Share Registry).

### **Voting by attorney**

At the point of entry to the B Scheme Meeting, an attorney will be admitted and given a voting card on providing written evidence of their appointment, their name and address and the identity of their appointer.

The lodging of a power of attorney will not preclude a holder of a B Share from attending in person and voting at the B Scheme Meeting if the holder of the B Share is entitled to attend and vote. If the holder of the B Share votes on the B Scheme Resolution, their appointed attorney is not entitled to vote, and must not vote as that holder's attorney on the B Scheme Resolution.

In order for the appointment of an attorney to be valid, the original power of attorney or an attested copy of the power of attorney or other authority under which it is signed **MUST** be lodged with the Share Registry not less than 48 hours before the time for holding the B Scheme Meeting. An appointment of attorney received after this time will be invalid.

### **Voting by corporate representative**

To vote at the B Scheme Meeting (other than by proxy or by attorney), a corporation that is a holder of a B Share may appoint a person to act as its authorised corporate representative. The appointment must comply with section 250D of the Corporations Act.

At the point of entry to the B Scheme Meeting, an authorised corporate representative will be admitted and given a voting card on providing written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

### **Lodgement of blue proxy forms, powers of attorney and authorities**

Duly signed blue proxy forms, powers of attorney and authorities **MUST** be lodged with the Share Registry not less than 48 hours before the time for holding the B Scheme Meeting in any of the following ways:

- a. by using the enclosed reply paid envelope or, if you are outside Australia or do not use the reply paid envelope, to the Share Registry at the following address:

**Ricegrowers Limited  
c/o Link Market Services Limited  
Locked Bag A14  
SYDNEY SOUTH NSW 1235  
AUSTRALIA;** or

- b. by hand delivery to the Share Registry at the following address:

**Link Market Services Limited  
Level 12, 680 George Street  
SYDNEY NSW 2000;** or

- c. by successfully transmitting a facsimile to the Share Registry on (02) 9287 0309; or
- d. by visiting [www.investorcentre.linkmarketservices.com.au](http://www.investorcentre.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the blue proxy form. Select "Voting" and follow the prompts to lodge your vote. To use the online lodgement facility, Shareholders will need their "Holder Identifier" (Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) as shown on the front of the blue proxy form).

### **Further information**

For further information, please call the SunRice information line on 1800 643 604 (toll free in Australia) or +61 2 8256 3383 (if overseas) between 9.00am and 5.00pm (Local Time), Monday to Friday.

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# Annexure C:

## Notice of Extraordinary General Meeting

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## Annexure C: Notice of Extraordinary General Meeting

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### Notice of Extraordinary General Meeting

#### Ricegrowers Limited ACN 007 481 156 (SunRice)

### Notice of Extraordinary General Meeting

Notice is given that a general meeting of SunRice will be held at the later of 11.30am (Local Time) and the conclusion or adjournment of the B Scheme Meeting on Tuesday, 31 May 2011 at the Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie New South Wales 2716 (**Extraordinary General Meeting**).

Gerry Lawson or, failing him, Mark Robertson will act as Chairman of the Extraordinary General Meeting (**Chairman**).

### Purpose of the Extraordinary General Meeting

The purpose of the Extraordinary General Meeting is to consider and, if thought fit by the holders of A Shares, to approve the Supporting Resolutions by special resolution. This means that the Supporting Resolutions must each be passed by at least 75% of the total number of votes cast in relation to the resolution at the Extraordinary General Meeting by holders of A Shares entitled to vote on the Supporting Resolutions.

Terms used in this Notice, unless otherwise defined, have the same meaning as set out in the Glossary in the Scheme Booklet.

#### 1. Resolution for Constitutional Change

To consider and, if thought fit, pass the following resolution as a special resolution:

*"That, subject to and conditional upon the Scheme becoming Effective, and with effect from the Effective Date of the Scheme, the Constitution be amended as described in Schedule 1 to this Notice."*

#### 2. The issue of the Implementation Shares to Ebro

Subject to and conditional upon the Resolution for Constitutional Change being passed as a special resolution, to consider and, if thought fit, pass the following resolution as a special resolution:

*"That subject to and conditional upon the Scheme becoming Effective and the receipt from Ebro of the aggregate subscription moneys of \$76,965,697 pursuant to the Scheme Implementation Agreement, the issue of 76,965,697 C Shares at an issue price of \$1 per C Share (fully paid) to Ebro be approved."*

By order of the Board of Ricegrowers Limited



**M Del Gigante**

Company Secretary

Dated 19 April 2011

## Schedule 1

	PROPOSED AMENDMENT TO THE SUNRICE CONSTITUTION
1.	<p>Rule 1.1 is amended by:</p> <p>a. inserting the following definitions in the relevant alphabetical position:</p> <ul style="list-style-type: none"> <li>• “<b>C Class Share</b>” means a preference Share having the rights conferred on C Class Shares by this Constitution;”;</li> <li>• “<b>LIBOR</b>” (with respect to determining a dividend on C Class Shares) means the applicable Screen Rate as at the time the Directors determine that a dividend is payable pursuant to the Constitution and the Corporations Act;”;</li> <li>• “<b>Scheme</b>” means the proposed scheme of arrangement pursuant to Part 5.1 of the Act between the Company and Scheme Shareholders in respect of all Scheme Shares;”;</li> <li>• “<b>Screen Rate</b>” means the British Bankers Association Interest Settlement Rate for Australian dollars at a “1M” period (30 days) displayed on the page entitled “BBA LIBOR” on Thomson Reuters;”;</li> </ul> <p>b. deleting the definition of “<b>Elected RMB Member</b>”.</p>
2.	<p>Insert a new Rule 1.2(m): “A word or phrase defined in the Scheme has the same meaning in this Constitution unless a contrary intention appears.”</p>
3.	<p>Rule 3.1 is amended by replacing paragraphs (a) and (b) with:</p> <p>“(a) A Class Shares; (b) B Class Shares; and (c) C Class Shares.”</p>
4.	<p>Insert a new Rule 4A:</p> <p>“Rules 4.1, 4.2, 4.3, 4.5, 4.6, 4.7, 9.1 and 9.4 do not apply to Ebro or to the transfer of all of the Scheme Shares to Ebro on the Implementation Date pursuant to the Scheme provided that Rule 9.5(a) applies to such transfer of Scheme Shares to Ebro as if it referred to A Class Shares and B Class Shares.”</p>
5.	<p>Insert a new Rule 5.2A:</p> <p>“Each C Class Share confers on its holder:</p> <p>a. the right to receive notice of, and attend, all general meetings of the Company, but no right to vote at general meetings;</p> <p>b. the right to participate:</p> <p>(i) in priority to holders of B Class Shares;</p> <p>(ii) equally with other holders of C Class Shares; and</p> <p>(iii) behind holders of A Class Shares,</p> <p>in respect of the repayment of capital and the distribution of surplus on a winding up of the Company;</p> <p>c. the right to transfer a C Class Share only in the event that the Company conducts a buyback of C Class Shares pursuant to the Act;</p> <p>d. the right to receive a dividend, subject to the Act, paid annually in arrears in preference to holders of B Class Shares pursuant to the following formula:</p> <p><math>(A + .023) \times B</math> where:</p> <p>A means LIBOR</p> <p>B means the issue price of the C Class Shares, being \$1.00;</p> <p>e. on a redemption of A Class Shares or winding up of the Company, any dividend owing but unpaid on the C Class Shares shall be subordinated to the right of the holders of the A Class Shares to be repaid the amount paid up on the A Class Shares; and</p> <p>f. no right to a dividend in the event that the Scheme is not implemented following the Effective Date and before the End Date due to a default by Ebro under the terms of the Scheme Implementation Agreement.”</p>
6.	<p>Amend Rule 10.2(a)(i) by replacing the words “an A Class Shareholder” with “a Shareholder”.</p>
7.	<p>Amend Rule 10.2(e) by replacing the words “the A Class Shareholder” with “the Shareholders”.</p>
8.	<p>Insert a new Rule 10.5A:</p> <p>“Rule 10.5 does not apply if Ebro is the sole Shareholder following the implementation of the Scheme.”</p>

## Annexure C: Notice of Extraordinary General Meeting

	PROPOSED AMENDMENT TO THE SUNRICE CONSTITUTION
9.	<p>Insert a new Rule 11.1A:</p> <p><i>"On implementation of the Scheme, by which Ebro becomes the sole Shareholder, then Rule 11.1 is to operate as if it were amended as follows:</i></p> <ul style="list-style-type: none"><li>• Rule 11.1(a) was deleted and replaced with <i>"The Board will comprise up to ten (10) Directors who are, on implementation of the Scheme, nominated by Ebro in accordance with clause 7 of the Scheme Implementation Agreement and thereafter elected by the A Class Shareholders in accordance with Rule 11.1(h). All Directors must be natural persons and at least 18 years old."</i>;</li><li>• Rule 11.1(a)(i) was deleted;</li><li>• Rule 11.1(a)(ii) was deleted;</li><li>• Rule 11.1(a)(iii) was deleted;</li><li>• Rule 11.1(b) was deleted;</li><li>• Rule 11.1(d) was deleted;</li><li>• Rule 11.1(f) was deleted;</li><li>• Rule 11.1(g) was deleted; and</li><li>• Rule 11.1(h) was replaced with <i>"Directors referred to in Rule 11.1(a) will be nominated by the Board and elected by A Class Shareholders in general meeting."</i></li></ul>
10.	<p>Insert a new Rule 11.2A:</p> <p><i>"Rule 11.2 does not apply if Ebro is the sole Shareholder following the implementation of the Scheme."</i></p>
11.	<p>Insert a new Rule 11.10A:</p> <p><i>"If Ebro becomes the sole Shareholder following the implementation of the Scheme, then Rule 11.10(b) is to operate as if the following wording in Rule 11.10(b) were deleted – 'However, for a quorum to exist, the number of Active Grower Directors present must exceed the number of Independent Directors present by at least one'."</i></p>

## EXPLANATORY NOTES

### Material accompanying this Notice of Extraordinary General Meeting

This Notice and the Supporting Resolutions should be read in conjunction with the Scheme Booklet of which this Notice forms part. Terms used in this Notice, unless otherwise defined, have the same meaning as set out in the Glossary in the Scheme Booklet.

A copy of the Scheme is contained in Annexure D to this Scheme Booklet.

**A yellow proxy form also accompanies this Notice.**

### Directors' recommendation

The Directors of SunRice unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Supporting Resolutions. Each Director proposes to vote A Shares held by him or her (or on his or her behalf) in favour of the Supporting Resolutions.

### Quorum

A quorum is 10 or more holders of A Shares who are present at the Extraordinary General Meeting personally or separately represented by proxy, representative or attorney.

### Required majorities

#### Resolution 1

Section 136(2) of the Corporations Act provides that the Resolution for Constitutional Change must be approved by a special resolution. This means for the amendments to the Constitution to be effective, Resolution 1 must be passed by at least 75% of the votes cast on that resolution.

## Resolution 2

Rule 3.7 of the Constitution provides that any SunRice Shares other than A Shares and B Shares cannot be issued without the prior approval of holders of A Shares by special resolution passed at a general meeting. This means that in order for the proposed issue of 76,965,697 C Shares (fully paid) (**the Implementation Shares**) to Ebro (pursuant to the Scheme Implementation Agreement) to be approved, Resolution 2 must be passed by at least 75% of the votes cast on that resolution.

## Purpose of the Extraordinary General Meeting

The Supporting Resolutions relate to the Proposal and are outlined in further detail in the Scheme Booklet. The purpose of the Extraordinary General Meeting is to consider and, if thought fit by the holders of A Shares, to approve the Supporting Resolutions by special resolution.

You should read the Scheme Booklet carefully and in its entirety before deciding whether or not to vote in favour of the Supporting Resolutions.

## Supporting Resolutions

### Resolution for Constitutional Change

Amendments to the Constitution are necessary in order to facilitate the implementation of the Scheme. Please see Schedule 1 to this Notice for further details about these proposed amendments. The purpose and effect of these amendments are also discussed in section 15.2 of the Scheme Booklet (of which this Notice forms part).

The Resolution for Constitutional Change is conditional upon the Scheme becoming Effective. If the Resolution for Constitutional Change is approved by the required majority but the Scheme does not become Effective, the amendments to the Constitution set out in Schedule 1 will not take effect.

### Issue of the Implementation Shares to Ebro

Under the Scheme Implementation Agreement, it is proposed that SunRice issue the Implementation Shares in order to fund the SunRice Dividend.

The issue of the Implementation Shares to Ebro is conditional upon:

- a. the Resolution for Constitutional Change being passed as a special resolution;
- b. the Scheme becoming Effective; and
- c. receipt by SunRice of the aggregate subscription amount of \$76,965,697 (in accordance with the Scheme Implementation Agreement).

If the Resolution for the issue of the Implementation Shares to Ebro is approved by the required majority but the Resolution for Constitutional Change is not passed as a special resolution or the Scheme does not become Effective or SunRice does not receive the Implementation Subscription payment, then the issue of the Implementation Shares to Ebro will not occur. Please see section 9.2 and 9.18 of the Scheme Booklet (of which this Notice forms part) for further details about the issue of the Implementation Shares to Ebro.

## Voting entitlement

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Board has determined that each person who is recorded on the Share Register as a holder of an A Share as at 7.00pm on Sunday, 29 May 2011 is entitled to attend and vote at the Extraordinary General Meeting.

## Jointly held A Shares

In the case of A Shares held by joint holders, each joint holder is entitled to vote. However, if more than one joint holder votes in respect of a jointly held A Share, only the vote of the Shareholder whose name appears first in the Share Register will be counted. All joint holders of A Shares are entitled to attend the Extraordinary General Meeting.

## Annexure C: Notice of Extraordinary General Meeting

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### How to vote

Those entitled to vote at the Extraordinary General Meeting can vote at the Extraordinary General Meeting:

- a. in person;
- b. by proxy;
- c. by attorney; or
- d. by corporate representative (if you are a corporate Shareholder).

You will be counted as being present at the Extraordinary General Meeting if you vote in any of the ways outlined above.

### Voting at the Extraordinary General Meeting will occur by poll

All persons attending the Extraordinary General Meeting are asked to arrive at least 30 minutes prior to the time the Extraordinary General Meeting is to commence, so that their shareholding may be checked against the Share Register, their power of attorney or appointment as corporate representative can be verified (as the case may be), and their attendance noted.

### Voting in person

If you wish to vote in person at the Extraordinary General Meeting, please attend the Extraordinary General Meeting, which will be held at the later of 11.30am (Local Time) and the conclusion or adjournment of the B Scheme Meeting on Tuesday, 31 May 2011 at the Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie New South Wales 2716.

### Voting by proxy

As a holder of an A Share entitled to attend and vote at the Extraordinary General Meeting, you are also entitled to appoint a proxy to vote on your behalf. A yellow proxy form is enclosed with this Scheme Booklet. You may not appoint more than one proxy to attend and act for you at the Extraordinary General Meeting. A proxy need not be a holder of an A Share.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the Extraordinary General Meeting. If you appoint the Chairman as your proxy and do not instruct him on how to vote, he intends to vote in favour of the Supporting Resolutions.

At the point of entry to the Extraordinary General Meeting, a proxy will be admitted and given a voting card upon providing written evidence of their name and address.

The lodging of a yellow proxy form will not preclude a holder of an A Share from attending in person and voting at the Extraordinary General Meeting if the holder of an A Share is entitled to attend and vote. If the holder of the A Share votes on the Supporting Resolutions, their appointed proxy is not entitled to vote and must not vote as that holder's proxy on the Supporting Resolutions.

Please refer to the enclosed yellow proxy form for instructions on completion and lodgement. In order for the appointment of a proxy to be valid, the yellow proxy form MUST be received by the Share Registry not less than 48 hours before the time for holding the Extraordinary General Meeting. Yellow proxy forms received after this time will be invalid.

Proxy forms sent by post must be received by the Share Registry by close of business on Friday, 27 May 2011.

Where the yellow proxy form is executed under a power of attorney, the original power of attorney or an attested copy of the power of attorney or other authority under which it is signed MUST be lodged with the yellow proxy form (unless it has already been lodged with the Share Registry).

### **Voting by attorney**

At the point of entry to the Extraordinary General Meeting, an attorney will be admitted and given a voting card upon providing written evidence of their appointment, their name and address and the identity of their appointer.

The lodging of a power of attorney will not preclude a holder of an A Share from attending in person and voting at the Extraordinary General Meeting if the holder of the A Share is entitled to attend and vote. If the holder of the A Share votes on the Supporting Resolutions, their appointed attorney is not entitled to vote, and must not vote as that holder's attorney on the Supporting Resolutions.

In order for the appointment of an attorney to be valid, the original power of attorney or an attested copy of the power of attorney or other authority under which it is signed **MUST** be lodged with the Share Registry not less than 48 hours before the time for holding the Extraordinary General Meeting. An appointment of attorney received after this time will be invalid.

### **Voting by corporate representative**

To vote at the Extraordinary General Meeting (other than by proxy or by attorney), a corporation that is a holder of an A Share may appoint a person to act as its authorised corporate representative. The appointment must comply with section 250D of the Corporations Act.

At the point of entry to the Extraordinary General Meeting, an authorised corporate representative will be admitted and given a voting card upon providing written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

### **Lodgement of yellow proxy forms, powers of attorney and authorities**

Duly signed yellow proxy forms, powers of attorney and authorities **MUST** be lodged with the Share Registry not less than 48 hours before the time for holding the Extraordinary General Meeting in any of the following ways:

- a. by using the enclosed reply paid envelope or, if you are outside Australia or do not use the reply paid envelope, to the Share Registry at the following address:

**Ricegrowers Limited**  
**c/o Link Market Services Limited**  
**Locked Bag A14**  
**SYDNEY SOUTH NSW 1235**  
**AUSTRALIA;** or

- b. by hand delivery to the Share Registry at the following address:

**Link Market Services Limited**  
**Level 12, 680 George Street**  
**SYDNEY NSW 2000;** or

- c. by successfully transmitting a facsimile to the Share Registry on (02) 9287 0309; or
- d. by visiting [www.investorcentre.linkmarketservices.com.au](http://www.investorcentre.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the yellow proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, Shareholders will need their "Holder Identifier" (Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) as shown on the front of the yellow proxy form).

### **Further information**

For further information, please call the SunRice information line on 1800 643 604 (toll free in Australia) or +61 2 8256 3383 (if overseas) between 9.00am and 5.00pm (Local Time), Monday to Friday.

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# Annexure D:

## Scheme of Arrangement

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## Annexure D: Scheme of Arrangement

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**Date:** 2011

**Scheme of Arrangement** under Part 5.1 of the Corporations Act

**Parties:** Ricegrowers Limited ACN 007 481 156  
(SunRice); and  
Scheme Shareholders

### Agreed terms

#### 1. Defined terms and interpretation

##### 1.1 Definitions

In this Scheme, unless the context requires otherwise:

**A Share** means an A Class Share in the capital of SunRice as provided in the Constitution.

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

**B Share** means a B Class Share in the capital of SunRice as provided in the Constitution.

**Business Day** has the meaning given in the Listing Rules.

**C Class Shares** means C Class Shares as provided in the Constitution as amended by the Resolution for Constitutional Change.

**Close of Trading** means the close of normal trading on NSX on the Effective Date.

**Constitution** means the constitution of SunRice.

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

**Court** means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.

**Dividend Payment Date** means the date for payment of the SunRice Dividend being no earlier than the Business Day after the Dividend Record Date and no later than the Business Day before the Scheme Record Date.

**Dividend Record Date** means the record date for the SunRice Dividend which is 7.00pm on the day which is the later of the seventh Business Day after the date of the Scheme Meetings and the Business Day after the Effective Date (or such other date after the Effective Date as Ebro and SunRice agree) and at least three clear Business Days before the Scheme Record Date).

**Deed Poll** means the Deed Poll dated 12 April 2011 executed by Ebro, pursuant to which Ebro covenants in favour of the Scheme Shareholders to:

- a. perform the steps attributed to it under, and otherwise comply with, this Scheme, as if Ebro were a party to this Scheme; and
- b. comply with its obligations under the Scheme Implementation Agreement, in so far as that agreement relates to this Scheme, and do all things necessary or expedient on its part to implement this Scheme.

**DLA Trust Account** means a trust account operated by the Australian Solicitors for Ebro, DLA Phillips Fox.

**DLA Trust Terms** means the basis upon which the Implementation Funds are held in the DLA Trust Account being that they are paid and applied in accordance with clause 4.5(a) and can only be returned to Ebro if this Scheme is not implemented following the Effective Date and no later than the End Date, other than as a result of default of Ebro.

**Ebro** means Ebro Foods S.A.

**Effective** means the coming into effect, under section 411(10) of the Corporations Act, of the Scheme Order in relation to the Scheme.

**Effective Date**, with respect to the Scheme, means the date on which the Scheme becomes Effective.

**End Date** means:

- a. 30 June 2011; or
- b. such other date agreed in writing by SunRice and Ebro, provided that if the Scheme becomes Effective on or before the date determined above, then the End Date is the later to occur of the date determined above and the 30th Business Day after the Effective Date.

**Explanatory Booklet** means the information to be despatched to SunRice Shareholders in accordance with clause 5.4 of the Scheme Implementation Agreement.

**Implementation Date** means the date that this Scheme will be implemented according to its terms, being the Business Day following the Scheme Record Date or such later Business Day, no later than 3 Business Days after the Scheme Record Date, as Ebro and SunRice agree.

**Implementation Funds** means an amount equal to the aggregate of the Scheme Consideration payable to all Scheme Shareholders.

**Implementation Shares** means 76,965,697 C Class Shares issued for an aggregate issue price of \$76,965,697.

**Implementation Subscription** means a written application by Ebro for the Implementation Shares to be issued on the day of the Dividend Record Date.

**Implementation Subscription Payment** means the amount of \$76,965,697, representing the subscription price for the Implementation Shares.

**Listing Rules** means the official listing rules of NSX.

**NETS** means the Newcastle Electronic Trading System, a computer system and associated network operated by the NSX in providing a market for the trading of securities.

**NSX** means National Stock Exchange of Australia Limited ABN 11 000 902 063.

**Register** means the register of members of SunRice maintained under and in accordance with section 169 of the Corporations Act.

**Registered Address** means the address of each SunRice Shareholder as recorded on the Register.

**Resolution for Constitutional Change** has the meaning provided in the Scheme Implementation Agreement.

**Registrar** means Link Market Services Limited.

**Scheme** means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act between SunRice and Scheme Shareholders in respect of all Scheme Shares, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by SunRice and Ebro.

**Scheme Consideration** means:

- a. in respect of each Scheme Share which is an A Share held by a Scheme Shareholder, \$50,000 in cash; and
- b. in respect of each Scheme Share which is a B Share held by a Scheme Shareholder, \$3.618 in cash (or \$5.025 if the Directors revoke their decision to pay the SunRice Dividend).

**Scheme Implementation Agreement** means the agreement between SunRice and Ebro dated 25 November 2010 as amended and restated by way of an Amendment and Restatement Agreement dated 11 February 2011 and a further Amendment and Restatement Agreement dated 31 March 2011 between SunRice and Ebro, under which each party undertakes specific obligations to give effect to this Scheme.

**Scheme Meetings** means the meetings of SunRice Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of those meetings.

**Scheme Order** means the orders of the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act.

**Scheme Record Date** means the record date for the Scheme which is 7.00pm on the sixth Business Day after the Effective Date or, if such date is not at least three clear Business Days after the Dividend Record Date, the Business Day which is three clear Business Days after the Dividend Record Date (or such other date as Ebro and SunRice agree).

**Scheme Share** means a Share on issue as at the Scheme Record Date.

**Scheme Shareholder** means a person who holds one or more Scheme Shares.

**Scheme Share Transfer** means for each Scheme Shareholder, a proper instrument of transfer of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

**Second Court Date** means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

**Second Court Hearing** means the hearing of the application to the Court of the Scheme Order approving the Scheme.

**Share** means an A Share and a B Share.

**SunRice Board** means the board of directors of SunRice as constituted from time to time.

**SunRice Dividend** means a cash special dividend of \$1.407 per B Share (being an aggregate maximum dividend of \$76,965,697) to be:

- a. determined by SunRice and, provided it is not revoked, paid by SunRice following the Implementation Subscription on the Dividend Payment Date out of retained earnings of SunRice;
- b. fully franked, subject to the then available franking credits of SunRice; and
- c. paid to each SunRice Shareholder holding a B Share on the Dividend Record Date.

**SunRice Shareholder** means a person who is registered in the Register as the holder of Shares.

## Annexure D: Scheme of Arrangement

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**SunRice Trust Account** means an Australian dollar denominated trust account operated by SunRice as Trustee, provided that any interest on the amounts deposited in the Trust Account (less bank fees and other charges) will be credited to the account of Ebro.

**Trustee** means SunRice as trustee for Scheme Shareholders.

### 1.2 Interpretation

In this Scheme, except where the context otherwise requires:

- a. the singular includes the plural and vice versa, and a gender includes other genders;
- b. another grammatical form of a defined word or expression has a corresponding meaning;
- c. a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this Scheme, and a reference to this Scheme includes any schedule or annexure;
- d. a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- e. a reference to A\$, \$A, dollar or \$ is to Australian currency;
- f. a reference to time is to Sydney Australia time;
- g. a reference to a party is to a party to this Scheme, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- h. a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- i. a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- j. a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
- k. the meaning of general words is not limited by specific examples introduced by including "for example" or similar expressions;
- l. a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation or this agreement or any part of it; and
- m. if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

## 2. Preliminary

### 2.1 SunRice

SunRice is a public company incorporated in Australia and registered in New South Wales and is a company limited by shares. SunRice is admitted to the official list of NSX and its B Shares are officially quoted on the stock market conducted by NSX. Its registered office is at 37 Yanco Ave, Leeton New South Wales, 2705, Australia.

### 2.2 SunRice securities

As at the date of the Explanatory Booklet, SunRice has on issue:

- a. 794 A Shares; and
- b. 54,701,988 B Shares.

### 2.3 Ebro

Ebro is a company incorporated in Spain and is a company limited by shares. Its registered office is at 20 Paseo de la Castellana, 28046 Madrid, Spain.

### 2.4 Agreement to implement the Scheme

Each of SunRice and Ebro have agreed, by executing the Scheme Implementation Agreement, to implement the terms of this Scheme and the steps contemplated to enable the implementation of this Scheme, to the extent those steps are required to be done by each of them.

### 2.5 Ebro Deed Poll

Ebro has agreed by executing the Deed Poll in favour of Scheme Shareholders to perform the matters required of it under this Scheme.

### 2.6 Summary of Scheme

If the Scheme becomes Effective:

- a. Ebro will subscribe for, and SunRice will issue to Ebro, the Implementation Shares in accordance with the terms of this Scheme;
- b. all of the Scheme Shares (together with all rights and entitlements attaching to the Scheme Shares) will be transferred to Ebro and SunRice will become a subsidiary of Ebro;
- c. in consideration of the transfer of the Scheme Shares, Ebro will provide or procure the provision of the Scheme Consideration to Scheme Shareholders in accordance with the terms of this Scheme;
- d. SunRice will enter the name of Ebro in the Register as the holder of all the Scheme Shares;

- e. the Scheme will bind SunRice and all Scheme Shareholders, including those who do not attend a Scheme Meeting, those who do not vote at a Scheme Meeting and those who vote against this Scheme at a Scheme Meeting; and
- f. the Scheme will override the constitution of SunRice to the extent of any inconsistency.

### 3. Conditions precedent

#### 3.1 Conditions precedent

This Scheme is conditional upon and will have no force and effect until satisfaction of each of the following conditions precedent:

- a. all the conditions precedent in clause 3.1 of the Scheme Implementation Agreement (other than clause 3.1(j)) having been satisfied or waived in accordance with the Scheme Implementation Agreement as at 8.00am on the Second Court Date or such other time specified in that condition precedent;
- b. neither the Scheme Implementation Agreement nor the Deed Poll being terminated, as at 8.00am on the Second Court Date; and
- c. this Scheme being approved for the purposes of section 411(4)(b) of the Corporations Act at the Second Court Hearing, subject to the matters noted in clause 7.10.

#### 3.2 Effect of conditions precedent

The satisfaction or waiver of each condition precedent in clause 3.1 is a condition precedent to the operation of clause 4.

#### 3.3 Certificate

SunRice and Ebro will provide to the Court at the Second Court Hearing certificates, or such other evidence as the Court requests, confirming, in relation to matters in their respective knowledge, whether or not the conditions precedent to this Scheme (other than the condition precedent in Clause 3.1(c) above and the condition precedent in clause 3.1(j) of the Scheme Implementation Agreement) have been satisfied, waived or taken to be waived. Such certificates constitute conclusive evidence that such conditions precedent are satisfied, waived or taken to be waived.

#### 3.4 Lapse

This Scheme will lapse and be of no further force or effect if:

- a. the Effective Date has not occurred on or before the End Date; or
- b. the Scheme Implementation Agreement is terminated prior to implementation of this Scheme on the Implementation Date.

#### 3.5 Termination

If the Scheme Implementation Agreement is terminated in accordance with its terms before this Scheme becomes Effective, subject to the terms of the Scheme Implementation Agreement, each of Ebro and SunRice are released from:

- a. any further obligation to take steps to implement this Scheme; and
- b. any liability with respect to this Scheme.

### 4. The Scheme

#### 4.1 Lodgement of Scheme Order with ASIC

If the conditions in clause 3.1 are satisfied, SunRice will lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Scheme Order as soon as practicable, and in any event by no later than 5.00pm on the first Business Day (or on such other Business Day as SunRice and Ebro agree) after the date on which the Court makes that Scheme Order. This Scheme will be Effective on and from the Effective Date and the provisions of the remainder of this Clause 4 shall apply.

#### 4.2 Implementation payments

On the day of the Dividend Record Date:

- a. on or before 9.30am Ebro will deposit:
  - (i) the Implementation Subscription Payment in cleared funds into a separate bank account opened by SunRice for this purpose;
  - (ii) in cleared funds, an amount equal to the Implementation Funds into the DLA Trust Account to be held on the DLA Trust Terms; and
- b. promptly after 9.30am, Ebro will deliver to SunRice the Implementation Subscription directing SunRice to apply the Implementation Subscription Payment on the day of the Dividend Record Date to fully pay up the aggregate subscription price for the Implementation Shares and to issue to Ebro the Implementation Shares on the day of the Dividend Record Date, subject to clause 4.3.

## Annexure D: Scheme of Arrangement

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### 4.3 Implementation Subscription

Subject to the payments being made by Ebro in accordance with clause 4.2(a), on the day of the Dividend Record Date SunRice will issue the Implementation Shares to Ebro and procure that Ebro is entered in the SunRice register of members in respect of those shares on the day of the Dividend Record Date.

### 4.4 Transfer of Scheme Shares

The following actions will occur (in the order set out below) on the Implementation Date:

- a. on or before 9.30am, Ebro must deposit or procure the deposit of the Implementation Funds as required under clause 4.5(a)(i);
- b. after 9.30am, and subject to SunRice receiving the Implementation Funds and the Implementation Subscription Payment, all of the Scheme Shares held by Scheme Shareholders, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date will be transferred to Ebro without the need for any further act by any Scheme Shareholder, by SunRice effecting a valid transfer or transfers of the Scheme Shares to Ebro under section 1074D of the Corporations Act or, if that procedure is not available for any reason, by:
  - (i) SunRice delivering to Ebro a duly completed Scheme Share Transfer executed by SunRice as transferor (acting as the attorney and agent of each Scheme Shareholder under clause 7.1); and
  - (ii) Ebro duly executing the Scheme Share Transfer as transferee and delivering it to SunRice for Registration; and
- c. as soon as possible after receipt from Ebro of the transfer of the Scheme Shares in accordance with clause 4.4(b)(ii), SunRice must enter the name of Ebro in the Register in respect of all of the Scheme Shares and, pending such registration, Ebro is beneficially entitled to the Scheme Shares transferred to it under this Scheme.

### 4.5 Payment of Scheme Consideration

- a. Ebro must pay or procure payment of the Scheme Consideration to Scheme Shareholders by:
  - (i) on or before 9.30am on the Implementation Date depositing (or procuring the deposit) into the SunRice Trust Account of the Implementation Funds in cleared funds, such Implementation Funds to be held by the Trustee on trust for the purpose of paying the aggregate Scheme Consideration to the Scheme Shareholders provided that any interest on the Implementation

Funds deposited in the SunRice Trust Account (less bank fees and other charges) will be credited to the account of Ebro;

- (ii) the Trustee, within five Business Days after the Implementation Date, paying from the Trust Account to each Scheme Shareholder an amount equal to the Scheme Consideration due to that Scheme Shareholder in accordance with this Scheme by:
  - A. despatching or procuring the despatch to the Scheme Shareholder (other than a Scheme Shareholder who has notified an account with an Australian bank as provided by clause 4.5(a)(ii)(B)) of a cheque, by pre-paid ordinary post (or, if the address of the Scheme Shareholder in the Register is outside Australia, by pre-paid airmail post) in an envelope addressed to the address shown in the Register as at the Record Date. In the case of Scheme Shares held in joint names, any cheque required to be paid to Scheme Shareholders must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at the Record Date; or
  - B. making a deposit in an account with any ADI (as defined in the Banking Act 1959 (Cth)) in Australia notified by the Scheme Shareholder to SunRice or the Registrar and recorded in or for the purposes of the Register as at the Record Date.
- b. To the extent that a cheque properly dispatched by or on behalf of the Trustee pursuant to this clause 4.5 is returned to the Trustee as undelivered or the cheque is not presented by a Scheme Shareholder earlier than six months after the Implementation Date (**Unclaimed Consideration**):
  - (i) during the one year commencing on the Implementation Date, at the request of a Scheme Shareholder, the Trustee must reissue to that Scheme Shareholder a cheque previously cancelled under this clause;
  - (ii) the Trustee must deal with the Unclaimed Consideration in accordance with any applicable unclaimed moneys legislation; and
  - (iii) subject to the Trustee complying with its obligations under clause 4.5(b)(i) and 4.5(b)(ii), the Trustee is discharged from liability to any Scheme Shareholder in respect of the Unclaimed Consideration.

#### **4.6 SunRice Dividend**

SunRice must use the Implementation Subscription Payment to fund the payment of, and must pay, the SunRice Dividend on the Dividend Payment Date.

### **5. Entitlement to participate and dealings in shares**

#### **5.1 Entitlement to participate**

Each Scheme Shareholder will be entitled to participate in this Scheme.

#### **5.2 Recognised dealings**

For the purposes of determining who is a Scheme Shareholder, dealings in Shares will be recognised if:

- a. in the case of dealings of the type effected by NETS, the transferee is registered in the Register as the holder of the relevant Shares by the Scheme Record Date; and
- b. in all other cases share transfer forms in registerable form or transmission applications in respect of those dealings are received at the place where the Register is kept prior to the Scheme Record Date.

#### **5.3 SunRice's obligations to register**

SunRice must register any registerable transfers or transmission applications received in accordance with clause 5.2(b) by the Scheme Record Date.

#### **5.4 Transfer requests received after Record Date**

SunRice will not accept for registration or recognise for any purpose any transfer, transmission or application in respect of Shares received after 7.00pm on the Scheme Record Date, other than a transfer to Ebro in accordance with this Scheme.

#### **5.5 No disposal after Close of Trading**

No SunRice Shareholder shall dispose of or purport to agree to dispose of any Shares or any interest therein after the Close of Trading. Any dealings in Shares after Close of Trading shall not be recognised by the Registrar.

#### **5.6 Maintaining the Register**

For the purpose of determining entitlements to Scheme Consideration, SunRice must until the Scheme Consideration has been paid, maintain, or cause the Registrar to maintain, the Register in accordance with the provisions of this clause 5 and entitlements to the Scheme Consideration will be determined solely on the basis of the Register.

#### **5.7 Statements of holding cease to have any effect**

After 7.00pm on the Scheme Record Date, any share certificate or holding statement for Shares (other than statements of holding in favour of Ebro and its successors in title) will cease to have any effect as a document of title in respect of those Shares and each current entry on the Register as at 7.00pm on the Scheme Record Date will cease to have any effect other than as evidence of entitlement of Scheme Shareholders to the Scheme Consideration (other than the entries in respect of Ebro).

#### **5.8 Provision of Scheme Shareholder's details**

As soon as practicable after the Scheme Record Date, and in any event at least one Business Day before the Implementation Date, SunRice must ensure that a complete copy of the Register as at 7.00pm on the Scheme Record Date, including details of the names, registered addresses and holdings of Shares for each Scheme Shareholder are available to Ebro in the form Ebro reasonably requires.

### **6. Quotation of Shares**

#### **6.1 Suspension of trading in NSX**

SunRice will apply to the NSX to suspend trading in the Shares on NSX from the Close of Trading.

#### **6.2 Termination from official quotation**

Provided that the Scheme has been fully implemented in accordance with its terms, SunRice will apply for termination of the official quotation of the Shares on NSX and removal from the official list of NSX as soon as practicable after the Implementation Date as determined by SunRice.

### **7. General Provisions**

#### **7.1 SunRice to act on behalf of SunRice Shareholders**

Each Scheme Shareholder, without the need for any further act, irrevocably appoints SunRice and all of its directors and officers (jointly and severally) as its attorney and agent for the purposes of executing any document necessary or taking any other act necessary to give effect to this Scheme and the transactions contemplated by it including, without limitation, executing a proper instrument of transfer of its Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all the Shares held by Scheme Shareholders, and SunRice accepts such appointment.

## Annexure D: Scheme of Arrangement

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### 7.2 Status of Scheme Shares

- a. To the extent permitted by law, the Scheme Shares transferred under the Scheme will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.
- b. Each Scheme Shareholder is deemed to have warranted to SunRice and Ebro and appointed and authorised SunRice as its attorney and agent to warrant to Ebro, that all their Shares (including any rights and entitlements attaching to those Shares) transferred to Ebro under this Scheme will, at the date of transfer, be fully paid and free from mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind and that they have full power and capacity to sell and transfer their Shares (including any rights and entitlements attaching to those Shares) to Ebro under this Scheme.

### 7.3 Further assurances

SunRice will execute documents and do all things and acts necessary or expedient in order to implement this Scheme.

### 7.4 Authority of SunRice

Each of the Scheme Shareholders consents to SunRice doing all things necessary for or incidental to the implementation of this Scheme.

### 7.5 Scheme binding

This Scheme binds SunRice and all Scheme Shareholders from time to time (including those who do not attend the Scheme Meetings, those who do not vote at a meeting or vote against the Scheme) and, to the extent of any inconsistency, overrides the constitution of SunRice.

### 7.6 Enforcement of Deed Poll

SunRice undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Ebro on behalf of, and as agent and attorney for, the Scheme Shareholders.

### 7.7 Variation, cancellation or modification of rights

The Scheme Shareholders agree to the transfer of their Shares in accordance with this Scheme and agree to the variation, cancellation or modification of the rights attached to their Shares constituted or resulting from this Scheme (if any).

### 7.8 Appointment of sole proxy

As at the Scheme Record Date, pending registration by SunRice of Ebro in the Register as the holder of the Scheme Shares on the Implementation Date each Scheme Shareholder:

- a. irrevocably appoints Ebro as attorney and agent (and directs Ebro in each such capacity) to appoint any director nominated by Ebro as its sole proxy and, where appropriate, its corporate representative to attend shareholder meetings of SunRice, exercise the votes attached to the Scheme Shares registered in the name of the Scheme Shareholder and sign any shareholders resolution of SunRice, and the Scheme Shareholder may not itself attend or vote at any such meetings or sign any such resolutions, whether in person, by proxy or by corporate representative; and
- b. must take all other actions in the capacity of a registered holder of Scheme Shares as Ebro reasonably directs.

### 7.9 Notices

Where a notice, transfer, transmission application or other communication referred to in the Scheme is sent by post to SunRice, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at SunRice's registered office or at the office of the Registrar.

### 7.10 Alterations and conditions

If the Court proposes to approve this Scheme subject to any conditions or alterations under section 411(6) of the Corporations Act, SunRice may, by its counsel on behalf of all persons concerned, consent to only such of those conditions or alterations to this Scheme to which Ebro has consented.

### 7.11 Stamp duty

All stamp duty, and any related fines and penalties (if any) payable in connection with this Scheme and each transaction effected by or made under this Scheme, will be payable by Ebro.

### 7.12 Governing law

The governing law of the Scheme is the law in force in the State of New South Wales.

# Annexure E:

Deed Poll

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## Annexure E: Deed Poll

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### Deed Poll

EBRO FOODS S.A.

## DEED POLL

Date 12.4.2011

### Parties:

Name: Ebro Foods S.A. (Ebro)

### Background

- A. On 25 November 2010, SunRice and Ebro entered into the Scheme Implementation Agreement, which was subsequently amended and restated by way of an Amendment and Restatement Agreement dated 11 February 2011 and a further Amendment and Restatement Agreement dated 31 March 2011 between SunRice and Ebro (**Scheme Implementation Agreement**).
- B. Under the Scheme Implementation Agreement SunRice has agreed that it will propose and implement the Scheme in accordance with the Scheme Implementation Agreement.
- C. Under the Scheme Implementation Agreement, Ebro has agreed to take all steps reasonably necessary to assist SunRice in proposing and implementing the Scheme in accordance with the Scheme Implementation Agreement.
- D. Ebro is entering into this Deed Poll for the purposes of covenanting in favour of Scheme Shareholders to perform certain of its obligations under the Scheme Implementation Agreement and the Scheme.
- E. The effect of the Scheme will be that the Scheme Shares, together with all rights and entitlements attaching to them, will be transferred to Ebro in exchange for the Scheme Consideration.

### Agreed Terms

#### 1. Defined terms and interpretation

##### 1.1 Definitions

Words and phrases defined in the Scheme Implementation Agreement have the same meaning in this Deed Poll unless the context requires otherwise.

##### 1.2 Interpretation

- (a) In this Deed Poll, unless the context otherwise requires:
  - (i) the singular includes the plural and vice versa;
  - (ii) reference to a person includes references to corporations, partnerships, joint ventures, associations, bodies corporate and any Regulatory Authority;
  - (iii) references to agreements or deeds are to agreements or deeds as amended from time to time;
  - (iv) references to a party includes their executors, administrators and permitted assigns or, being a company, its successors and permitted assigns;
  - (v) an agreement, representation or warranty in favour of two or more persons is for the benefit of each and all of them;

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## Annexure E: Deed Poll

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- (vi) a reference to a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Deed Poll and a reference to this Deed Poll includes any annexure, exhibit and schedule; and
- (vii) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacement to it.
- (b) Clause headings in this Deed Poll do not affect the interpretation of this Deed Poll.
- (c) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.

### 1.3 Time for performance

- (a) If the day on or by which a payment or an act is to be done under this Deed Poll is not a Business Day, that act must be done on the next Business Day.
- (b) In this Deed Poll, if a period occurs from, after or before a day or the day of an act or event, it excludes that day.
- (c) In this Deed Poll, a reference to a day is to be interpreted as the period of commencing at midnight and ending 24 hours later.
- (d) In this Deed Poll, a reference to time is a reference to Sydney time.

## 2. Nature of Deed Poll

Ebro acknowledges that this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it.

## 3. Condition

### 3.1 Condition

Ebro's obligations under clause 4 are subject to the Scheme becoming Effective.

### 3.2 Termination

Subject to clause 6, the obligations of Ebro under this Deed Poll to Scheme Shareholders will automatically terminate and the terms of this Deed Poll will be of no further force or effect if:

- (a) the Scheme Implementation Agreement is terminated in accordance with its terms prior to the implementation of the Scheme on the Implementation Date; or
- (b) the Scheme is not Effective by the End Date.

### 3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then in addition and without prejudice to any other rights, powers or remedies available to them:

- (a) Ebro is released from its obligations to further perform this Deed Poll except for any obligations which by their nature survive termination; and
- (b) Scheme Shareholders retain the rights they have against Ebro in respect of any breach of this Deed Poll which occurs before it is terminated.

#### **4. Performance of Scheme obligations**

##### **4.1 Generally**

Subject to clause 3, Ebro covenants in favour of Scheme Shareholders to:

- (a) perform the steps attributed to it under, and otherwise comply with, the Scheme as if Ebro were a party to the Scheme; and
- (b) comply with its obligations under the Scheme Implementation Agreement, in so far as that agreement relates to the Scheme, and do all things necessary to expedient on its part to implement the Scheme.

##### **4.2 Payment of Scheme Consideration**

Subject to clause 3, Ebro covenants in favour of each Scheme Shareholder to provide the Scheme Consideration to each Scheme Shareholder, in accordance with the terms of the Scheme.

##### **4.3 Implementation Subscription**

Subject to clause 3, Ebro covenants in favour of each Scheme Shareholder to:

- (a) make the Implementation Subscription Payment;
- (b) make the Implementation Subscription; and
- (c) accept the Implementation Shares,

in accordance with the terms of the Scheme.

#### **5. Warranties**

Ebro warrants that:

- (a) it is a corporation validly existing under the laws of its place of incorporation;
- (b) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (c) it has taken necessary corporate action to authorise its entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll; and
- (d) this Deed Poll has been duly and validly executed and delivered by Ebro and is valid and binding upon it.

#### **6. Continuing Obligations**

##### **6.1 Deed Poll irrevocable**

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) Ebro having fully performed its obligations under this Deed Poll; and
- (b) termination of this Deed Poll under clause 3.2.

##### **6.2 Variation**

A provision in this Deed Poll may only be varied by Ebro if:

- (a) the variation is agreed to (in writing) by SunRice; or

## Annexure E: Deed Poll

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- (b) the Court indicates that the amendment would not of itself preclude approval of the Scheme,

in which event Ebro will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the amendment.

### **7. General**

#### **7.1 Stamp duty**

Ebro:

- (a) must pay all stamp duty (if any) and any related fines and penalties in respect of the Scheme and this Deed Poll (including without limitation the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this Deed Poll and each transaction effected by or made under or pursuant to the Scheme and this Deed Poll; and
- (b) indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

#### **7.2 Further assurances**

Ebro will, at its own expense, do all things reasonably required of it to give full effect to this Deed Poll.

#### **7.3 Assignment**

- (a) The rights and obligations of Ebro and each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with without the prior consent of Ebro and SunRice.
- (b) Any purported dealing in contravention of clause 7.3(a) is invalid.

#### **7.4 Waiver**

A provision of a right under this Deed Poll may not be waived except in writing signed by the person granting the waiver.

#### **7.5 Notices**

Any communication to Ebro under or in connection with this Deed Poll must be in writing and:

- (a) sent to Ebro Foods S.A.  
Address: 20 Paseo de la Castellana, 28046 Madrid, Spain  
Facsimile: +34917245296  
For the attention of: Miguel Angel Perez  
(or as otherwise notified by that party to the other party from time to time);
- (b) must be signed by the party making the communication or by a person duly authorised by that party;
- (c) must be delivered or posted by prepaid post to the address, or sent by fax to the number of the addressee, in accordance with clause 7.5(a); and
- (d) will be deemed to be received by the addressee;

- (i) (in the case of prepaid post) on the third Business Day after the date of posting to an address within Australia and on the fifth Business Day after the date of posting to an address outside Australia;
- (ii) (in the case of fax) at the local time (in the place of receipt of that fax) which then equates to the time at which that fax as sent as shown on the transmission report which is produced by the machine from which that fax is sent as shown on the transmission of that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day; and
- (iii) (in the case of delivery by hand) on delivery at the address of the addressee as provided in clause 7.5(a), unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day.

#### 7.6 Cumulative rights

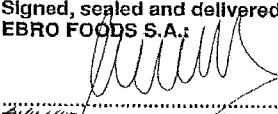
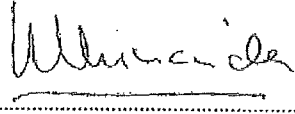
The rights, powers and remedies Ebro and the Scheme Shareholders under this Deed Poll are cumulative with the rights, powers or remedies provided by law independently of this Deed Poll.

#### 7.7 Governing law and jurisdiction

- (a) This Deed Poll is governed by the laws of the State of New South Wales.
- (b) Ebro irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales.

Executed as a deed poll

Dated: 12 April 2011

Signed, sealed and delivered by EBRO FOODS S.A.	
	
..... Company Secretary* sign here	..... Director sign here
<u>MIGUEL ANGEL PÉREZ</u>	<u>ANTONIO HERNÁNDEZ</u>
..... Company Secretary* print name here	..... Director print name
(* Cross-out whichever does not apply)	

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# Annexure F:

## Continuity Undertaking Deed Poll

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## **Annexure F: Continuity Undertaking Deed Poll**

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### **Continuity Undertaking Deed Poll**

**Ebro Foods S.A.  
- and -  
Ricegrowers Limited ACN 007 481 156**

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# Continuity Undertaking Deed Poll

## Parties

**Ebro Foods S.A.** of 20, Paseo de la Castellana, 28046, Madrid, Spain (**Ebro Foods**)

**Ricegrowers Limited ACN 007 481 156** of level 2, 66 Clarence Street Sydney NSW 2000 (**SunRice**)

Ebro Foods and SunRice are jointly and severally referred to as **Ebro**.

## in favour of

**The Beneficiaries and each of them.**

## Background

- (A) Ebro Foods and SunRice have entered into the Scheme Implementation Agreement.
- (B) The acquisition by Ebro Foods of the issued capital of SunRice is dependent upon Ebro giving the undertakings and covenants in this deed poll.

## Agreement

### 1. Definitions and interpretation

#### 1.1 Definitions

In this deed poll, unless the context requires otherwise:

**Act** means the *Rice Marketing Act 1983 (NSW)*.

**Agreed Discount Criteria** in relation to Medium Grain Pool 2 means the price for which Ebro is able to sell Medium Grain Pool 2 relative to Medium Grain Pool 1.

**AGS** means Australian Grain Storage Pty Ltd ACN 000 333 648 (formerly called Riviana Australia Pty Ltd).

**Appraisal Regime** means the regime of the Operating Company applicable to grading and categorising receivals of a Rice Crop including:

- (a) by reference to moisture content, quality and variety; and/or
- (b) for the purposes of ascertaining and allocating any varietal or appraisal premiums and discounts,

as amended and modified from time to time in accordance with the Grower Advisory Board Rules.

**Associate** has the meaning given in Division 2 of Part 1.2 of the Corporations Act.

**Authorised Buyer's Licence** means the Authorised Buyer's Licence issued to SunRice by RMB being licence number 2006/0001 as amended or replaced from time to time.

**Beneficiaries** means:

- (a) each Grower from time to time;
- (b) RGA; and

## Annexure F: Continuity Undertaking Deed Poll

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(c) for the purposes of clause 14 only, Entitled Persons.

**Business Day** means a day (other than a Saturday, Sunday or public holiday) on which banks open for ordinary banking business in Sydney, New South Wales.

**Board** means the Grower Advisory Board.

**Board Member** means a person appointed or elected to the Board in accordance with the Grower Advisory Board Rules and includes any alternate Board Member acting as a Board Member.

**Chairman** means the Chairman of the Board.

**Californian Pools** means, in relation to the application of the Medium Grain Crop Pricing Formula to any Medium Grain Rice Crop, the two Californian medium grain rice pools determined by the Board for the purposes of that Medium Grain Rice Crop in accordance with the selection process set out in section 5 of the Grower Advisory Board Rules, and a "Californian Pool" means one of such pools.

**Cash Price Reference** means, in relation to the application of the Medium Grain Crop Pricing Formula to any Medium Grain Rice Crop, the measure of the cash price for medium grain paddy rice determined by the Board for the purposes of that Medium Grain Rice Crop in accordance with the selection process set out in section 5 of the Grower Advisory Board Rules.

**Collaboration Agreement** means the agreement titled Collaboration Agreement for Rice Varietal Improvement and Rice Quality Research and Development dated in or around November or December 2010 between SunRice, Rural Industries Research and Development Corporation ABN 25 203 754 319 and Department of Industry and Investment for and on behalf of the State of New South Wales.

**Commencement Date** means the date upon which the Scheme Shares as defined in the Scheme Implementation Agreement have been transferred to Ebro in accordance with the Scheme Implementation Agreement.

**Corporate Group** means a group of companies which are related bodies corporate.

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

**Crop Year** means the 12 months commencing on 1 May in each year and the Crop Year of a Rice Crop means the Crop Year commencing in the calendar year of harvest of that Rice Crop.

**Decision Maker** has the meaning set out in the Review Rules.

**deed poll** means this deed poll, including the recitals, Schedules and any annexures.

**Elected Member** means an elected member of the RMB made under and in accordance with the Act including a person appointed by the Governor (on the nomination of the Minister who administers the Act) to fill a casual vacancy who is deemed by the Act to be an elected member of the RMB.

**Elected Member Nominee** means an Elected Member who consents to act as a Grower Representative as contemplated by the Sole and Exclusive Export Agreement.

**Entitled Persons** has the meaning set out in the Review Rules.

**Export Termination** means the termination of the ability of a Rice Buyer to export rice grown in New South Wales, provided that, if a form of authorisation to export is required to export rice, that Rice Buyer and all other Rice Buyers have used reasonable endeavours to obtain such an authorisation but it has been denied.

**Final Price**, in relation to a Californian Pool to be taken into account for application of the Medium Grain Crop Pricing Formula to a Medium Grain Rice Crop, means the final gross

price per tonne (including premium and loan elements and before levies or taxes but after storage and drying fees) for that pool determined and published in or about October through December of the Crop Year of that Medium Grain Rice Crop.

**Grower** means a person by whom or on whose behalf paddy rice is grown or produced for sale in New South Wales, and, where paddy rice is grown or produced pursuant to a written share-farming agreement, includes the parties to the agreement, but does not include a person engaged as an employee on wages or salary or piece work rates.

**Grower Advisory Board** means the Grower Advisory Board constituted under this deed poll and the Grower Advisory Board Rules.

**Grower Advisory Board Rules** means the rules of the Grower Advisory Board as set in Schedule 2 to this deed poll as amended from time to time in accordance with their terms.

**Grower Consultation Elements** means the policies and procedures of SunRice in relation to the matters outlined in Annexure A.

**Grower Interface** means the Operating Company/Grower consultation process effected through the Grower Advisory Board consideration of Grower Issues.

**Grower Issues** means matters affecting Growers as Growers including, without limitation, matters such as:

- (a) economic, environmental and other factors affecting the growing of rice in New South Wales;
- (b) activities of the Ebro Corporate Group affecting the growing of rice in New South Wales;
- (c) Grower Services; and
- (d) Grower Consultation Elements.

**Grower Representatives** means, persons appointed as Grower Representatives under the Grower Advisory Board Rules

**Grower Services** means services SunRice provides to Growers which at the Commencement Date are the services set out in Annexure B.

**Independent Expert** means a person who is independent and competent to determine the matters referred to them in accordance with the Grower Advisory Board Rules and appointed under section 19 of the Grower Advisory Board Rules.

**Initial Pricing Term** means the seven (7) Crop Years following the Crop Year of the Rice Crop 2011.

**Licence Termination** means termination of the Sole and Exclusive Export Agreement after amendment or repeal of the Rice Marketing Act 1983 so as to abolish vesting of rice and the operation of the single desk for the export of rice grown in New South Wales but not so as to prevent a Rice Buyer from exporting rice grown in New South Wales.

**Long Grain Rice Crop** means all long grain paddy rice of merchantable quality harvested by Growers in New South Wales during the period February to June in a calendar year.

**Medium Grain Crop Pricing Formula** means the basis set out in Schedule 1 to this deed poll for calculating the Pool Price in relation to each Medium Grain Rice Crop Post 2011.

**Medium Grain Pool** means Medium Grain Pool 1, Medium Grain Pool 2 and Medium Grain Pool 3.

**Medium Grain Pool 1** means a Pool of all the medium grain rice of a Medium Grain Rice Crop offered to Rice Buyers up to the first 400,000 tonnes.

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**Medium Grain Pool 2** means a Pool of all medium rice of a Medium Grain Rice Crop offered to Rice Buyers up to the second 400,000 tonnes.

**Medium Grain Pool 3** means a Pool of any of a Medium Grain Rice Crop offered to Rice Buyers in excess of the aggregate of Pool 1 and Pool 2.

**Medium Grain Pool 2 Discount** means the discount of between US\$50 and US\$90 per tonne as determined in respect of Medium Grain Pool 2 under section 5 of the Grower Advisory Board Rules.

**Medium Grain Pool Price Post 2011** means the price for a Pool of the Medium Grain Rice Crop Post 2011 determined in accordance with the Paddy Purchase and Pricing Rules.

**Medium Grain Rice Crop** means all medium grain paddy rice of merchantable quality harvested in New South Wales during the period February to June in a calendar year.

**Medium Grain Rice Crop 2010** means such of the Medium Grain Rice Crop harvested in New South Wales during the period February to June 2010 as is offered by Growers for sale to SunRice.

**Medium Grain Rice Crop 2011** means such of the Medium Grain Rice Crop harvested in New South Wales during the period February to June 2011 as is offered by Growers for sale to a Rice Buyer.

**Medium Grain Rice Crop Post 2011** means each Medium Grain Rice Crop harvested in New South Wales during the period February to June in each calendar year after the calendar year 2011.

**Multiplier** means the multiplier used in the Medium Grain Crop Pricing Formula to provide for the relativity between pool and cash price elements as factors in the determination of the price for Medium Grain Pool 1.

**Number 2 Pool 2010** means the Rice Crop 2010 other than the Premium Pool and any rice which is not offered by Growers for sale to SunRice.

**Number 2 Pool Price 2010** means the price for the Number 2 Pool 2010 as determined in accordance with section 2.1(b) of the Paddy Purchase and Pricing Rules.

**Operating Company** means Ricegrowers Limited ACN 007 481 156 and/or any other company which makes the decisions in respect of New South Wales rice acquisitions by all or any of the members of its Corporate Group.

**Operating Company Representatives** means persons appointed by the Operating Company to be Operating Company Representatives on the Grower Advisory Board

**Other Rice Varieties Crop** means the Long Grain Rice Crop and any other Rice Crop of merchantable quality harvested in New South Wales during the period February to June in a calendar year but not including the Medium Grain Rice Crop in that calendar year.

**Other Rice Varieties Pool** means a Pool of all the Other Rice Varieties Crop which is offered to Rice Buyers up to a maximum of 100,000 tonnes.

**Paddy Purchase and Pricing Rules** means the rules set out in Schedule 1 to this deed poll for determining certain prices applicable to the undertakings and covenants of Ebro to acquire rice grown in New South Wales.

**Pool** means a designated amount and/or type of rice of a Rice Crop to bear the same Pool Price.

**Pool 3 Market Information** means in respect of a Medium Grain Rice Crop Post 2011, information relating to prices for Australia medium grain rice in markets into which Medium Grain Pool 3 of that Medium Grain Price Crop Post 2011 will be sold, including if held over for sale in another year.

**Pool Price** means the price per tonne of rice which is the benchmark for the Pool and against which appraisal premiums and discounts, calculated by reference to the Appraisal Regime (on a basis consistent with the historical practice of SunRice), are measured for application to price rice received into the Pool.

**Pool Price 2011** means the Pool Price for the Rice Crop 2011 determined in accordance with section 3.1 and section 3.2 of the Paddy Purchase and Pricing Rules.

**Premium Pool 2010** means approximately 86,500 tonnes of the Rice Crop 2010 (currently anticipated to be 86,225.97 tonnes) contracted for purchase by SunRice.

**Premium Pool Price 2010** means the Pool Price for the Premium Pool 2010 determined in accordance with section 2.1(a) of the Paddy Purchase and Pricing Rules.

**Pricing Majority** means a resolution of the Board passed by not less than four of the six voting members of the Board.

**Pricing Term** means the Initial Pricing Term and each successive seven (7) Crop Year extension of the Initial Pricing Term or part thereof until the termination by Ebro in accordance with clause 9.2.

**Prior Californian Crop Year** means, at any time, the immediately preceding full year terminating on 31 August.

**related bodies corporate** has the meaning given to that term in the Corporations Act.

**Review Participant** has the meaning set out in the Review Rules.

**Review Process** has the meaning set out in the Review Rules.

**Review Rules** means the provisions of Schedule 3.

**RGA** means Ricegrowers' Association of Australia Inc or its successor or another body selected by Growers for the purpose of these Rules and/or the Grower Advisory Board Rules.

**Rice Buyer** means each of Ebro Foods, SunRice and any member of the Ebro Corporate Group or the SunRice Corporate Group and their Associates and each Successor Entity acquiring rice in New South Wales.

**Rice Crop** means all paddy rice of any variety harvested in New South Wales during the period February to June in a calendar year.

**Rice Crop 2010** means the Rice Crop harvested in 2010.

**Rice Crop 2011** means the Rice Crop harvested in 2011.

**Rice Crop Post 2011** means each Rice Crop harvested in New South Wales during the period of a February to June in each calendar year after the calendar year 2011.

**Rice Marketing Act** means the Rice Marketing Act 1983 (NSW).

**Rice Price Entitlement** means the aggregate price a Grower is entitled to receive in respect of rice of a Rice Crop delivered to Pools, calculated in respect of medium grain rice where there is more than one Medium Grain Pool in relation to the Rice Crop, pro rata against all relevant pools so that each Grower receives the same dollar amount per tonne of rice delivered (subject to appraisal premiums and discounts)

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

**RMB Grower Representative** means an Elected Member Nominee who is appointed as a Grower Representative.

**RRAPL** means Rice Research Australia Pty Ltd ACN 003 678 644.

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**Schedules** means the schedules annexed to and forming part of this deed poll and Schedule shall be construed accordingly.

**Scheme Implementation Agreement** means the document titled Scheme Implementation Agreement between Ebro Foods and SunRice dated 25 November 2010 as amended and restated by an amendment and restatement agreement dated 31 March 2011 between Ebro Foods and SunRice.

**Sole and Exclusive Export Agreement** means the agreement so titled dated 28 June 2007 between RMB, SunRice and AGS as amended or replaced from time to time and includes any other agreement under which a Rice Buyer holds the sole and exclusive licence to export medium grain rice from New South Wales.

**Successor Entity** means any person who acquires SunRice or the SunRice Business and their Associates.

**SunRice Business** means the business of acquiring and storing rice in New South Wales and manufacturing, distributing and selling rice and rice products in Australia and/or internationally.

**Total Pricing Term** means the aggregate of the Pricing Terms.

### 1.2 Interpretation

In this deed poll, unless the context requires otherwise:

- (a) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (b) singular words include the plural and vice versa;
- (c) a reference to a clause, paragraph, Schedule or annexure is to a clause, paragraph, schedule or annexure of or to this document and a reference to this document includes any Schedules and annexures;
- (d) a reference to a document (including this document) includes that document as amended, novated or replaced from time to time;
- (e) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it, and all regulations and statutory instruments issued under it;
- (f) a reference to a party means a party to this document and includes that party's executors, administrators, substitutes, successors and permitted assigns;
- (g) a reference to A\$, AUD or Australian Dollars is to the currency of the Commonwealth of Australia; and
- (h) a reference to US\$, USD or United States Dollars is to the currency of the United States of America.

### 1.3 Headings

Headings are for ease of reference only and do not affect the meaning of this deed poll.

### 1.4 Business Days

Where something is required by this deed poll to be done on a day which is not a Business Day in the place where it is to be done, it must be done on the next day which is a Business Day in that place.

## **2. Commencement**

- (a) This deed poll commences on the Commencement Date and has no effect unless the Commencement Date occurs on or before the “End Date” as defined in the Scheme Implementation Agreement.
- (b) For avoidance of doubt, this deed poll has no force or effect until the Commencement Date.

## **3. Nature of this deed poll**

### **3.1 Irrevocable**

This deed poll is irrevocable and remains in full force and effect until Ebro Foods and SunRice have fully performed their obligations under this deed poll.

### **3.2 Joint and several**

SunRice and Ebro Foods give the undertakings and covenants of Ebro in this deed pool jointly and severally.

### **3.3 For the benefit of the Beneficiaries**

Ebro Foods and SunRice each acknowledge and agree that this deed poll is for the benefit of, and may be relied on and enforced by, each Beneficiary in accordance with its relevant terms even though no Beneficiary is a party to it.

### **3.4 RGA may enforce this deed poll for each Grower**

Ebro Foods and SunRice each acknowledges and agrees that RGA is entitled to enforce the provisions of this deed poll against Ebro directly and for its own benefit and, on the application of a Grower, on behalf of each Grower as if RGA was party to this deed poll, other than on behalf of an Entitled Person for the purposes of clause 14.

### **3.5 Successor Entity**

Ebro undertakes to require and procure that each Rice Buyer, including each Successor Entity, undertakes the obligations of Ebro under this deed poll.

## **4. Undertaking to purchase Rice Crops**

Ebro covenants and undertakes:

- (a) to buy and pay for, or procure that one or more other Rice Buyers buy and pay for, in accordance with the Paddy Purchase and Pricing Rules, such of the entire Rice Crop 2010 and the entire Rice Crop 2011 as is offered or contracted to any Rice Buyer by Growers or their representatives;
- (b) during the Total Pricing Term, to buy and pay for, or procure that one or more other Rice Buyers buys and pay for, in accordance with the Paddy Purchase and Pricing Rules, such of each entire Rice Crop Post 2011 as is offered or contracted to any Rice Buyer by Growers or their representatives; and
- (c) not intentionally prevent a Rice Buyer from buying and paying for such of a Rice Crop as is referred to in paragraphs (a) and (b) or impair its ability to do so.

## **5. Compliance with Licences and Rice Marketing Act**

### **5.1 All purchases to comply with regulation**

- (a) The obligations set out in clause 4 do not derogate from the obligations of Rice Buyers to comply with the terms of the Sole and Exclusive Export Agreement and the Authorised Buyer's Licence.

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- (b) Ebro undertakes that all purchases of any of a Rice Crop during the Total Pricing Term by a Rice Buyer will be made in compliance with the Sole and Exclusive Export Agreement and the Authorised Buyer's Licence, the Rice Marketing Act and any other rules and regulations in place from time to time in connection with the purchase of paddy rice grown in New South Wales.
- (c) In the event that the terms of the Paddy Purchase and Pricing Rules or the terms of the Grower Advisory Board Rules cannot be implemented consistently with the terms of either the Sole and Exclusive Export Agreement or the Authorised Buyer's Licence, the terms of the Sole and Exclusive Export Agreement or the Authorised Buyer's Licence (as relevant) will prevail to the extent of the inconsistency.

### 5.2 Ebro not to do anything to cause SunRice to breach regulation

- (a) Ebro must not cause or do anything to cause a Rice Buyer to breach the terms of either the Sole and Exclusive Export Agreement or the Authorised Buyer's Licence, the Rice Marketing Act or any other rules and regulations in place from time to time in connection with the purchase of paddy rice grown in New South Wales.
- (b) Ebro must use all reasonable endeavours to ensure that a member of the Ebro Corporate Group retains both the Sole and Exclusive Export Agreement and the Authorised Buyer's Licence and must not surrender or terminate either of them except for renewal or replacement and except, in respect of the Sole and Exclusive Export Agreement, following Licence Termination.

## 6. Grower Advisory Board

### 6.1 Establishment of Grower Advisory Board

On the Commencement Date Ebro undertakes to take all action necessary on its part to establish the Grower Advisory Board and to ensure that the Operating Company Representatives have been appointed to the Grower Advisory Board.

### 6.2 Compliance with Grower Advisory Board Rules

Ebro undertakes to ensure that:

- (a) Ebro, the Operating Company and the Operating Company Representatives comply with the Grower Advisory Board Rules; and
- (b) Ebro provides reasonable funding and provides administrative and resource support for the Grower Advisory Board as set out in the Grower Advisory Board Rules.

### 6.3 Adoption of recommendations of Grower Advisory Board

- (a) Subject to clause 6.3(b), Ebro undertakes to ensure that the recommendations of the Grower Advisory Board under sections 4 and 5 of the Grower Advisory Board Rules are applied by each and all Rice Buyers in acquiring rice from each relevant Rice Crop.
- (b) Ebro undertakes not to publish Pool Price indications for any Rice Crop without having consulted the Grower Advisory Board.

## 7. SunRice Corporate Group's research and development

- (a) Ebro undertakes to support rice research and development through RRAPL on a scale that, as a minimum, is equal to the average annual amount expended by the SunRice Corporate Group over the 3 years prior to the date of this deed poll, and indexed annually by reference to changes in the "All Groups" consumer price index in Australia.

- (b) Ebro acknowledges that the commitment of SunRice under the Collaboration Agreement is in addition to the commitment of Ebro under paragraph (a).

## **8. Community relations and Grower relations**

### **8.1 Community relations**

- (a) Ebro acknowledges the significance of SunRice to the economic and social wellbeing of the Riverina district of New South Wales.
- (b) Ebro undertakes to continue the SunRice Corporate Group's support of the Riverina region of New South Wales, the New South Wales rice farming industry and the local community including continuing support for the RGA consistent with the past practices of SunRice.
- (c) Ebro acknowledges that an element of community support will include sponsorship of regional events consistent with past practice of SunRice.

### **8.2 Grower relations**

- (a) Ebro undertakes to share its seeding and agronomical experience with the New South Wales rice industry, by providing such experience in a timely fashion to either the RGA or other appropriate industry body with the power and obligation to share such experience with Growers.
- (b) Ebro acknowledges that the objectives of Grower Interface are to develop, implement and improve policies and procedures of the Operating Company in order to:
  - (i) maintain positive relationships between Growers and the Operating Company;
  - (ii) work continuously to provide mutually beneficial and efficient practices in the New South Wales rice industry; and
  - (iii) ensure the continuity of the supply of paddy rice to the Operating Company.
- (c) Ebro undertakes that the Operating Company will continue to provide the Grower Interface through the Grower Advisory Board.
- (d) The Operating Company may vary the level and type of Grower Services from time to time, but it will not discontinue or materially change any Grower Service without first consulting with the Grower Advisory Board about such discontinuance or material change.
- (e) Subject to clause 8.2(f), the Operating Company may vary the level and type of Grower Consultation Elements but it will not discontinue or materially change any Grower Consultation Element without first consulting with the Grower Advisory Board about such discontinuance or material change.
- (f) The Appraisal Regime will only be varied or changed in accordance with section 9(c) of the Grower Advisory Board Rules.

## **9. Extension of Initial Pricing Term and Notice to Terminate obligations to acquire rice under this deed poll**

### **9.1 Extension of Initial Pricing Term**

Subject to clause 9.2 and 9.3, the Initial Pricing Term will automatically be extended for a further seven (7) Crop Years from the last day of the Initial Pricing Term and each further Pricing Term will be automatically extended for a further seven (7) Crop Years from the last day of the previous Pricing Term.

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### 9.2 Notice to terminate the obligation to acquire rice

- (a) Notwithstanding any other provision of this deed poll, Ebro may at any time during the fifth Crop Year of any Pricing Term, subject to the occurrence of a material adverse change in business conditions, give written notice of the termination of its obligations to purchase rice under clause 4 of this deed poll with effect from the end of that Pricing Term.

For example, this means that following the occurrence of a material adverse change in business conditions, Ebro may give the following written notices of termination on the following dates during the continuation of the affect of the material adverse change:

- (i) during the Crop Year commencing 1 May 2016 Ebro may give written notice that termination of the obligations to purchase rice under clause 4 of this deed poll will end after the Crop Year commencing 1 May 2018 (**First Notice Date**); or
- (ii) if no notice is given on the First Notice Date, during the Crop Year commencing 1 May 2023 Ebro may give written notice that termination of the obligations to purchase rice under clause 4 of this deed poll will end after the Crop Year commencing 1 May 2025 (**Second Notice Date**); or
- (iii) if no notice is given on the First Notice Date or the Second Notice Date, during the Crop Year commencing 1 May 2030 Ebro may give written notice that termination of the obligations to purchase rice under clause 4 of this deed poll will end after the Crop Year commencing 1 May 2032,

and so on at seven (7) yearly intervals.

- (b) Notice to terminate must be given by:

- (i) notice in writing to all Growers who have delivered rice to a Rice Buyer so far during the then current Pricing Term (posted to the last known address of the relevant Growers);
- (ii) notice in writing to the RGA; and
- (iii) not later than 14 days after posting the last of the above notices, placing a half page advertisement in The Australian newspaper (or if it is no longer published an equivalent national publication,

and notice will be deemed to have been given on the date the advertisement is published.

### 9.3 Notice to terminate for specific events

- (a) If at any time after the Commencement Date, no Rice Buyer:
- (i) has the right to purchase and sell Rice Crop; or
  - (ii) has the right to export Rice Crop at all from Australia following an Export Termination,

Ebro shall have the right to terminate its obligations to purchase rice under clause 4 of this deed poll with immediate effect by giving written notice of the termination in accordance with the procedure set out in clause 9.2(b).

### 9.4 Notice to terminate the obligation to acquire rice beyond Medium Grain Pool 1

- (a) If at any time during the Total Pricing Term, no Rice Buyer has the right to exclusively export rice under (or on terms similar to) the Sole and Exclusive Export Agreement, Ebro shall have the right to terminate its obligations to purchase rice under clause 4 of this deed poll in so far as that obligation extends

to Medium Grain Pool 2 and Medium Grain Pool 3 under the Paddy Purchase and Pricing Rules (**Pools 2 and 3 Termination Notice**) from the earlier of the following dates:

- (i) the expiry of the Total Pricing Term; or
- (ii) 2 years after the loss of the right to exclusively export rice under (or on terms similar to) the Sole and Exclusive Export Agreement,

whichever is the earlier.

For the avoidance of doubt, a Pools 2 and 3 Termination Notice does not impact at all on the obligations under clause 4 to purchase Medium Grain Pool 1 under the Paddy Purchase and Pricing Rules.

- (b) Any Pools 2 and 3 Termination Notice must be given in accordance with the procedure set out in clause 9.2(b).

#### **9.5 Effect of termination**

Ebro undertakes to consult with the Grower Advisory Board in relation to implementation of any measures necessary to ensure that Growers are informed of any impact of any notice given under this clause 9.

#### **9.6 Effect of termination**

Notwithstanding termination of any obligation under this deed poll, obligations accrued as at the date of termination or which are not terminated (whether expressed to have effect after such termination or not), are unaffected.

### **10. Warranties**

Each of Ebro Foods and SunRice warrants that:

- (a) it is a corporation validly existing under the laws of its place of incorporation;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll; and
- (d) this deed poll has been duly and validly executed and delivered by it and is valid and binding upon it.

### **11. Notices**

#### **11.1 Form of notices**

Any notice or other communication (including any request, demand, approval or consent) to Ebro in relation to this deed poll:

- (a) must be in legible writing and in English;
- (b) must be signed by the sender or on its behalf by an officer, attorney, solicitor or other authorised agent of the sender;
- (c) must be hand delivered or sent by prepaid post, email or facsimile to Ebro's address or facsimile number set out in clause 12.2 or such other address, email or facsimile number that is publicly notified as the head office of SunRice or of Ebro Foods from time to time;
- (d) if posted internationally, must be sent by airmail; and

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- (e) if sent by email, must be in the form of an attached pdf or other scanned image of an original communication that includes a handwritten signature and the accompanying email must state that the attachment is a communication under this deed poll.

### 11.2 Address for notices

Ebro addresses and facsimile numbers for service of notices and other communications under this deed poll are:

#### **Ebro Foods:**

Address: 20 Paseo del la Castellana, 28046 Madrid, Spain

Email: [miguelangel.perez@ebrofoods.es](mailto:miguelangel.perez@ebrofoods.es)

Facsimile: +34 917 245 296

Attention: Miguel Angel Perez

#### **SunRice:**

Address: 37 Yanco Avenue, Leeton, New South Wales, 2705

Email: [ghelou@sunrice.com.au](mailto:ghelou@sunrice.com.au)

Facsimile: +61289168360

Attention: Gary Helou

## 12. Jurisdictional matters

### 12.1 Governing law

This deed poll is governed by and will be construed according to the laws of New South Wales.

### 12.2 Submission to jurisdiction

Ebro submits to the non-exclusive jurisdiction of the courts in New South Wales and the courts that may hear appeals from them in respect of all disputes arising under this deed poll and matters relating thereto.

### 12.3 Waiver of objection

Ebro waives any right it has to object to an action being brought in those courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

### 12.4 Damages an inadequate remedy

Ebro acknowledges and agrees that damages are an inadequate remedy for its failure to comply with the undertakings and covenants in this deed poll.

## 13. General

### 13.1 Failure to enforce

The failure of a Beneficiary to require performance of any obligation under this deed poll is not a waiver of that Beneficiary's right:

- (a) to insist on performance of, or to claim damages for breach of, that obligation unless that party acknowledges in writing that the failure is a waiver; or
- (b) to require performance of that or any other obligation under this deed poll.

### **13.2 Waiver, variation or termination**

A provision of this deed poll or a right created under it may not be waived, varied or terminated except in writing, signed by the party or parties to be bound.

### **13.3 Cumulative rights**

The rights of the Beneficiaries arising out of or under this deed poll are cumulative and additional to any rights provided in law or equity.

### **13.4 Assignment**

Ebro must not assign its rights under this deed poll or transfer or purport to transfer its obligations under this deed poll.

### **13.5 Prohibition and severance**

- (a) If and to the extent that any provision of this deed poll becomes illegal or prohibited in relation to either or both of SunRice and Ebro Foods, (for example after a change in law or a change in the structure of the New South Wales rice industry and its regulation) the operation of that provision in the jurisdiction in which it is illegal or prohibited is suspended pending authorisation, approval or no action notification by an appropriate regulatory or statutory body (such as the Australian Competition and Consumer Commission) so as to enable implementation of any such provision in accordance with its terms.
- (b) Ebro undertakes that following notice of circumstances likely to cause or which do cause such illegality or prohibition (at that time or in the future) it must:
  - (i) promptly make application to appropriate regulatory or statutory bodies to obtain authorisation or approval for, or notice that no action will be taken in relation to, implementation of such provision in accordance with its terms (this may include Ebro Foods becoming party to the Sole and Exclusive Export Agreement and/or the Authorised Buyers Licence);
  - (ii) use all reasonable endeavours to obtain such relevant authorisations, approvals or no action notifications from all relevant authorities in a timely manner (if possible to avoid suspension of the operation of the relevant provision under clause 13.5(a)); and
  - (iii) ensure that to the extent that the provisions of this deed poll are not affected by illegality or prohibitions they are implemented.
- (c) Any provision of this deed poll which is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.
- (d) If a provision of this deed poll is illegal, void or unenforceable in any jurisdiction, that fact does not affect the legality, validity or enforceability of:
  - (i) the remaining provisions in that or any other jurisdiction; or
  - (ii) that provision in any other jurisdiction.
- (e) Any provision of this deed poll that is illegal, void or unenforceable may be severed from this document and the remaining provisions continue in force unless this would materially change the intended effect of this document.

### **13.6 Further assurances**

Ebro must:

- (a) do all things reasonably necessary to give full effect to this deed poll and the transactions contemplated by it (including signing any other documents needed to do that);

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- (b) not do anything that might hinder performance of this deed poll; and
- (c) use all reasonable endeavours to cause relevant third parties to do likewise.

### **13.7 Attorneys**

Each person who executes this deed poll on behalf of Ebro under a power of attorney declares that they are not aware of any fact or circumstance that might affect their authority to do so under the power of attorney.

### **14. Review Process**

Ebro undertakes to establish and procure the conduct of the Review Process in accordance with the Review Rules and to implement each determination of the Decision Maker under the Review Process, including the payment of compensation by SunRice in to a Review Participant.

## Schedule 1 – Paddy Purchase and Pricing Rules

### Overview

#### 1. Overview

##### 1.1 Principles

This Schedule sets out quantities of rice to be purchased by Rice Buyers at minimum prices in accordance with specified calculations. It does not address the prices at which Rice Buyers must acquire New South Wales rice under the Sole and Exclusive Export Agreement or the Authorised Buyer's Licence other than the quantities set out in this Schedule.

For avoidance of doubt, this Schedule does not derogate from the obligations of Ebro under each of the Sole and Exclusive Export Agreement and the Authorised Buyer's Licence.

##### 1.2 Pool Price is gross price

All Pool Prices are calculated as gross prices before deduction for any applicable levies or taxes.

##### 1.3 Grower Advisory Board

- (a) Reference in this Schedule 1 to a determination made by the Grower Advisory Board includes a determination made by an Independent Expert after referral of a decision to the Independent Expert in accordance with the Grower Advisory Board Rules.
- (b) Reference in this Schedule 1 to a recommendation made by the Grower Advisory Board includes a determination of an Independent Expert in respect of the matter to which the recommendation relates, after referral of a decision to the Independent Expert in accordance with the Grower Advisory Board Rules.

#### 2. Paddy Purchase and Pricing Rules for Rice Crop 2010

##### 2.1 Medium Grain Rice Crop

Pool Prices for Medium Grain Rice Crop 2010 are:

- (a) the Premium Pool Price 2010 for the Premium Pool 2010 of A\$550 per tonne for medium grain rice; and
- (b) the Number 2 Pool Price 2010, which will apply to the remaining approximately 120,000 tonnes of the Rice Crop 2010 (currently anticipated to be 119,160.24 tonnes), will be a price per tonne medium grain basis plus agreed varietal premium, disclosed by SunRice not less than 10 Business Days prior to the meetings of shareholders of SunRice as contemplated in the Scheme Implementation Agreement.

##### 2.2 Payment

To the extent that any amount of a Grower's Rice Price Entitlement for the Rice Crop 2010 remains outstanding as at the Commencement Date, SunRice will settle any such outstanding amounts in accordance with the usual practices of the SunRice Corporate Group.

#### 3. Paddy Purchase and Pricing Rules for Rice Crop 2011

##### 3.1 Medium Grain Rice Crop

Prices relate to the whole Rice Crop 2011.

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Subject to clause 3.2 of this Schedule, the Pool Price for the Rice Crop 2011 will be the price per tonne for medium grain rice which:

- (a) is consistent with:
  - (i) the prior usual practices of SunRice in determining the price per tonne of the Medium Grain Rice Crop; and
  - (ii) any underlying criteria used to calculate that price as disclosed by SunRice to Ebro Foods prior to the Commencement Date;
- (b) takes into account each announcement or price guidance made to Growers prior to the Commencement Date that was approved by Ebro; and
- (c) takes into account the price per tonne for the Medium Grain Rice Crop 2011 recommended by the Grower Advisory Board based on the application of paragraphs (a) and (b) above.

### **3.2 Minimum Pool Price for the Rice Crop 2011**

The minimum Pool Price for the Rice Crop 2011 per tonne will be the indicative price per tonne disclosed by SunRice to its shareholders not less than 10 Business Days prior to the shareholder meetings to be held as contemplated in the Scheme Implementation Agreement, which indicative price was arrived at in good faith taking account of the prior usual practices of SunRice in determining the price per tonne of the Medium Grain Rice Crop.

### **3.3 Payment**

Each Grower will be paid their Rice Price Entitlement in six (6) instalments in accordance with section 5.3 of this Schedule.

## **4. Paddy Purchase and Pricing Rules for each Medium Grain Rice Crop Post 2011 during the Total Pricing Term**

### **4.1 Pools**

Purchases from each Medium Grain Rice Crop Post 2011 during this period will be quantified and priced by reference to the following designations:

- (a) Medium Grain Pool 1;
- (b) Medium Grain Pool 2; and
- (c) Medium Grain Pool 3.

### **4.2 Growers to participate pro rata**

Each Grower will participate in each of Medium Grain Pool 1, Medium Grain Pool 2 and Medium Grain Pool 3 pro rata, such that each Grower is paid the same price per tonne for the whole of the Medium Grain Rice Crop sold by it to Rice Buyers (subject to appraisal premiums and discounts).

### **4.3 Pool Price for Medium Pool 1**

- (a) Subject to paragraph (b), the Pool Price for Medium Grain Pool 1 for a Medium Grain Rice Crop Post 2011 will not be less than the aggregate of:
  - (i) the average of the Final Price of each of the Californian Pools, multiplied by 0.6, and
  - (ii) the average of cash prices paid for Californian medium grain rice (on a per tonne basis) during the Crop Year of the relevant Rice Crop Post 2011 applying the Cash Price Reference, multiplied by 0.4.

- (b) In calculating the Pool Price for Medium Grain Pool 1 for a Medium Grain Rice Crop Post 2011:
  - (i) the Multiplier for a particular Crop Year will be the Multiplier recommended by the Grower Advisory Board in accordance with section 5 of the Grower Advisory Board Rules; and
  - (ii) applicable Californian Pools will be Californian Pools recommended by the Grower Advisory Board in accordance with section 5 of the Grower Advisory Board Rules.

#### **4.4 Pool Price for Medium Grain Pool 2**

- (a) The Pool Price for the Medium Grain Pool 2 for a Medium Grain Rice Crop Post 2011 will be the Pool Price for the Medium Grain Pool 1 for that Medium Grain Rice Crop Post 2011 less the Medium Grain Pool 2 Discount.
- (b) The Medium Grain Pool 2 Discount for a particular Medium Grain Pool 2 will be the Medium Grain Pool 2 Discount recommended by the Grower Advisory Board in accordance with section 5 of the Grower Advisory Board Rules.

#### **4.5 Pool Price for Medium Grain Pool 3**

- (a) The Pool Price for Medium Grain Pool 3 for a Medium Grain Rice Crop Post 2011 will be the prevailing market price determined by Ebro (acting in good faith) as reflecting the market prices in locations where the Medium Grain Pool 3 is sold.
- (b) If the Rice Crop of the Pool is sold in a Crop Year after the Crop Year of the Rice Crop, regard will be had to the estimated market prices in that later Crop Year in which part or all of the Pool is planned to be sold in determining the prevailing market price.
- (c) Ebro must provide the Grower Advisory Board with its calculation of the prevailing market price for the purposes of this clause 4.5, together with all reasonable supporting information requested by the Grower Advisory Board, promptly after Ebro has determined the prevailing market price. The Grower Advisory Board will consider these materials and consult with Ebro on the outcome of its determination.
- (d) If the Grower Representatives on the Grower Advisory Board form the view that Ebro has not determined the market price in good faith as required by clause 4.5(a), or that the materials provided by Ebro under clause 4.5(c) show that Ebro has made a manifest error in determining the prevailing market price, then Ebro must reconsider its determination of the prevailing market price. If Ebro does not thereafter change its determination of the prevailing market price to a price which addresses the concerns raised by the Grower Representatives, then the matter will be referred to the Independent Expert to consider under section 19 of the Grower Advisory Board Rules.

#### **4.6 Other Rice Varieties Pool**

The Pool Price of the Other Rice Varieties Pool of each Other Rice Varieties Crop will be determined by Ebro in the usual course of its business.

### **5. Payment for Rice Crop Post 2011**

#### **5.1 Currency of Pool Prices**

The Pool Price and Rice Price Entitlements for each Rice Crop Post 2011 will be calculated in \$US Dollars per tonne of paddy rice and Rice Price Entitlements will be paid in \$A per tonne of paddy rice unless in these Paddy Purchase and Pricing Rules:

- (a) a different calculation of the Pool Price for a Pool is expressly provided; or

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- (b) the Pool Price is calculated otherwise than by reference to Californian Pools which are priced in US\$, in which case, the Pool Price will be calculated in the currency of the Pool Price and paid in \$A per tonne of paddy rice.

### 5.2 Conversion rate

Conversion of the Pool Price from US\$ to \$A will be made at the average \$A:\$US exchange rate for the 12 months from 1 May of each year (averaged on daily calculations) using the historical daily exchange rates for the Australian Dollar against the US Dollar as published by the Reserve Bank of Australia at:

[http://www.rba.gov.au/statistics/tables/index.html#exchange\\_rates](http://www.rba.gov.au/statistics/tables/index.html#exchange_rates).

Conversion of the Pool Price from any other currency to \$A will be made at the average \$A: other currency exchange rate for the 12 months from 1 May of each year (averaged on daily calculations) using the historical daily exchange rates for the Australian Dollar against the US Dollar as published by the Reserve Bank of Australia at the above address.

### 5.3 Timing of Rice Payment Entitlements for Rice Crop 2011 and Rice Crop Post 2011

The Rice Price Entitlement to be paid to each Grower in relation to the Rice Crop 2011 and each Rice Crop Post 2011 will be paid in six (6) instalments in accordance with the usual prior practices of the SunRice Corporate Group prior to the Commencement Date being:

- (a) Instalment 1: an amount equal to 60% of the estimated Rice Price Entitlement payable to that Grower (using the then most recent Operating Company management forecast of Pool Prices) to be paid to the Grower generally within two weeks of each delivery of the relevant Rice Crop of that Grower to the Rice Buyer;
- (b) Instalment 2: an amount equal to 10% of the estimated Rice Price Entitlement payable to that Grower (using the then most recent Operating Company management forecast of Pool Prices) to be paid to the Grower by the end of the third week of November following the date of harvest of the relevant Rice Crop, provided that, if the then forecast Pool Price exceeds the forecast Pool Price used in relation to instalment 1, the Operating Company will, on the recommendation of the Grower Advisory Board determined by a Pricing Majority, top up the amount of the second instalment so that after it is paid, the Grower has received no more than 70% of the then current forecast Pool Price;
- (c) Instalment 3: an amount equal to 7% of the estimated Rice Price Entitlement payable to the Grower (having regard to the then most recent Operating Company management forecast of Pool Prices, the Final Price of the Californian Pools and the Crop Year to date average of Californian cash prices for medium grain paddy rice applying the Cash Price Reference) to be paid to the Grower by the end of the third week of February following the date of harvest of the relevant Rice Crop, provided that, if the then forecast Pool Price exceeds the forecast Pool Price used in relation to an earlier instalment, the Operating Company will, on the recommendation of the Grower Advisory Board determined by a Pricing Majority, top up the amount of the third instalment so that after it is paid, the Grower has received no more than 77% of the then current forecast Pool Price;
- (d) Instalment 4: an amount equal to 7% of the estimated Rice Price Entitlement payable to the Grower (having regard to the then most recent Operating Company management forecast of Pool Prices, the Final Price of the Californian Pools and the Crop Year to date average of Californian cash prices for medium grain paddy rice applying the Cash Price Reference) to be paid to the Grower by the end of the third week of April in the calendar year immediately following the year of harvest of the relevant Rice Crop, provided that, if the then forecast Pool Price exceeds the forecast Pool Price used in relation to an earlier instalment, the Operating

Company will, on the recommendation of the Grower Advisory Board determined by a Pricing Majority, top up the amount of the fourth instalment so that after it is paid, the Grower has received no more than 84% of the then current forecast Pool Price;

- (e) Instalment 5: an amount equal to 5% of the estimated Rice Price Entitlement payable to the Grower (having regard to the then most recent Operating Company management forecast of Pool Prices, the Final Price of the Californian Pools and the Crop Year to date average of Californian cash prices for medium grain paddy rice applying the Cash Price Reference) to be paid to the Grower by the end of the third week of May in the calendar year immediately following the year of harvest of the relevant Rice Crop, provided that, if the then forecast Pool Price exceeds the forecast Pool Price used in relation to an earlier instalment, the Operating Company will, on the recommendation of the Grower Advisory Board determined by a Pricing Majority, top up the amount of the fifth instalment so that after it is paid, the Grower has received no more than 89% of the then current forecast Pool Price; and
- (f) Final Instalment: the balance of the payment of the Rice Price Entitlement payable to the Grower to be paid by the end of the third week of July in the calendar year immediately following the year of harvest of the relevant Rice Crop.

**6. Instalment of Rice Price Entitlement to be adjusted to avoid overpayment**

No Rice Buyer will be required to make payment of any instalment of a Rice Price Entitlement to a Grower in relation to a Rice Crop to the extent that, in the reasonable opinion of Ebro, were it to do so, the instalment, when aggregated with any instalments previously paid to that Grower in relation to their Rice Price Entitlement, would exceed the actual total Rice Price Entitlement payable to that Grower in relation to that Rice Crop and would result in an overpayment to that Grower.

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### Schedule 2 – Grower Advisory Board Rules

#### 1. Background

The Grower Advisory Board is established on and from the Commencement Date to implement undertakings given by Ebro in the Continuity Undertaking.

#### 2. Definitions

Capitalised Terms used in these Grower Advisory Board Rules have the meaning provided in the Continuity Undertaking deed poll executed by Ebro Foods S.A. and Ricegrowers Limited ACN 007 481 156 and taking effect on the Commencement Date (**Continuity Undertaking**).

#### 3. Functions

The functions of the Board are to:

- (a) research, receive, review and consider information in relation to prices for different types and grades of medium grain paddy rice bought and sold in California for cash or accumulated through pools;
- (b) without limiting paragraph (a), to monitor the relativity between the actual quantum of pool and cash purchases in California for the purposes of ensuring the appropriateness of the Multiplier;
- (c) research, receive, review and consider information in relation to the prices for Australian medium grain rice in markets into which Medium Grain Pool 3 will be sold annually and/or if held over to be sold in a later year;
- (d) make determinations and recommendations in accordance with these Rules including for the purposes of Medium Grain Crop Pricing Formula;
- (e) constitute an avenue for Grower Interface; and
- (f) provide information and make recommendations to the Operating Company in relation to Grower Issues.

#### 4. Rice Crop 2011

- (a) The Board will review the pricing for the Rice Crop 2011 against the forecast and budget accepted by the Operating Company Corporate Group, usual prior practice of the Operating Company and announcements and price guidance approved by Ebro Foods that was made to Growers prior to the Commencement Date.
- (b) The Board may make recommendations to the Operating Company in relation to the final Pool Prices to be determined by the Operating Company in accordance with the criteria set out in section 4(a) above.
- (c) Notwithstanding sections 4(a) and 4(b) above, the minimum Pool Price for the Rice Crop 2011 per tonne will be the indicative price per tonne notified by SunRice to its shareholders not less than 10 Business Days prior to meetings of shareholders of SunRice to be convened as contemplated in the Scheme Implementation Agreement, which indicative price was arrived at in good faith taking account of the prior usual practices of SunRice in determining the price per tonne of the Medium Grain Rice Crop.

#### 5. Determinations of the Board in relation to the Medium Grain Crop Pricing

Without limiting the ability and obligations of the Grower Advisory Board to meet otherwise, the Grower Advisory Board must meet at least at the following times to undertake the following business:

### ***The meeting in February or March***

The Grower Advisory Board must meet by 31 March in each year during the Total Pricing Term to undertake the following business (as applicable) at least:

#### *In relation to the prior Medium Grain Rice Crop*

- (i) The Board is to receive an update on the pricing trends by application of Medium Grain Crop Pricing Formula to the Rice Crop;

#### *In relation to the current Medium Grain Rice Crop*

- (ii) The Board must, in relation to the application of the Medium Grain Crop Pricing Formula to Medium Grain Pool 1 in the current Medium Grain Rice Crop:
  - (A) determine the two Californian Pools which provide medium grain paddy rice pricing most commercially representative of Californian medium grain paddy rice pool prices;
  - (B) determine the Cash Price Reference which is most commercially representative of the cash price for Californian medium grain paddy rice of the quality of Medium Grain Pool 1, including by having regard to the quantity and quality of Californian medium grain paddy rice being purchased for cash and taking account of Californian medium grain rice market trends;
  - (C) determine the Multiplier which best represents the relative portions of the Californian medium grain rice crop effectively pooled and effectively sold for cash, including by having regard to the Prior Californian Crop Year and taking account of Californian medium grain rice market trends; and
  - (D) recommend to the Operating Company in writing the two Californian Pools, the Cash Price Reference and the Multiplier so determined by the Board;
- (iii) The Board must give an indication of the expected price for Medium Grain Pool 1;
- (iv) The Board must give an indication of the expected Medium Grain Pool 2 Discount, and thereby an expected price for Medium Grain Pool 2; and

### ***The meeting in May or June***

The Grower Advisory Board must meet by 30 June in each year during the Total Pricing Term to undertake the following business (as applicable) at least:

#### *In relation to the prior Medium Grain Rice Crop*

- (v) The Board must determine the final price for Medium Grain Pool 1 and recommend it to the Operating Company;
- (vi) The Board must determine the final Medium Grain Pool 2 Discount applying the Agreed Discount Criteria and the price for Medium Grain Pool 2 applying such a discount and recommend it to the Operating Company;
- (vii) The Board must consider the prevailing market price determined by Ebro for Medium Grain Pool 3 and the associated calculations and Pool 3 Market Information;

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*In relation to the current Medium Grain Rice Crop*

- (viii) The Board must assess the harvest volume and hence the pro rating of the Rice Crop between the various Medium Grain Pools; and
- (ix) The Board is to receive an update on the pricing trends by application of Medium Grain Crop Pricing Formula to the Medium Grain Rice Crop.

### ***The meeting in August***

The Grower Advisory Board must meet by 31 August in each year during the Total Pricing Term to undertake the following business (as applicable) at least:

*In relation to the current Medium Grain Rice Crop*

- (x) The Board is to receive an update on the pricing trends by application of Medium Grain Crop Pricing Formula to the Medium Grain Rice Crop;

*In relation to the next Medium Rice Crop*

- (xi) The Board is to receive a report from the Operating Company on the following matters:
  - (A) pricing trends;
  - (B) crop planning;
  - (C) varietal splits;
  - (D) rice seed;
  - (E) issues associated with water available to Growers and generally, and water usage; and
  - (F) Grower Issues.

### ***The meeting in November or December***

The Grower Advisory Board must meet by 31 December in each year during the Total Pricing Term to undertake the following business (as applicable) at least:

*In relation to the current Medium Grain Rice Crop*

- (xii) The Board must calculate 60% of the price for Medium Grain Pool 1 (or such other relevant percentage to be used to calculate the price for Medium Grain Pool 1) by calculations based on the Final Price of the relevant Californian Pools making up that portion of Medium Grain Crop Pricing Formula;
- (xiii) The Board must give an indication of the expected price for Medium Grain Pool 1 based on the above determination and Californian cash year to date trends and full year outlook; and
- (xiv) The Board must give an indication of the Medium Grain Pool 2 Discount.

## **6. No variation of selected Californian criteria**

The Board does not have the right or power to vary or replace a determination referred to in section 5 of these Rules after having made its recommendations based on that determination to the Operating Company.

**7. Pool Price indications**

The Board will consult with the Operating Company for the purposes of the publication by the Operating Company of:

- (a) indicative Pool Prices before a recommendation of the Grower Advisor Board affecting a Pool Price of a Rice Crop; and
- (b) estimated Rice Price Entitlements as contemplated by section 5.3 of the Paddy Purchase and Pricing Rules.

**8. Delay**

Notwithstanding the requirements of these Rules to make decisions and recommendations by a specific time, in the event that a matter for determination is referred to an Independent Expert under these Rules, the time for determination and recommendation is extended by 35 days and Ebro must:

- (a) consult with the Grower Advisory Board in relation to any public announcement of an estimated Pool Price; and
- (b) not make any public announcement in relation to an estimated Pool Price that may be inconsistent with any of the determinations the subject of the referral to the Independent Expert.

**9. Grower Interface**

- (a) The Board will from time to time:
  - (i) receive or solicit information and submissions;
  - (ii) consider any information and submissions; and
  - (iii) make recommendations to the Operating Company,in relation to Grower Issues.
- (b) The Operating Company will consult with the Board from time to time in relation to implementation of Grower Consultation Elements and Grower Services.
- (c) Without limiting paragraph (a) or paragraph (b) above, the Operating Company will not implement a material variation to the Appraisal Regime (**Appraisal Variation**) unless:
  - (i) the Appraisal Variation has been submitted to the Board for review together with reasonable supporting information in respect of, particularly, of the quantum of any premium or discount;
  - (ii) the Board has had not less than 30 days to convene a meeting and consider the Appraisal Variation; and
  - (iii) the Operating Company has in good faith considered and responded to any issue raised by any Grower Representative, in particular, but without limitation, in relation to the practicalities for Growers of meeting any appraisal criterion.

**10. Membership**

- (a) The number of Board Members (not including any alternate Board Member) will at all times be six (6).
- (b) Each Board Member is to be a natural person.
- (c) The Board shall consist of the following persons:
  - (i) three (3) Grower Representatives; and

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- (ii) three (3) Operating Company Representatives.
- (d) Subject to section 13(b), the composition of the Board when first constituted will be agreed between Ebro Foods and SunRice.

### 11. Grower Representatives

- (a) A Grower Representative must be a Grower at the date of appointment.
- (b) The RGA will appoint Grower Representatives by notice in writing to the Board each time a Grower Representative position comes up to be filled by rotation or following a casual vacancy or, (notwithstanding paragraph (a)), otherwise to comply with paragraph (c).
- (c) Grower Representatives appointed by the RGA will be selected by Growers under a selection process conducted by RGA so as to ensure that:
  - (i) there are three Grower Representatives at all times on the Board;
  - (ii) during the term of the Sole and Exclusive Export Agreement:
    - (A) where there is an Elected Member Nominee, not less than one such Elected Member Nominee must be appointed as an RMB Grower Representative; and
    - (B) the Board is not constituted without an RMB Grower Representative if at that time there is an Elected Member Nominee; and
    - (C) without limiting sub-paragraph (B), the opportunity to nominate an Elected Member Nominee to fill a casual vacancy is first provided to the RMB if the casual vacancy would result in the Board being constituted without an RMB Grower Representative,provided that, the maximum number of Grower Representatives is three; and
- (iii) for the purposes of sub-paragraph (c)(ii), the RGA consults with the RMB.
- (d) Grower Representatives will be appointed for three years, subject to the requirements of paragraph (c) and the obligations of the Operating Company under the Sole and Exclusive Export Agreement and provided that:
  - (i) no later than 15 months after the establishment of the Board, one Grower Representative, other than the Chairman, will be selected by ballot to be re-appointed or replaced;
  - (ii) no later than 27 months after the establishment of the Board, one Grower Representative (other than the Chairman and the person most recently appointed) will retire and be re-appointed or replaced; and
  - (iii) retiring Grower Representative will be eligible for re-appointment.

### 12. Casual Vacancies

- (a) A casual vacancy in the office of a Board Member occurs if a Board Member:
  - (i) dies;
  - (ii) becomes insolvent or bankrupt;
  - (iii) becomes a mentally incapacitated person;
  - (iv) resigns office by notice in writing to the Board;

- (v) is absent for more than three (3) meetings of the Board without consent, apology or acceptable cause; or
- (vi) if a Grower Representative, ceases to be eligible to be a Grower Representative.
- (b) Any casual vacancy on the Board will be filled for the balance of the term of the Board Member vacating office as follows if the Board Member is:
  - (i) a Grower Representative - by a Grower nominated by RGA; and
  - (ii) an Operating Company Representative - by a person nominated by the Operating Company.

### **13. Chairman**

- (a) One of the Grower Representatives will act as Chairman.
- (b) The first Chairman will be agreed between SunRice and Ebro Foods prior to the Commencement Date (or, failing agreement, will be appointed by the Grower Representatives) and will serve in that position for a period of three (3) years.
- (c) Any subsequent Chairman will be appointed by the Grower Representatives for three (3) years.
- (d) A person whose term as Chairman expires may be re-appointed by the Grower Representatives.
- (e) The Chairman has no casting vote in addition to their vote as a Grower Representative Board Member in relation to any decision of the Board in any circumstances.

### **14. Alternate Members**

- (a) Subject to these Rules, a Board Member may appoint a person to act as an alternate Board Member in the Board Member's place, either for a stated period or until the happening of a specified event, whenever by absence or illness or otherwise the Board Member is unable to attend to duties as a Board Member. The appointment must be in writing and signed by the Board Member and by the appointer of the Board Member and a copy of the appointment must be given to the other Board Members or to a meeting of the Board. The appointment takes effect at the time specified in the appointment.
- (b) The following provisions apply to any alternate Board Member:
  - (i) the appointment of the alternate Board Member is terminated or suspended on receipt by the Board of notice in writing from the Board Member by whom the alternate Board Member was appointed;
  - (ii) the alternate Board Member is entitled to receive notice of meetings of the Board and to attend and vote at the meetings if the Board Member by whom the alternate Board Member was appointed is not present;
  - (iii) the alternate Board Member is entitled to exercise all the powers (except the power to appoint an alternate Board Member) and perform all the duties of a Board Member, to the extent the Board Member by whom the alternate Board Member was appointed has not exercised or performed them or they have not been limited by the instrument appointing the alternate Board Member;
  - (iv) the alternate Board Member is not, unless the Board Members otherwise determine, (without affecting the right to reimbursement for expenses) entitled to receive any remuneration as a Board Member, and any remuneration (not including remuneration authorised by the Board

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Members or reimbursement for expenses) paid to the alternate Board Member is to be deducted from the remuneration of the Board Member by whom the alternate Board Member was appointed;

- (v) the office of the alternate Board Member is terminated on the death or incapacity of, or termination of office by, the Board Member by whom the alternate Board Member was appointed;
- (vi) the alternate Board Member is not to be taken into account in determining the number of Board Members; and
- (vii) the alternate Board Member is, while acting as a Board Member, responsible to the Board for the alternate Board Member's own acts and defaults and is not the agent of the Board Member by whom the alternate Board Member was appointed.

### 15. Meeting and Special Meetings

- (a) The Board Members may meet together for the dispatch of business and adjourn and otherwise regulate their meetings as they determine, subject to these Rules.
- (b) Meetings of the Board Members shall be held as frequently as required or as called by the Chairman giving reasonable notice to every other Board Member and in any event must be held as provided in these Rules and otherwise as required to consider recommendations to the Operating Company as provided in these Rules. A notice may be given by mail (electronic or otherwise), personal delivery or facsimile transmission to the usual place of business or residence of the Board Member or at any other address given to the Secretary by the Board Member or by any technology agreed by all the Board Members.
- (c) The quorum for a meeting of the Board is all six (6) Board Members.
- (d) If within half an hour of the time set down for a Board Member's meeting to commence, a quorum is not present, then the meeting shall be adjourned to the same time and place seven (7) days after. At the adjourned meeting if a quorum is not present within half an hour, then the meeting shall be adjourned to the same time and place two (2) Business Days after. At the further adjourned meeting if a quorum is not present within half an hour, then the meeting shall proceed and the Board Members present will form the quorum necessary for the meeting.
- (e) All determinations and recommendations to be made by the Board in accordance with section 4 and 5 of these Rules shall be passed by a Pricing Majority. If, for any reason, a Pricing Majority cannot be reached the determination of those matters will be made by the Independent Expert in accordance with section 19 of these Rules.
- (f) The Secretary shall cause minutes to be made and kept of:
  - (i) the names of the Board Members present at each meeting of the Board; and
  - (ii) the proceedings of each meeting of the Board; and
  - (iii) copies of documents or correspondence sent to the Operating Company.
- (g) The Minutes shall be signed by the chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- (h) Board Member's meeting may be by way of the following technologies:
  - (i) video;
  - (ii) telephone;

- (iii) any other technology which permits each Board Member to communicate with every other Board Member; or
  - (iv) any combination of these technologies.
- (i) Where the Board Members are not all in attendance at one place and are holding a meeting using technology and each Board Member can communicate with the other Board Members:
  - (A) the participating Board Members are, for the purpose of every provision of these Rules concerning meetings of the Board Members, taken to be assembled together at a meeting and to be present at that meeting; and
  - (B) all proceedings of those Board Members conducted in that manner are as valid and effective as if conducted at a meeting at which all of them were physically present in the one location.
- (j) Special Meetings of the Board may be summoned by the Chairman or on written requisition signed by not less than three (3) Board Members.
- (k) At all Special Meetings of the Board business other than that for which the meeting was convened shall not be transacted unless all Board Members are present and they unanimously consent to such other business being dealt with.
- (l) At least seven (7) days' notice of a Board Member's meeting and fourteen (14) days' notice of a Special Board Member's Meeting shall be given to all Board Members, but failure to receive a notice on the part of any Board Member shall not affect the validity of any Board Member's meeting or Special Meeting.
- (m) The Chairman will chair each Board Member's meeting or Special Meeting unless he/she is not in attendance at that meeting in which event the chair of that meeting will be a person appointed by the Board Members in attendance at that meeting.

#### **16. Remuneration**

- (a) Each Grower Representative, except the Chairman will be entitled to be paid by Ebro a fee of \$50,000 per annum in payment for their services (pro rated for when they serve less than a full year), which entitlements will be paid monthly and indexed annually to the All Groups Consumer Price Index of Australia.
- (b) The Chairman will be entitled to be paid by Ebro a fee of \$100,000 per annum in payment for his services (pro rated for when he serves less than a full year), which entitlements will be paid monthly and indexed annually to the All Groups Consumer Price Index of Australia.
- (c) The Board Members are entitled to be paid or reimbursed for all travelling (including accommodation expenses) and other expenses properly incurred by them in attending and returning from any meeting of the Board a committee of the Board or otherwise in connection with the business or affairs of the Board.
- (d) If any Board Member, with the approval of the other Board Members, performs extra services or makes any special exertions for the benefit of the Board, the Board may approve the payment to that Board Member of special and additional remuneration as the Board Members determine having regard to the value to the Board of the extra services or special exertions. Any special or additional remuneration must not include a commission on or percentage of profits or operating revenue or turnover.

#### **17. Funding and Support by Ebro**

- (a) Ebro must provide, in a timely manner, all reasonable administrative and resource support for the Grower Advisory Board as is reasonable to enable the Grower Advisory Board to carry out its functions including:

## Annexure F: Continuity Undertaking Deed Poll

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- (i) access to advice and support of Operating Company executives;
  - (ii) access to Operating Company Budget information;
  - (iii) access to market information and other independent data and resources reasonably required to make the determinations set out in these Rules; and
  - (iv) funding any professional advice of the type contemplated in section 18(b) of these Rules which Ebro has agreed to fund.
- (b) The Secretary of SunRice or such other person as is nominated by Ebro will act as Secretary of the Growers Advisory Board. The role of the Secretary will be purely administrative and be limited to the timely delivery of papers to members of the Grower Advisory Board, the taking of minutes (and the prompt distribution of those minutes) and attending to other matters as directed by the Grower Advisory Board.

### 18. Access to Board Information

- (a) Each Board Member has the right of access to all relevant Board information.
- (b) Ebro will consider in good faith any request by a Board Member for him or her to seek independent professional advice at Ebro's expense. A copy of the advice received by the Board Member which is paid for by Ebro must be made available to all other Board Members.

### 19. Independent Expert

- (a) If, for any reason, a Pricing Majority cannot be reached in relation to a determination or recommendation of the Board in accordance with sections 4 and 5 of these Rules, or there is a referral as contemplated by clause 4.5(d), the matter will be referred to an Independent Expert acting as an expert and not as an arbitrator.
- (b) The Independent Expert will be appointed by the Board by resolution of the Pricing Majority. If the Board by Pricing Majority cannot agree on an appointment, each Board Member will nominate a candidate (who can be the same person for more than one Board Member) and appoint the President for the time being of the Australian Institute of Chartered Accountants or a person nominated by him to select the Independent Expert from the candidates so nominated and the Board Members, Ebro and the Beneficiaries will be bound by that selection.
- (c) The Independent Expert must make a determination on the relevant matter within 30 calendar days of their appointment or such longer or shorter period as agreed to by the Chairman.
- (d) The determination of the Independent Expert must be in writing and will, in the absence of manifest bias or error, be final and binding.
- (e) The costs in relation to any determination by the Independent Expert will be paid by the Operating Company.
- (f) The Grower Advisory Board must provide its recommendation to the Operating Company in accordance with the determination of the Independent Expert.

### 20. Amendments to Grower Advisory Board Rules

These Rules may be amended from time to time by resolution or agreement of all Board Members:

- (a) after not less than 21 days' notice in writing to each Board Member, Ebro and the Operating Company of the proposed amendments;

- (b) evidenced by each Board Member signing and dating one or more copies of the Rules as amended and provided to all Board Members; and
- (c) to take effect on the last to occur of the date specified in the agreement or resolution and the date a copy of the Rules as amended and signed by each Board Member is provided to the Operating Company and Ebro.

## Annexure F: Continuity Undertaking Deed Poll

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### Schedule 3 - A Share Review Rules

#### 1. Overview

##### 1.1 Rules

This Schedule 3 to the Continuity Undertaking sets out the A Share Review Rules (**Review Rules**).

##### 1.2 Binding

The Review Rules bind SunRice and Ebro and all Review Participants.

##### 1.3 Scope of the Review Rules

The Review Rules govern:

- (a) the appointment and replacement of the Decision Maker and the Review Secretary;
- (b) persons entitled to make a Review Application;
- (c) the basis upon which a Review Application can be made;
- (d) the form of a Review Application and when it must be made;
- (e) information required to be provided by a Review Applicant in relation to a Review Application;
- (f) information of SunRice in connection with the Review Application;
- (g) the process for determining a Review Application, including:
  - (i) who will make the determination;
  - (ii) the basis upon which the determination will be made;
  - (iii) information which will be considered;
  - (iv) timing of the determination; and
- (h) determination and payment of compensation.

##### 1.4 Remedy

- (a) The only remedy available to a Review Participant is monetary compensation awarded by the Decision Maker from the Fund under these Review Rules and the decision of the Decision Maker is conclusive, final and binding and cannot be appealed.
- (b) The maximum amount available for the award of compensation in relation to all Review Applications is the Fund and neither SunRice nor Ebro shall have any liability to any Review Participant except compensation from the Fund determined by the Decision Maker in accordance with these Review Rules.
- (c) The maximum amount of compensation able to be awarded by the Decision Maker in relation to a Review Application is the Maximum Compensation.
- (d) SunRice must pay, and Ebro agrees to procure that SunRice pays, within three months of the Report Date, all compensation determined by the Decision Maker under these Review Rules.

- (e) Notwithstanding anything express or implied in these Review Rules no more than the Maximum Compensation can be awarded in relation to a Review Application regardless of the number of:
- (i) Claims; or
  - (ii) Entitled Persons jointly holding the relevant Redeemed Share; or
  - (iii) any other matter,
- related to that Review Application.

## 2. Definitions and Interpretation

### 2.1 Definitions

Capitalised terms used in these Review Rules have the meaning provided in the Continuity Undertaking Deed Poll executed by Ebro Foods S.A. and Ricegrowers Limited ACN 007 481 156 and taking effect on the Commencement Date (**Continuity Undertaking**) except that the following words have the following meanings:

**Active Grower** means, subject to clause 2.2(c), any person who as at the Commencement Date has supplied not less than one tonne of paddy rice (being the produce of that person and not acquired for delivery) to SunRice during the period from and including 1 July 2008 to and including the day immediately before the Commencement Date.

**A Share** means an A Class Share under the constitution of SunRice current as at May 2010.

**Claim** means, in respect of a Review Participant, a legal claim against SunRice arising in connection with the redemption of a Redeemed Share which they held (alone or jointly).

**Costs** means the costs of the Review Process payable by SunRice as contemplated by clause 4.4(a).

**Cut-off Date** means the date which is one calendar months after the Commencement Date and if that day is not a Business Day, the next Business Day after that day.

**Decision Maker** means a person selected by SunRice who is a retired judge of a superior court of Australia.

**Entitled Person** means a person who:

- (a) held a Redeemed Share;
- (b) is alive at the Commencement Date;
- (c) as at the Commencement Date is an Active Grower; and
- (d) is not the holder of an A Share immediately before the Commencement Date,

except that, if the relevant Redeemed Share was held jointly:

- (e) all joint holders must be alive at the Commencement Date;
- (f) any such joint holder will not be the holder of an A Share immediately before the Commencement Date unless all such joint holders and only such joint holders hold that A Share,

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and if the criteria are then so satisfied, each such joint holder is referred to in these Review Rules as an Entitled Person.

**Final Determination Date** means the date which is nine months after the Cut-off Date

**Fund** means a total amount of A\$2,500,000 less the Costs.

**Maximum Compensation**, in relation to any Review Application, means A\$50,000.

**Prescribed Address** means the following address:

The Review Secretary  
Ricegrowers Limited  
PO Box 561  
Leeton NSW 561

or such other address as is notified in the Scheme Booklet prepared for the purposes of the Scheme Implementation Agreement.

**Prescribed Form** means the form of the Review Application set out in Annexure A to these Review Rules.

**Prescribed Information** means the information described in clause 3.5 of these Review Rules.

**Redeemed Share** means an A Share which was redeemed following a resolution of the board of directors of SunRice in February 2010.

**Report Date** means the date upon which SunRice receives the report of the Review Secretary as contemplated by clause 7 of these Review Rules.

**Review** means consideration of a Review Application.

**Review Applicant** means the Entitled Person who makes a Review Application.

**Review Application** means an application by a Review Applicant for a Review which complies with clause 3 of these Review Rules.

**Review Matter** means the matter which may be the subject of a Review Application as set out in clause 3.4.

**Review Participant** means an Entitled Person:

- (a) who has made a Review Application; or
- (b) on whose behalf a Review Application is made in circumstances contemplated by clause 3.3(b) or Clause 3.9(b),

and includes in relation to a Review Application, where the context requires, the partnership or other unincorporated business comprised of the Review Participants who held the Redeemed Share forming the basis of that Review Application jointly.

**Review Process** means the process set out in these Review Rules to receive, administer, determine and report to SunRice in respect of, Review Applications.

**Review Secretary** means a person appointed by SunRice in accordance with clause 4.3(a) to provide administrative assistance to the Decision Maker.

**SunRice Information** means information of SunRice relevant to any Review Application.

## **2.2 Interpretation**

- (a) Reference in these Review Rules to a request of the Decision Maker includes requests made on behalf of the Decision Maker by the Review Secretary.
- (b) Rules of interpretation set out in clauses 1.2, 1.3 and 1.4 of the Continuity Undertaking apply to these Review Rules as if they were incorporated into these Review Rules.
- (c) Joint holders of a Redeemed Share will be Active Growers if they deliver the required quantity of paddy rice together as a partnership or other unincorporated business.

## **3. Review Application**

### **3.1 Review Application**

An Entitled Person may make a Review Application in accordance with this clause 3.

### **3.2 Time for Review Application**

A Review Application is irrevocable and must be received by at the Prescribed Address no later than the Cut-off Date.

### **3.3 Form of Review Application**

- (a) A Review Application must be made in writing in the Prescribed Form in relation to a Review Matter, be accompanied by the Prescribed Information and be signed by the Entitled Person as Review Applicant or, where clause 3.9(b) applies, the duly appointed attorney or representative of the Entitled Person.
- (b) Notwithstanding paragraph (a), if there is more than one Entitled Person who was a joint holder of a Redeemed Share connected with a Review Application, the Review Application in connection with that Redeemed Share must be made for the benefit of all such joint holders and by and on behalf of all such joint holders by one of them.
- (c) The Review Applicant in respect of a Review Application described in paragraph (b) warrants to SunRice that each joint holder of the Redeemed Share connected with the Review Application:
  - (i) has authorised the Review Applicant to make the Review Application as the sole Review Application in relation to the Redeemed Share;
  - (ii) has not authorised or made a separate Review Application in relation to that Redeemed Share;
  - (iii) consents to and agrees to bound by:
    - (A) the Review Application and information provided by the Review Applicant in respect of it;
    - (B) the Review Rules; and
    - (C) the decision of the Decision Maker in relation to the Review Application.

### **3.4 Review Matters**

The only matter which may properly be the subject of a Review Application is an assertion that the Review Applicant has a Claim.

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### 3.5 Prescribed Information

- (a) The Review Applicant must provide in or with the Review Application all information in their possession or under their control relevant to the determination by the Decision Maker of the Review in relation to the Review Application of the Review Applicant including:
  - (i) true copies of any and all documents on which they rely in their Review Application; and
  - (ii) all information (of or from the relevant Review Participants or any other relevant person) in respect of any matter on which the Review Applicant relies in their Review Application which information is not wholly supported by a document.
- (b) The Decision Maker may request and the Review Applicant must provide, within 21 days of such request, such further information (which is in its possession or under its control) or verification of information as the Decision Maker requires.
- (c) If so requested by the Decision Maker, the Review Applicant must attend, or procure that another Review Participant in respect of the Review Application attends, a meeting with the Decision Maker (which may include a representative of SunRice). A person may attend meetings by telephone, teleconference or other means approved by the Decision Maker.

### 3.6 Statutory Declaration

- (a) Without limiting clause 3.5(a)(ii), the Decision Maker may require that Prescribed Information or any of it must be verified by a Review Participant or other relevant person including by statutory declaration.
- (b) The Decision Maker may take into account for the purpose of a Review, information provided by a Review Participant and by SunRice which would not necessarily be admitted in a Court of law.

### 3.7 SunRice Information

- (a) Promptly following a request of the Review Secretary and not later than 21 days after such request, SunRice will provide SunRice Information to the Review Secretary.
- (b) The records of SunRice are conclusive evidence of the following matters:
  - (i) deliveries of paddy by a Review Participant to SunRice including dates and quantities;
  - (ii) seed order forms and delivery details given by a Review Participant, including dates and quantities;
  - (iii) the address for delivery of communications by SunRice to any person; and
  - (iv) the legal identity of those who deliver paddy rice to SunRice.
- (c) A record of a written communication from SunRice to any person or persons is presumed to have been delivered to that person or those persons at the address in the SunRice records for that person or those persons unless the person or persons demonstrate to the contrary on the balance of probabilities.

### **3.8 Privacy**

- (a) SunRice and Ebro are bound by the *Privacy Act 1988* (Cth) in relation to the Review Rules. SunRice may provide personal information of a Review Participant (including personal information of any other person supplied by the Review Applicant) to Ebro, the Decision Maker and the Review Secretary.
- (b) By providing information contained in the Review Application or providing any additional information sought in respect of a Review Application, a Review Applicant and each other person whose information is provided whether or not they are a Review Participant, consents to the use and disclosure of their personal information for the purpose of considering and making a decision in respect of the relevant Review Application. A Review Participant or other person can access most personal information that SunRice holds about the Review Participant or that other person (sometimes there will be a reason why that is not possible, in which case SunRice will explain why). To make a request for access to information, the relevant person must contact the Company Secretary of SunRice.

### **3.9 Non-conforming Review Application**

- (a) The Decision Maker may accept a Review Application not made by an Entitled Person in circumstances where the Decision Maker accepts reasons contemplated in paragraph (b).
- (b) A Review Application may be made by an attorney or representative on behalf of an Entitled Person if the Review Application cannot be made by the Entitled Person personally where the Entitled Person has died, lacks mental capacity or where there is some other good reason why the Entitled Person is unable to make the Review Application personally.

### **3.10 Decision Maker not required to give reasons**

The Decision Maker is not required to give reasons to the Review Applicant or any other person for his or her decision.

## **4. Decision Maker**

### **4.1 Initial appointment**

No later than 14 days before the Cut-off Date, SunRice must appoint the Decision Maker.

### **4.2 Replacement**

If a Decision Maker at any time notifies SunRice that he or she is unable or unwilling to continue as the Decision Maker SunRice must promptly appoint a replacement Decision Maker.

### **4.3 Review Secretary**

- (a) SunRice must appoint to be the Review Secretary on and from the Cut-off Date a person nominated by the Decision Maker as qualified to provide administrative assistance to the Decision Maker in accordance with the requirements of these Review Rules and replace any such person at the request of the Decision Maker.
- (b) SunRice must procure that the terms of appointment of the Review Secretary include carrying out the obligations of the Review Secretary under these Review Rules.
- (c) SunRice must procure that the Review Secretary complies with the terms of his or her engagement.

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- (d) The Review Secretary shall provide administrative services to the Decision Maker including:
  - (i) liaise between the Review Applicant and the Decision Maker;
  - (ii) liaise between SunRice and the Decision Maker;
  - (iii) request SunRice Information from SunRice in relation to any Review Application;
  - (iv) request from a Review Applicant any information required from that Review Applicant by the Decision Maker;
  - (v) compile information for the Decision Maker as required by these Review Rules;
  - (vi) attend all meetings of the Decision Maker with a Review Participant and/or SunRice and keep a record of the proceedings as directed by the Decision Maker;
  - (vii) maintain records in relation to each Review Application including a register of all Review Applications received and considered and the decision made by the Decision Maker; and
  - (viii) provide a report to SunRice at the conclusion of the Review Process as set out in clause 7 of these Review Rules.

#### **4.4 Costs of Review Process**

- (a) Subject to paragraph (b), SunRice will pay all costs of the establishment and conduct of the Review Process under these Review Rules including the costs of the Decision Maker and the Review Secretary and all administrative support required.
- (b) Each Review Participant will pay his or her own costs of making and completing a Review Application and involvement in the Review.

### **5. Review Process**

#### **5.1 Stage 1**

- (a) After receipt of a Review Application the Review Secretary will:
  - (i) request SunRice Information from SunRice in relation to the Review Applicant and any other relevant Review Participant and the Review Application including SunRice's records of relevant written or verbal communications between SunRice and the Review Applicant and/or any other relevant Review Participant;
  - (ii) seek any additional information from the Review Applicant that the Review Secretary considers may be relevant to the consideration by the Decision Maker; and
  - (iii) subject to paragraph (b), within 30 days of the receipt of a Review Application, compile and provide to the Decision Maker a portfolio in relation to the Review Application including the Review Application of the Review Applicant, the Prescribed Information provided by the Review Applicant and all information provided by SunRice together with a synopsis setting out:

- A. the basis upon which the Review Application is made;
  - B. a summary by date, document and evidence of the factual information which have been provided by the Review Applicant and SunRice relevant to the Review.
- (b) The Review Secretary may compile and provide to the Decision Maker, Review Applications in batches as contemplated by clause 5.3.
  - (c) The Review Secretary shall not be required to provide to the Decision Maker the name of any Review Applicant or any other Review Participant connected with a Review Application for the purposes of any decision of the Decision Maker.

## 5.2 Stage 2

In considering a Review Application the Decision Maker may:

- (a) request that the Review Secretary obtain further information in respect of the Review Application including from SunRice and/or the Review Applicant;
- (b) request a meeting with any or all of the Review Applicant, any other relevant Review Participant and SunRice;
- (c) determine to reject the Review Application on the basis it discloses no Claim and otherwise if:
  - (i) the Review Secretary has requested further information in respect of the Review Application and the Review Applicant has failed to provide this information;
  - (ii) the Review Secretary has requested a meeting between the Review Applicant and the Decision Maker in respect of the Review Application (which may or may not include SunRice) and the Review Applicant has refused or failed to attend without sufficient notice or excuse; or
  - (iii) the Review Secretary is unable to contact the Review Applicant to obtain further information and/or a meeting and the information before the Decision Maker is insufficient to enable a decision to be made;
- (d) determine that the Review Participant in respect of a Review Application has a Claim; and
- (e) if a determination is made that the Review Participant in respect of a Review Application has a Claim, determine, no later than the Final Determination Date and subject to clause 1.4(e), an amount of compensation to be paid by SunRice from the Fund in full and final satisfaction of the Claim;

provided that the Decision Maker is not required to interview any Review Applicant or any other person and may deal with all matters by correspondence.

## 5.3 Principles applicable to the making of a decision

In making a determination the Decision Maker shall:

- (a) have regard to applicable principles of substantive law, including any relevant discretions;
- (b) have regard to the nature of the Review Process and of the evidence able to be considered for the purposes of the Review; and

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- (c) award compensation to Entitled Persons in respect of a Review Application having regard to the amount of the Fund and the Maximum Compensation.

### 5.4 Procedure generally

- (a) The Decision Maker may determine procedures with the Review Secretary subject to these Review Rules and in particular may consider Review Applications in batches where the Review Secretary reasonably satisfies the Decision Maker that certain Review Applications raise similar issues for decision that would allow the Review Applications to be considered together.
- (b) A decision of the Decision Maker in relation to a Claim being available to such a batch of Review Applications shall be a decision in relation to each Review Application in that batch subject to any contrary direction of the Decision Maker.
- (c) Despite a determination that the Review Participants under a batch of Review Applications all have Claims, the compensation to be awarded in relation to individual Review Applications need not be the same.

## 6. Obligations of SunRice

### 6.1 Provision of services

SunRice shall provide secretarial and other services that are reasonably required by the Decision Maker and the Review Secretary for the performance of their functions under these Review Rules.

### 6.2 Information, data and access to staff

Without limiting any other provision of these Review Rules, SunRice shall provide information and data relevant to a Review Application as required by the Review Secretary and the Decision Maker including by making staff and senior management directly available to the Review Secretary and/or the Decision Maker.

## 7. Report of Review Secretary

### 7.1 Report

Within 30 days of the Final Determination Date the Review Secretary will provide a report to SunRice of the outcomes of the Review Process.

### 7.2 Content of Report

The Report of the Review Secretary shall include the following information:

- (a) details of the Review Applications received;
- (b) details of Review Applications rejected by the Decision Maker;
- (c) details of Review Applications determined by the Decision Maker to justify a conclusion that the Review Participant has a Claim; and
- (d) details of Review Participants determined to be entitled to compensation and the amount determined in respect of each and required to be paid by SunRice in accordance with the Review Rules.

### 7.3 Implementation

Promptly after receipt of the report referred to in clause 7.1 SunRice must:

- (a) notify Review Applicants of the decision made by the Decision Maker in respect of their Review Application; and
- (b) implement the decision of the Decision Maker in relation to Review Applications by payment of compensation (if any) determined by the Decision Maker to be payable in accordance with these Review Rules.

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### ANNEXURE A TO SCHEDULE 3 – “A Share Review Rules”

#### YOUR REVIEW APPLICATION

1. Please complete all details that are relevant to you on this form.
2. Please read, sign and date the declaration on page 3.
3. Please return this form together with all supporting documents to the Review Secretary as soon as possible but no later than the Cut-off Date which is 5:00pm on the day which is one calendar month after the date the Scheme is implemented and if this is not a Business Day, the next Business Day after that day. Your Review Application must be posted to:

**REVIEW SECRETARY**  
**Ricegrowers Limited**  
**PO Box 561**  
**Leeton NSW 561**

#### YOUR DETAILS

Full legal name of Entitled Person (list all joint holders of A Share redeemed)

Full legal name of Review Applicant

Review Applicant's street address

Review Applicant's postal address

Review Applicant's email address

Email address

(in providing this address you agree that the Review Secretary may contact you in relation to this Review Application by email)

#### INSTRUCTIONS FOR COMPLETING THE REVIEW APPLICATION

The Review Process has been established to consider Review Applications from Entitled Persons in relation to Review Matters.

For more information about the Review Process and the Review Rules, see Schedule 3 of Annexure F of the Scheme Booklet. A copy of the Review Rules is available from the SunRice website <http://www.sunrice.com.au/>. Capitalised terms in this Review Application have the meaning set out in the Review Rules.

If you have not received a blank copy of the Review Application but you believe you are an Entitled Person please download a Review Application from the SunRice website.

Your completed Review Application and any documentation supporting your Review Application must be received by the Review Secretary by **5.00pm** on the day which is one calendar month after the date the Scheme is implemented and if this is not a Business Day, the next Business Day after that day.

Please complete each section of the Review Application carefully, providing as much detail as possible.

You must include with your Review Application copies of supporting documentation.

Please also provide all of your contact details including a daytime contact number. You must sign and date the Review Application.

Review Applications must be made by the Entitled Person personally unless the Entitled Person has died since the Implementation Date, lacks mental capacity or where there is some other good reason why the Entitled Person is unable to make the request personally.

If this applies to your request, you will need to set out the reason why the Entitled Person cannot make the Review Application personally and include any relevant supporting information (death certificate, power of attorney).

If there is more than one Entitled Person in relation to a jointly held Redeemed Share, one Entitled Person must make the Review Application on behalf of all of them. All Review Participants covered by that Review Application consent to and are bound by it, by the Review Rules and the decision of the Decision Maker in relation to the Review Application.

The Decision Maker may reject your Review Application if it has not been correctly completed.

Complete the details of your Review Application overleaf. Please ensure you provide as much information and evidence as you have in support of your Review Application.

### Details about my Review Application

You will need to clearly explain the reasons why you believe you are an Entitled Person with a Claim.

You must give the proper legal name of the person or entity you assert has a Claim.

You must give the proper legal name of the person or entity which has delivered paddy rice for the purposes of your asserted Claim.

You must set out all the reasons why you believe you have a Claim including details of conversations with any relevant persons, their names and the dates and times of any such conversations.

Before completing this section you should carefully read the Review Rules set out in Schedule 3 of the Continuity Undertaking which is Annexure F of the Scheme Booklet. A copy of that document is available from the SunRice website <http://www.sunrice.com.au/>.

If there is insufficient space to explain the reasons you believe you have a Claim then you may attach a separate document setting out your reasons. You must also attach copies of relevant documents which support your Review Application.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There is a vertical margin line on the left side, creating a narrow left margin. The paper appears to be from a notebook or a standard ruled document.

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►All Applicants: please read, then sign this declaration

I declare that the information provided in connection this Review Application is true, correct and complete and I will notify the Review Secretary of any changes.

I understand that the decision of the Decision Maker is conclusive, final and binding and cannot be appealed and that the Decision Maker is not obliged to give me reasons for his or her decision.

I understand that the information required to be provided in relation to this Review Application, which may include information in relation to a person other than myself, is required to enable the Decision Maker to consider and make a decision in relation to this Review Application.

I agree that by providing my personal information and the personal information of any other person with this Review Application, I consent to the Review Secretary providing that information to the Decision Maker, SunRice and Ebro.

I confirm that in providing the personal information of any person with this Review Application, I have obtained their prior consent to such disclosure and their prior consent to use and disclose their personal information in the manner set out in this declaration and clause 3.8 of the Review Rules.

I confirm that I am authorised to make this Review Application on behalf of all Entitled Persons who were joint holders with me of the Redeemed Share (if any) and that these persons (if any) consent to and agree they are bound by this Review Application, the Review Rules and the matters set out above in relation to this Review Application.

Signature of Review Applicant

X

Date / /

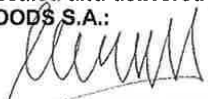
**Note:** the signatory above must be the Review Applicant

Thank you for your Review Application.

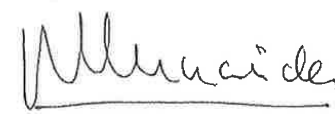
Executed by as a deed poll

Dated: 14 April 2011

Signed, sealed and delivered by  
EBRO FOODS S.A.:

  
.....  
Director/Company Secretary\* sign here

MIGUEL ANGEL PÉREZ  
.....  
Director/Company Secretary\* print name here  
(\* Cross-out whichever does not apply)

  
.....  
Director sign here

ANTONIO HERNANDEZ  
.....  
Director print name

Signed, sealed and delivered by  
RICEGROWERS LIMITED ACN 007 481 156:

.....  
Director/Company Secretary\* sign here

.....  
Director sign here

.....  
Director/Company Secretary\* print name here  
(\* Cross-out whichever does not apply)

.....  
Director print name

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Executed by as a deed poll

Dated: 14 April 2011

Signed, sealed and delivered by  
EBRO FOODS S.A.:

.....  
Director/Company Secretary\* sign here

.....  
Director sign here

.....  
Director/Company Secretary\* print name here  
(\* Cross-out whichever does not apply)

.....  
Director print name

Signed, sealed and delivered by  
RICEGROWERS LIMITED ACN 007 481 156:

[Signature]  
.....  
Director/~~Company Secretary~~\* sign here

[Signature]  
.....  
Director sign here  
Company secretary

Gary Helou  
.....  
Director/~~Company Secretary~~\* print name here  
(\* Cross-out whichever does not apply)

Brad Hingle  
.....  
Director print name  
Company secretary

**ANNEXURE A**  
**GROWER CONSULTATION ELEMENTS**

Policies and Procedures of SunRice in relation to the following matters:

**1. On farm rice production enhancement**

- germplasm development and the Pure Seed Scheme
- seed planning
- Paddy Production Plan
- Quality Assurance
- Seed bonuses

**2. Harvest management**

Harvest receival and management planning, including:

- applicable receival protocols at sites
- priority timing of opening of individual sites
- opening hours of sites
- administration of protocols at sites controlled by AGS and CopRice
- Appraisal Regime

**3. Post harvest review**

Post harvest review of outcomes of harvest plans and protocols

**4. Grower payments**

- indicative paddy prices
- payment of instalments of Rice Price Entitlements

**5. Grower communications**

## Annexure F: Continuity Undertaking Deed Poll

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### **ANNEXURE B GROWER SERVICES**

Policies and procedures of SunRice for:

- efficient Grower financial management including:
  - Implementation of Grower deduction/ re-direction authorities to enable third party and SunRice payments by Growers from Rice Price Entitlements;
  - Facilitation of forward financing;
  - Grower credit including to provide for payment of crop inputs from Rice Price Entitlements;
- Procuring inputs, supplies and services for aggregations of Growers in particular fertilisers and chemicals

# Annexure G:

## Independent Expert's Report

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## Annexure G: Independent Expert's Report

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### LONERGAN EDWARDS & ASSOCIATES LIMITED

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The Directors  
Ricegrowers Limited  
Level 2  
66 Clarence Street  
Sydney NSW 2000

14 April 2011

**Subject: Proposed acquisition by Ebro by way of Scheme**

Dear Directors

#### Introduction

- 1 On 21 October 2010, Ricegrowers Limited (SunRice) announced that it had entered into exclusive negotiations with Ebro Foods S.A. (Ebro) in relation to the potential acquisition by Ebro of all the issued share capital of SunRice. Subsequent to the conclusion of these negotiations, on 26 November 2010 SunRice announced that it had executed a Scheme Implementation Agreement with Ebro (the Agreement)<sup>1</sup>. Pursuant to the Agreement the proposed acquisition of SunRice shares by Ebro is to be implemented by way of a Scheme of Arrangement between SunRice and its shareholders (the Scheme). The Scheme is subject to a number of conditions precedent (as summarised in Section I of our report).
- 2 The key terms of the Agreement include:
  - (a) a cash payment of \$50,000 per share to A Class shareholders of SunRice (the A Class share scheme consideration)
  - (b) a total cash payment of \$5.025 per share, together with \$0.603 per share of franking credits<sup>2</sup> to B Class shareholders of SunRice (the B Class share scheme consideration)
  - (c) various commitments from Ebro which provide on-going support for New South Wales (NSW) and Australian ricegrowers (further details of which are summarised in Section I of our report).
- 3 Based on the number of A Class and B Class shares on issue at the date of the Agreement, the aggregate consideration payable to SunRice shareholders under the Agreement equates to approximately \$315 million (equivalent to an enterprise value for SunRice of around \$610 million).

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<sup>1</sup> On 11 February 2011 SunRice announced that the Agreement had been amended to reflect an improved paddy price commitment from Ebro. For the purpose of our report references to the Agreement include the amended agreement.

<sup>2</sup> The distribution of franking credits is to be effected by way of the payment by SunRice of a dividend of \$1.407 per share to B Class shareholders (which forms part of the total cash payment of \$5.025 per share), and is subject to receipt of a favorable ruling from the Australian Taxation Office (ATO).

- 4 The Scheme is subject to the Court convening respective meetings of SunRice A Class and B wClass shareholders. Under the *Corporations Act 2001 (Cth)* (Corporations Act), the Scheme is approved by both SunRice A Class and B Class shareholders if a resolution in favour of the Scheme is approved by a majority of SunRice A Class and B Class shareholders present (in person or by proxy) and voting at the respective Scheme meetings, and by 75% of the votes cast on the resolution. If this occurs, a second Court hearing will be held to approve the Scheme, which if approved, will become binding on SunRice A Class and B Class shareholders.

### **SunRice**

- 5 SunRice is an Australian company that supplies high quality and innovative consumer branded rice food products to approximately 60 countries around the world. Head-quartered in regional NSW, it operates state-of-the-art processing facilities that mill and pack rice and rice flour, and manufacture rice cakes and specialty rice foods.
- 6 SunRice's operations extend to the United States of America (USA), the Middle East, Papua New Guinea (PNG) and the Solomon Islands. Its strong portfolio of brands include SunRice, SunWhite, Always Fresh, CopRice, Trukai, Roots, Hinode, Harvest and Tumbles.

### **Ebro**

- 7 Ebro is the leading group in the Spanish food sector in terms of turnover, profit, market capitalisation and international presence. It has 23 operating subsidiaries in Europe, USA, North Africa and Asia. Ebro is the world leader in the rice sector and the second largest group in the international pasta sector. It has a strong portfolio of over 60 brands and has the leading brands in both market sectors. SunRice and Ebro have enjoyed a close and strategic relationship for over 50 years.

### **Purpose of report**

- 8 There is presently no regulatory requirement for an independent expert's report (IER) to be prepared for SunRice shareholders. However, both the Agreement and the Directors' recommendation of the Scheme are subject to an independent expert concluding that the Scheme is in the best interests of SunRice shareholders<sup>3</sup>.
- 9 Accordingly, the Directors of SunRice have requested that LonerGAN Edwards & Associates Limited (LEA) prepare an IER stating whether, in our opinion, the Scheme is in the best interests of SunRice shareholders and the reasons for that opinion. Consistent with the requirements of Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) our opinion also considers whether the Scheme is fair and reasonable to SunRice shareholders (see Section II of our report).
- 10 LEA is independent of SunRice and Ebro and has no other involvement or interest in the proposed Scheme.

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<sup>3</sup> Unless otherwise stated in this report references to SunRice shareholders include both A Class and B Class shareholders of SunRice.

## Annexure G: Independent Expert's Report



### Summary of opinion

#### Fair and reasonable opinion

- 11 In our opinion, the Scheme is fair and reasonable and in the best interests of the A Class and B Class shareholders of SunRice in the absence of a superior proposal. We have formed this opinion for the following reasons.
- 12 Pursuant to RG 111 a scheme is “fair” if the value of the scheme consideration is equal to or greater than the value of the securities the subject of the scheme. This comparison for both the A Class and B Class shares in SunRice is shown below:

Position of A Class shareholders in SunRice			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of Scheme consideration	50,000	50,000	50,000
Value of 100% of A Class shares	37,500	51,875	44,687
Extent to which the Scheme consideration exceeds (or is less than) the value of the A Class shares	12,500	(1,875)	5,313

Position of B Class shareholders in SunRice			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of Scheme consideration <sup>(1)</sup>	5.025	5.025	5.025
Value of 100% of B Class share <sup>(2)</sup>	4.54	5.30	4.92
Extent to which the Scheme consideration exceeds (or is less than) the value of the B Class shares	0.485	(0.275)	0.105

#### Note:

- 1 Due to the benefit of Australian franking credits of up to 60.3 cents per share attached to the proposed fully franked dividend of \$1.407 per B Class share, the value of the scheme consideration to some Australian resident B Class shareholders in SunRice may be greater than \$5.025 per share.
- 2 Based on our narrower range of \$4.65 to \$5.20 per B Class share (refer paragraph 222) the Scheme would also be fair to B Class shareholders.

- 13 As the Scheme consideration lies within our assessed valuation range for the A Class and B Class shares in SunRice on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to both A Class and B Class shareholders when assessed based on the guidelines set out in RG 111.
- 14 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 15 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of A Class and B Class SunRice shareholders in the absence of a superior proposal.

### Assessment of the Scheme

- 16 We summarise below the likely advantages and disadvantages for SunRice shareholders if the Scheme is approved.

### *Advantages*

- 17 The Scheme has the following benefits for SunRice A Class shareholders:
- (a) the Scheme Consideration of \$50,000 per A Class share is at the top end of our assessed valuation range of the A Class shares on a 100% controlling interest basis
  - (b) in the absence of the Scheme (or an alternative change of control transaction) the ability to realise monetary value for A Class shares is extremely limited because the A Class shares:
    - (i) are not listed on any stock exchange and no market for these shares exists<sup>4</sup>
    - (ii) do not convey any entitlement to receive dividends; and
    - (iii) can only be issued to active growers (or persons that the Board believes will become active growers).
- 18 The Scheme has the following benefits for SunRice B Class shareholders:
- (a) the Scheme consideration of \$5.025<sup>5</sup> per B Class share is consistent with our assessed valuation range of the B Class shares on a 100% controlling interest basis
  - (b) the Scheme consideration for the B Class shares represents a significant premium to the recent stock market prices of B Class shares (as traded on the National Stock Exchange of Australia Limited (NSX)) prior to the announcement of the exclusive negotiations with Ebro on 21 October 2010 (albeit that B Class shares are thinly traded)
  - (c) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the listed market price of B Class shares is likely to trade at a very large discount to our valuation and the Scheme consideration for the B Class shares (consistent with the historical trading price of the B Class shares on the NSX, which reflects the restrictions on ownership and associated low level of trading)
  - (d) the Scheme provides B Class shareholders with an opportunity to realise for cash a price for their shares which is consistent with their full underlying value.
- 19 In addition, if the Scheme is implemented SunRice shareholders (as shareholders) will no longer be exposed to the risks associated with the SunRice business, including:
- (a) its prevailing high debt level and limited ability to raise further equity capital when required
  - (b) the potential loss of SunRice's sole and exclusive export status

<sup>4</sup> The A Class shares may be redeemed in circumstances where the shareholder is no longer an active grower.

<sup>5</sup> Comprising both the proposed dividend of \$1.407 per share and a cash payment of \$3.618 per share.

## Annexure G: Independent Expert's Report

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- (c) the capacity of the business to sustain further periods of drought and/or enforced reductions in water availability due to political decisions with adverse consequences in relation to the Murray Darling basin.

### ***Disadvantages***

- 20 SunRice A Class and B Class shareholders should note that if the Scheme is approved they will no longer hold an economic or voting interest in SunRice. SunRice A Class and B Class shareholders will therefore not participate in any future value created by the company as a result of on-going operations over and above that reflected in the respective Scheme consideration.

### **Alternatives considered by SunRice Board**

- 21 As announced to the NSX in October 2010 the Board of SunRice considered a range of options before recommending the Scheme in the absence of a superior proposal. These options included:
  - (a) retention of the current structure and operations (referred to as the “Status Quo” alternative)
  - (b) listing on the Australian Securities Exchange (ASX) (including seeking a “cornerstone” investor with a view to listing on the ASX in the medium / longer term)
  - (c) the sale of individual business units
  - (d) delisting from the NSX.
- 22 While the Scheme is a change of control transaction and is therefore not directly comparable with these other alternatives, we concur with the SunRice Board’s view that the Scheme is a superior outcome for shareholders and growers than the above alternatives. The main reasons for this view are discussed in further detail in Section VII of this report.

### **Implications if the Scheme is not implemented**

- 23 If the Scheme is not implemented the A Class shareholders in SunRice will retain control of SunRice and the B Class shareholders will retain their economic ownership interest in the SunRice business.
- 24 However, if the Scheme is not implemented it should be noted that:
  - (a) SunRice shareholders will not receive the Scheme consideration
  - (b) SunRice has a high level of net debt, which it could have difficulty servicing and/or refinancing if profits fall (for example) as a result of factors outside of the control of management
  - (c) SunRice is likely to find it difficult to raise additional equity capital if the current share structure is maintained (inhibiting SunRice’s ability to repay debt and fund future business growth)
  - (d) SunRice is likely to face increased competition to a greater extent if the Scheme is not implemented

- (e) SunRice shareholders (as shareholders) will remain exposed to business risks, including the potential loss of SunRice's sole and exclusive export status and the adverse consequences of natural and/or enforced reductions in water availability
  - (f) the current share structure of SunRice is unlikely to be sustainable in the medium to long-term
  - (g) NSW rice growers will not have the benefit of the various binding commitments from Ebro (discussed below).
- 25 Rejecting the proposed Scheme therefore has significant risks for A Class and B Class shareholders. Further information on these risks is set out in Section VII of this report.

**Additional benefits to growers**

- 26 We have concluded that the Scheme is fair and reasonable and in the best interests of SunRice shareholders based primarily on value considerations.
- 27 We recognise however that whilst the value of their shareholdings is important to SunRice shareholders, there are likely to be other issues of significance to shareholders who are also active growers in considering their support for the Scheme. These relate primarily to farm values, and include, in particular, the on-going security arrangements regarding the purchase of the annual rice crop and market price paid.
- 28 We note that Ebro has entered into various binding commitments in relation to, inter-alia, the establishment of a Grower Advisory Board and associated purchase of growers' annual rice crop and the market price that will be paid for that crop, together with on-going industry research and associated funding obligations. In our experience these commitments to the vendors (growers) exceed those generally provided by purchasers of businesses.
- 29 In respect of the price commitment made by Ebro we note that:
- (a) SunRice has indicated that the company is not willing to offer growers a similar price commitment if the Scheme is not implemented
  - (b) while SunRice currently has an obligation to act as a "buyer of last resort" for NSW rice it has no obligation to offer a benchmark price (and has no intention of doing so). The Californian benchmark price commitment from Ebro is therefore more beneficial relative to the current position as it provides enhanced price certainty
  - (c) based on a comparison of the historical paddy prices paid to SunRice's growers over the five crop years to 2009 with the price that would have been paid under the Ebro price commitment (had it existed over the same period), it appears that SunRice grower shareholders would have been in a "no worse" position on average than has prevailed in terms of the paddy prices received.

**Conclusion**

- 30 Given the above analysis, we consider the acquisition of SunRice A Class and B Class shares by Ebro under the Scheme is fair and reasonable and is in the best interests of both SunRice A Class and B Class shareholders in the absence of a superior proposal.

## Annexure G: Independent Expert's Report

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### General

- 31 In preparing this report we have considered the interests of both the A Class shareholders (as a whole) and the B Class shareholders (as a whole) in SunRice. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 32 The impact of approving the Scheme on the tax position of SunRice shareholders depends on the individual circumstances of each investor. SunRice shareholders should read Section 14 of the Scheme Booklet (Taxation Implications for Shareholders) and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 33 The ultimate decision whether to approve the Scheme should be based on each SunRice shareholder's assessment of their own circumstances. If SunRice shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that SunRice shareholders read the remainder of our report.

Yours faithfully

Craig Edwards  
Authorised Representative

Martin Holt  
Authorised Representative

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## I Key features of the Scheme

### Terms

- 34 On 21 October 2010, Ricegrowers Limited (SunRice) announced that it had entered into an agreement for exclusive negotiations with Ebro Foods S.A. (Ebro) in relation to the potential acquisition by Ebro of all the issued capital of SunRice. Subsequent to the conclusion of these negotiations, on 26 November 2010 SunRice announced that it had executed a Scheme Implementation Agreement with Ebro (the Agreement)<sup>6</sup>. Pursuant to the Agreement the proposed acquisition of SunRice shares by Ebro is to be implemented by way of a Scheme of Arrangement between SunRice and its shareholders (the Scheme).
- 35 The key terms of the Agreement include:
- (a) a cash payment of \$50,000 per share to A Class shareholders of SunRice (the A Class share scheme consideration)
  - (b) a total cash payment of \$5.025 per share, together with \$0.603 per share of franking credits<sup>7</sup> to B Class shareholders of SunRice (the B Class share scheme consideration)
  - (c) a Grower Advisory Board<sup>8</sup> will be established comprising three grower representatives and three representatives from Ebro, with one of the grower representatives to be the Chairman
  - (d) Ebro will work with the Grower Advisory Board in conducting its minimum seven year commitment (commencing crop year 2012) to purchase rice from NSW rice growers using a formula linked to Californian Medium Grain prices<sup>9</sup>
  - (e) Ebro will maintain SunRice's level of support for research and development on a scale that is not less than the amount expended on average for the last three years, increased annually by the consumer price index
  - (f) Ebro will continue SunRice's support of the Australian rice industry, including support for the Ricegrowers' Association of Australia and the rice growing communities.

<sup>6</sup> On 11 February 2011 SunRice announced that the Agreement had been amended to reflect an improved paddy price commitment from Ebro. For the purpose of our report references to the Agreement include the amended agreement.

<sup>7</sup> The distribution of franking credits is to be effected by way of the payment by SunRice of a dividend of \$1.407 per share to B Class shareholders (which forms part of the total cash payment of \$5.025 per share), and is subject to receipt of a favorable ruling from the ATO.

<sup>8</sup> The role of the proposed Grower Advisory Board includes consideration of and making recommendations as to annual prices and related price mechanisms, as well as acting as a forum for consideration of issues generally of interest to growers.

<sup>9</sup> In the absence of a material adverse change in the SunRice business the price commitment will automatically rollover for another seven year period.

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### Conditions

- 36 The Scheme is subject to the satisfaction of a number of conditions precedent, including the following which are outlined in the Agreement:
- (a) respective regulatory approvals from ASIC, NSX, the Foreign Investment Review Board (FIRB), the Australian Competition and Consumer Commission (ACCC)<sup>10</sup> and under the *United States Hart-Scott-Rodino Antitrust Improvements Act of 1976* (USA Anti-Trust Act)<sup>11</sup>
  - (b) SunRice shareholders approving certain resolutions at extraordinary general meetings in relation to the Scheme
  - (c) SunRice A Class and B Class shareholder approval at Court convened meetings under the Corporations Act
  - (d) approval of the Scheme by the Court in accordance with s411(4)(b) of the Corporations Act
  - (e) no temporary restraining order, preliminary or permanent injunction or other order issued by any government agency or other legal restraint or prohibition preventing the transaction
  - (f) no “material adverse change” (as defined in clause 1.1 of the Agreement) occurs in respect of SunRice or Ebro
  - (g) no “prescribed occurrences” (as defined in clause 1.1 of the Agreement) occur in respect of SunRice or Ebro
  - (h) Ebro and SunRice representations and warranties as set out in clauses 8.1 and 8.3 of the Agreement respectively being true and correct at 8am on the Second Court Date
  - (i) an independent expert concluding that the Scheme is in the best interests of SunRice A Class and B Class shareholders (and not having publicly withdrawn or qualified this conclusion on or before the Second Court Date)
  - (j) the minority shareholder in Trukai Industries Limited (Trukai) having provided a waiver (acceptable to Ebro) in respect of its rights under the constitution of Trukai resulting from the change in control of SunRice that will arise pursuant to implementation of the Scheme.
- 37 In addition SunRice has agreed that it will not:
- (a) solicit, encourage or initiate any competing transaction
  - (b) participate in any discussions or negotiations which may reasonably be expected to lead to a competing transaction
  - (c) enter into any agreement, arrangement or understanding in relation to a competing transaction or any agreement, arrangement or understanding which may reasonably be expected to lead to the completion of a competing transaction.

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<sup>10</sup> Informal clearance from the ACCC has been received.

<sup>11</sup> Approval under the USA Anti-Trust Act has since been received.

- 38 The exclusivity obligations do not apply if SunRice has complied with the various obligations set out in the Scheme Implementation Agreement and the SunRice Board determines, based on written advice from its legal advisers, that compliance with exclusivity obligations would involve a breach of fiduciary duties or would otherwise be unlawful.
- 39 A break fee of \$3.148 million is payable by SunRice to Ebro in certain circumstances as specified in the Agreement.

**Resolution**

- 40 SunRice A Class and B Class shareholders will be asked to vote on the Scheme in accordance with the respective resolutions contained in the notice of Scheme meeting accompanying the Scheme Booklet.
- 41 If the resolutions are passed by the requisite majorities, SunRice must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. If the Court approves the Scheme it will become binding on all SunRice shareholders.

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### II Scope of our report

#### Purpose

- 42 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Corporations Regulations) prescribes information to be sent to shareholders in relation to a members' scheme of arrangement pursuant to s411 of the Corporations Act.
- 43 Regulation 5.1.01 and Part 3 of Schedule 8 of the Corporations Regulations provide that, where a party to the transaction holds not less than 30% of the voting shares in the company, or where any of its directors are also directors of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 44 Prior to entering into the Agreement, Ebro had no shareholding entitlement in SunRice and was not represented on the SunRice Board. Accordingly, there is no regulatory requirement for an IER to be prepared for SunRice shareholders pursuant to s411 of the Corporations Act.
- 45 However the Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of SunRice shareholders. In addition, the Directors' recommendation of the Scheme is subject to a similar condition. Accordingly, the Directors of SunRice have requested that LEA prepare an IER stating whether, in LEA's opinion, the proposed Scheme is in the best interests of SunRice shareholders<sup>12</sup> and the reasons for that opinion.
- 46 This report has been prepared by LEA for the benefit of SunRice shareholders to assist them in considering the resolutions to approve and implement the Scheme. Our report will accompany the Notice of Scheme Meeting and Scheme Booklet to be sent to SunRice shareholders. The purpose of our report is to determine whether, in our opinion, the Scheme is in the best interests of SunRice shareholders.
- 47 The ultimate decision whether to approve the Scheme should be based on each SunRice shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

#### Basis of assessment

- 48 In preparing our report, we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.
- 49 As the Scheme will result in 100% of the securities in SunRice being held by Ebro, RG 111 requires that we provide an opinion on whether the Scheme Consideration is "fair" and "reasonable" to the shareholders of SunRice. Our opinion has also considered whether the Scheme is in the best interests of SunRice shareholders.

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<sup>12</sup> Unless otherwise stated in this report references to SunRice shareholders include both A Class and B Class shareholders of SunRice.

- 50 Accordingly, we have provided our opinion on:
- (a) whether the scheme consideration payable to A Class shareholders is fair and reasonable to and in the best interests of A Class shareholders; and
  - (b) whether the scheme consideration payable to B Class shareholders is fair and reasonable to and in the best interests of B Class shareholders.
- 51 RG 111 distinguishes “fair” from “reasonable” and considers:
- (a) an offer to be “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. A comparison must be made assuming 100% ownership of the target company
  - (b) an offer to be “reasonable” if it is fair. An offer may also be “reasonable” if, despite not being “fair” but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.
- 52 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a Scheme may be “*in the best interests of the members of the company*” if there are sufficient reasons for security holders to vote in favour of the Scheme in the absence of a higher offer.
- 53 In our opinion, if the Scheme is “fair” and “reasonable” under RG 111 it must also be “in the best interests” of SunRice shareholders.
- 54 Our report has therefore considered:
- (a) the separate market values for each of the A Class and B Class shares in SunRice (having regard to their differential voting and dividend rights)
  - (b) the value of the consideration offered by Ebro for each class of share
  - (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111 to the holders of each class of share)
  - (d) the extent to which the Scheme consideration represents a premium to:
    - (i) the listed market price of the B Class shares as traded on the NSX prior to the announcement of the exclusive negotiations with Ebro
    - (ii) the price at which SunRice raised additional equity capital in July 2009
  - (e) the extent to which SunRice shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
  - (f) the likely market price of the B Class shares on the NSX if the Scheme is not implemented
  - (g) the opportunity provided by the Scheme to realise value for the A Class and B Class shares, having regard to (in the case of the B Class shares) their liquidity as traded on the NSX
  - (h) the value of SunRice to an alternative offeror and the likelihood of a higher alternative offer being made for SunRice prior to the date of the Scheme meetings

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- (i) the advantages and disadvantages of other alternatives to the Scheme considered by SunRice and its advisors
- (j) the advantages and disadvantages of the Scheme from the perspective of A Class and B Class shareholders in SunRice; and
- (k) other qualitative and strategic issues associated with the Scheme.

55 We have also considered the additional benefits to growers pursuant to the various binding commitments proposed to be entered into by Ebro.

### **Limitations and reliance on information**

56 Our opinions are based on the economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

57 Our report is also based upon financial and other information provided by SunRice. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion on the Scheme from the perspective of SunRice shareholders. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. None of these additional tasks have been undertaken.

58 We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).

59 An important part of the information base used in forming an opinion of the kind expressed in this report are the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

60 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets, particularly businesses operating in the agricultural sector, with consequential valuation impacts.

61 In forming our opinion, we have also assumed that:

- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
- (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.

### III Profile of SunRice

#### Overview

- 62 SunRice is an Australian company that supplies high quality and innovative consumer branded rice food products to approximately 60 countries around the world. Head-quartered in regional NSW, it operates state-of-the-art processing facilities that mill and pack rice and rice flour, and manufacture rice cakes and specialty rice foods. SunRice's operations extend to the USA, the Middle East, PNG and the Solomon Islands.
- 63 SunRice currently holds the "Sole and Exclusive Export Agreement" issued by the Rice Marketing Board (RMB). This provides for exclusive export sale rights on all rice grown within the NSW market<sup>13</sup> until 2016.

#### History

- 64 SunRice is one of the largest international rice food companies in the world. The company commenced business in 1950 as a grower co-operative.
- 65 SunRice developed branded packaged rice and value added rice foods products for both the domestic and overseas markets. It expanded its milling and packing operations, collaborated with suppliers to increase Australian rice production and its brands can be found in close to 60 countries across the globe. SunRice has also expanded internationally with operations in the USA, Middle East and the Pacific as well as entering into the Mediterranean lifestyle foods through subsidiary Riviana.
- 66 Following approval by members in 2005, the company registered as a corporation under the Corporations Act. SunRice subsequently listed on the NSX on 18 June 2007.

#### Rice industry

##### Overview

- 67 Global rice production is around 440 million tonnes annually (on a milled basis), of which only around 6% is traded. There are two main varieties, indica rice, which represents around 85% of production, and japonica rice which represents the remaining 15%. Australian rice primarily falls under the latter category, which in turn is separated into short grain and medium grain rice.
- 68 Medium grain rice is a high value niche segment of the global rice trade. Around 1.8 million tonnes are traded annually, of which SunRice has a market share of about 20% (in a normal Australian crop year).

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<sup>13</sup> This effectively provides a single export desk for SunRice as approximately 99% of all Australian rice is grown in NSW.

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### Australian rice industry

69 The majority of Australian rice is grown in NSW on irrigated land in the Murrumbidgee, Coleambally and Murray Valley irrigation areas within the Murray Darling river system. The water in the river system is shared between environmental, urban, commercial and agricultural based on a water sharing plan. The water sharing plan is currently under review and any changes will become effective from 2014 at the earliest. Growers have property rights over their water entitlements, which can be traded on a market. Growers can trade either the annual allocations or the permanent entitlement on the water markets. Drought over the past decade has led to extreme volatility in water availability for agriculture, directly impacting rice production in the Riverina.

70 The major rice growing regions are indicated below:

Australia's rice growing region



### Industry structure

71 The key participants in the Australian rice industry are:

- (a) **SunRice** – an authorised buyer of rice from growers under the Rice Marketing Act 1983 (NSW) with the sole and exclusive right to sell NSW rice outside of Australia. As a requirement of its export rights, SunRice is obliged to offer to purchase all rice of merchantable quality grown in NSW<sup>14</sup>. SunRice owns paddy rice drying and storage infrastructure, rice mills, rice foods manufacturing and packaging facilities and a portfolio of brands

<sup>14</sup> These export rights and buyer of last resort obligations are set out in the Sole and Exclusive Export Agreement between Ricegrowers Limited, Australian Grain Storage Pty Ltd and RMB dated 28 June 2007. This agreement may be terminated after 1 July 2011 by either party giving to the other at least five years written notice of termination. It can also be terminated by RMB in certain other events, including a change of control of Ricegrowers Limited (without the prior approval of RMB) or the cessation of vesting of rice grown in NSW under the Rice Marketing Act.

- (b) **Rice Marketing Board (RMB)** – which is the statutory board of the NSW government. All rice grown in NSW is vested in the RMB by state government legislation. The board licences authorised buyers (who can purchase paddy from growers on RMB’s behalf) and holds the authority to appoint the export rights holder (currently held exclusively by SunRice)
  - (c) **Ricegrowers Association of Australia (RGA)** – which is the agri-political arm of the industry. The association has significant influence on government policy in respect of water and other related issues. It relies on membership funding and financial support from SunRice.
- 72 In addition to the above, rice growing and on-going varietal development research is primarily undertaken and jointly overseen by three bodies – Rice Research Australia Pty Ltd (RRAPL)<sup>15</sup>, Rural Industries Research and Development Corporation (RIRDC) and the NSW Department of Investment and Industry. RIRDC manages the rice research funding program with contribution from the rice research levy and the Federal government. The NSW Department of Investment and Industry provides economic advice and conducts a large proportion of varietal research.

### Current operations

- 73 SunRice plays a significant role in the Australian rice industry with involvement at various levels from the supply of rice seed, crop insurance and support services to growers through to the acquisition and milling of paddy rice and the production and sale of value added rice food products. SunRice supplies its products throughout Australia and many overseas countries and has operations in Australia, USA, Jordan, Singapore, PNG and the Solomon Islands.

### Supply chain

- 74 Australian rice production over the last 10 years is summarised below. As indicated, with the exception of FY07 (which represented the 2006 crop year), production in recent years has been significantly affected by the prolonged drought in eastern Australia.

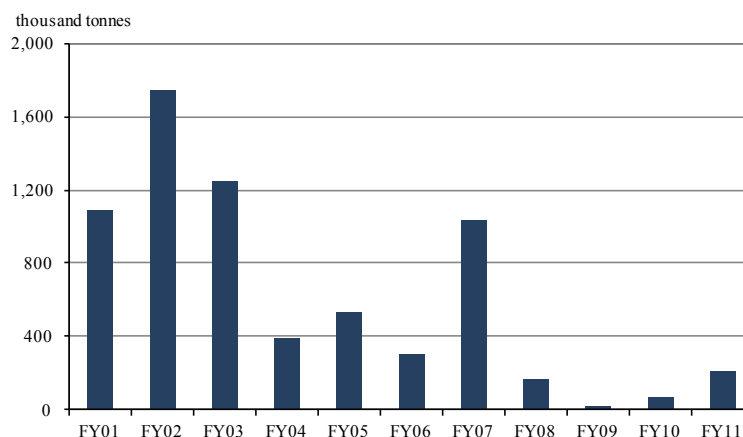
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<sup>15</sup> RRAPL is a wholly owned subsidiary of SunRice that operates a rice research farm.

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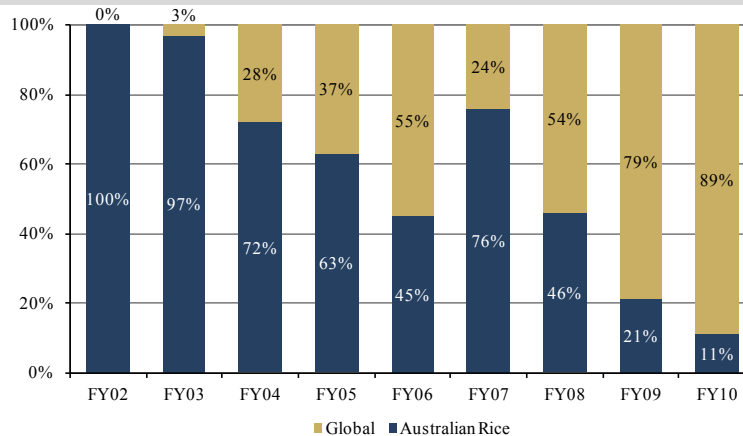
**SunRice – Australian rice production**



Source: SunRice.

- 75 The average annual Australian crop production for the ten years up to FY00 was 1.1 million tonnes. The reduced Australian rice crops in recent years required SunRice to develop key supply relationships outside of Australia. A multi-sourced supply chain has been developed to ensure continued supply to all branded markets. The supply chain involves accumulation at source as well as key packing facilities. Sourcing is based on best cost / quality for each market and varies from year to year.
- 76 A summary of rice sales by source is set out below. As noted, 100% reliance on Australia production prior to FY03 has decreased, with up to 89% of volume sourced from global markets in FY10.

**SunRice – rice sales by supply region (volume)**



Source: SunRice.

### Pooling

- 77 Australian rice prices have typically been set through a pool mechanism. In years impacted by drought, minimum and fixed prices have been offered.
- 78 The timing of payments for the majority of rice growers in Australia is set out below:

SunRice – timing of payments		
Payment No.	Timing	% of Price
1	Harvest (April)	60
2	November	10
3	February	7
4	April	7
5	May	5
Final	July	11
		<u>100</u>

**Note:**

- 1 96% (by volume) of growers have adopted this structure. Alternative payment structures exist for the remaining growers.
- 2 Actual % of price may vary slightly as final pool price may be different from initial forecasts.
- 3 Includes appraisal premiums or adjustments.
- 4 Base variety is medium grain (other varieties are generally paid a premium to medium grain, which covers lower on farm yields).

- 79 SunRice operates a pure seed scheme, whereby it contracts some growers to replenish the seed stock with first generation seeds. The cost of this scheme is borne by the pool. Seed is sold to growers at a discount to ensure that they do not retain any paddy for seed. The benefit of the scheme is that all rice in the Riverina is produced from pure seed stock, ensuring the high quality of Australian rice.

### Rice milling, packing and storage

- 80 SunRice has total milling capacity of around 1.2 million tonnes of paddy, represented by the following facilities:
- (a) **Leeton mill** – with a capacity of approximately 260,000 tonnes covering all rice varieties. The mill has a specialist highly automated consumer packaging plant and also has a bulk packing capability
  - (b) **Deniliquin mill** – two mills with a total capacity of approximately 660,000 tonnes. The facility also has a specialist bulk and automated large packaging plant, an on-site storage capability, together with a rail link to Melbourne port
  - (c) **Coleambally mill** – with a capacity of approximately 280,000 tonnes of paddy. The mill has a specialist bulk and large pack facility.
- 81 In recent years the Deniliquin and Coleambally mills have not been in use due to drought impacted low annual rice crops in Australia.

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- 82 SunRice also has a corresponding storage capacity of approximately 1.2 million tonnes of paddy rice, spread over 18 locations incorporating 73 storage sheds. The sheds are aerated and segregated to provide for multiple rice varieties. Inload and outload capabilities are incorporated into each shed.
- 83 The storage assets were previously owned by the RMB and were acquired by SunRice in 2006. Non-rice grain storage is being pursued to utilise spare capacity<sup>16</sup>.

### Overseas rice supply

- 84 As noted above, in response to reduced Australian rice crops in recent years SunRice has developed key supply relationships outside of Australia. A summary of the respective operations is set out below:
- (a) **SunFoods (USA)** was acquired in October 2008 via a joint venture in which SunRice holds a 65% interest. SunFoods owns the Hinode brand, which has a strong heritage and is currently the largest retail medium grain rice brand in Northern California and Hawaii. The business has an annual milling capacity of approximately 250,000 tonnes and operates one of the largest consumer packing plants in California, with the capability to supply all types of rice packaging
  - (b) **Trukai (PNG)** is a large rice business and is one of the largest food companies in PNG. Trukai is owned 66% by SunRice, with the remaining equity held by a PNG investment unit trust. The local operation provides flexibility of rice sourcing, a low cost operation and a packing point for Pacific markets (if required). Trukai is one of the largest distributors of bulk grocery product in PNG
  - (c) **APC (Jordan)** was acquired in 2003 via a joint venture in which SunRice holds an 80% interest (the balance of 20% is held by a local distributor). The business is located in a free trade zone with attaching port facilities and provides SunRice with a contract packing facility to supply the Jordan and Syria rice markets.

### Rice Foods

- 85 SunRice's Rice Foods manufacturing and related marketing operations can be categorised in three business units, as follows:
- (a) **Rice and corn cakes** – a leading manufacturer and marketer of plain and flavoured rice cakes. The business has grown progressively through innovation in the snack food category and holds a retail market share (in the sector) of 55% to 60%
  - (i) **Convenience meals** – the business targets the microwave / ready-to-go meal sector. Product innovation supported by a dedicated marketing program has underwritten significant revenue growth in the two years to FY10 and has given SunRice a leading market share in the sector. Products are manufactured in Australia (Leeton) and Asia through exclusive supply agreements

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<sup>16</sup> Under the prevailing regulatory environment, SunRice has to provide access to its paddy drying and storage sheds to third parties at commercially reasonable rates if it has spare capacity.

- (b) **Rice flour** – SunRice owns the only dry milled rice flour mill in Australia, located adjacent to the Leeton rice mill. SunRice has over a 70% share of the Australian rice flour market, key customers being the major snack food processors.

#### Riviana

- 86 Riviana Foods Pty Limited (Riviana) is 100% owned and was acquired by SunRice in 1993. It is a leading branded marketer of Mediterranean lifestyle foods and rice. Brands include Always Fresh, Riviana, Mahatma, Tastic, Admiral, Menu Master and Regal. Products include olives, pickled vegetables, party snacks, premium biscuits / crisp breads, sandwich fillers, pates and dips and olive oil and vinegar. Riviana has strong distribution in the retail and food service channel, including the supply of house brands.

#### CopRice

- 87 CopRice was initially set up by SunRice to use rice by-products. Historically, the business has been a major user of hulls, bran, broken and reject rice. The primary business of CopRice is the production of extruded pellet based stockfeed for the Victorian dairy region. The business also produces extruded pet food. Processing facilities are located at Cobden, Tongala and Leeton. CopRice has a strong presence in the major dairy region of Australia, together with strong brands in working dogs, horses and cat litter and a growing house brand pet food business.

#### Statement of financial performance

- 88 The financial performance of SunRice for the four years to 30 April 2010 and six months to 31 October 2010 is summarised below:

SunRice – statement of financial performance					
	Year to 30 Apr 07 \$000	Year to 30 Apr 08 \$000	Year to 30 Apr 09 \$000	Year to 30 Apr 10 \$000	6 mths to 31 Oct 10 \$000
<b>Sales revenue</b>	733,880	707,653	896,220	815,094	387,570
<b>EBITDA</b>	64,206	62,381	156,561	55,290	31,193
Depreciation, amortisation	(20,359)	(22,781)	(22,695)	(21,583)	(10,720)
Impairment of fixed assets	-	-	(8,658)	-	-
<b>EBIT</b>	43,847	39,600	125,208	33,707	20,473
Finance costs (net)	(22,043)	(19,522)	(19,516)	(18,506)	(13,107)
Associated company profit	772	378	582	314	-
<b>Profit before tax</b>	22,576	20,456	106,274	15,515	7,366
Tax expense	(7,752)	(5,479)	(29,450)	(3,766)	(2,178)
<b>Profit after tax</b>	14,824	14,977	76,824	11,749	5,188
Minority interests	(348)	(881)	(1,013)	422	(268)
<b>Profit after tax – SunRice members</b>	14,476	14,096	75,811	12,171	4,920
<b>Operating metrics</b>					
Growth in sales revenue %	21.7	(3.6)	26.6	(9.1)	(14.4)
Gross margin %	39.3	35.9	37.7	29.8	36.2
EBITDA margin %	8.7	8.8	17.5	6.8	8.1
EBIT margin %	6.0	5.6	14.0	4.1	5.3

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### **Year ended 30 April 2007**

- 89 A return to normal rice production levels in the Riverina region after three years of continuous drought enabled SunRice to report a profitable trading year. All areas of the business performed well, with brand share increasing in both the domestic and international markets.
- 90 A number of new product and promotional ideas in the rice and rice foods categories were successfully launched in the Australian market, despite an increasingly competitive environment. Riviana and CopRice both achieved growth in several business sectors and reported record sales and profits.

### **Year ended 30 April 2008**

- 91 SunRice had a profitable year at an earnings level consistent with that achieved in FY07. A product mix shift to higher margin products and strong earnings growth by subsidiary businesses helped offset the earnings impact of a reduction in revenue attributable to the on-going drought in the Riverina region<sup>17</sup>.
- 92 The key factors contributing to the result for the year were a strong global trading performance, innovation in higher value added rice food products, strong performance by the subsidiary businesses (Trukai, Riviana and CopRice) and on-going cost reductions.
- 93 However the worsening drought led to a downscaling of paddy handling and milling infrastructure, with the mills at Coleambally and Deniliquin being placed under a care and maintenance program. Associated redundancy costs of \$8.6 million were incurred.

### **Year ended 30 April 2009**

- 94 Despite a record low Australian rice crop and volatile international rice markets, SunRice reported strong growth in both revenue and earnings, which gave rise to a record reported profit. Global trading performed strongly in sourcing, processing and shipping high quality rice from multiple sources to supply SunRice's markets in Australia and around the world.
- 95 The company made a strategic acquisition of a 65% interest in the rice milling and marketing business Sunfoods in California, USA, which provides a foothold in one of the few reliable medium grain markets in the world.
- 96 Reported earnings were negatively impacted by an impairment charge of \$8.7 million relating to the Coleambally and Deniliquin mills placed on care and maintenance in the preceding year.

### **Year ended 30 April 2010**

- 97 SunRice reported a solid operating performance for the year as the business returned to a more normal level of performance following the extraordinary global rice price cycle that gave rise to the record profit in FY09. A focus on expansion of the rice food business, investment in global brands, effective global sourcing and on-going costs reductions contributed to the overall performance.

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<sup>17</sup> The 2007 rice crop was a low 166,707 tonnes.

### Six months to 31 October 2010

- 98 SunRice generated sales revenue for the six months to 31 October 2010 of \$386 million, which was 14.6% lower than the result achieved in the same period last year. Profit after tax at \$5.2 million was lower compared to the corresponding period in FY09, mainly due to increased competition across most markets, the strong Australian dollar and higher financing expenses.

### Statement of financial position

- 99 The financial position of SunRice as at 30 April 2010 and 31 October 2010 is set out below:

SunRice – statement of financial position		
	30 Apr 10 \$000	31 Oct 10 \$000
Cash and cash equivalents	9,066	19,764
Receivables	83,423	89,548
Prepayments	34,941	12,718
Inventories	333,653	313,606
Current tax receivable	111	475
Derivative financial instruments <sup>(1)</sup>	3,409	5,946
<b>Total current assets</b>	<b>464,603</b>	<b>442,057</b>
Receivables	1,237	1,000
Other financial assets	108	96
Property, plant and equipment	221,659	215,690
Investment properties <sup>(2)</sup>	3,458	2,650
Intangible assets <sup>(3)</sup>	10,174	9,945
Deferred tax assets	17,663	17,424
Investment in associated company <sup>(4)</sup>	1,106	1,114
<b>Total non-current assets</b>	<b>255,405</b>	<b>247,919</b>
<b>Total assets</b>	<b>720,008</b>	<b>689,976</b>
Payables	65,676	63,837
Grower payables	49,774	36,320
Borrowings	181,204	229,069
Current tax liabilities	4,209	2,316
Provisions <sup>(5)</sup>	9,611	9,270
Derivative financial instruments <sup>(1)</sup>	775	1,910
<b>Total current liabilities</b>	<b>311,249</b>	<b>342,722</b>
Payables <sup>(6)</sup>	32,336	20,374
Grower payables	11,807	-
Borrowings	99,075	62,730
Deferred tax liabilities	2,503	4,168
Provisions <sup>(5)</sup>	3,037	2,576
<b>Total non-current liabilities</b>	<b>148,758</b>	<b>89,848</b>
<b>Total liabilities</b>	<b>460,007</b>	<b>432,570</b>
<b>Net assets</b>	<b>260,001</b>	<b>257,406</b>
Minority interests	(11,482)	(11,449)
<b>Net assets – SunRice members</b>	<b>248,519</b>	<b>245,957</b>

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### Note:

- 1 Derivative financial instruments represent forward foreign exchange contracts and interest rate swaps
- 2 Investment properties comprise sites at Griffith and Yenda (which was sold in FY11).
- 3 Intangible assets comprise mainly patents, brands and goodwill.
- 4 Investment represents a 31.56% interest in Pagini Transport in PNG.
- 5 Provisions comprise mainly employee benefits.
- 6 Payables include the outstanding liability of \$30.76 million (October 2010) in respect of the acquisition of the RMB storage assets.

### Property, plant and equipment

- 100 Property, plant and equipment comprises:

SunRice – property, plant & equipment		
	30 Apr 10 \$000	31 Oct 10 \$000
Land and buildings	146,209	142,001
Leasehold improvements	7,209	7,190
Plant and equipment	66,688	62,849
Capital works in progress	1,553	3,650
	<u>221,659</u>	<u>215,690</u>

- 101 Land and buildings include the network of rice receival and storage facilities acquired from the RMB in June 2006. Components of the consideration of \$125.8 million are payable over a 10 year period to assume the RMB's previous commitment to pay amounts owing to rice growers under the Capital Equity Rollover Scheme.
- 102 Fixed assets at Coleambally mill and Deniliquin mill are currently on care and maintenance. However, management intend to bring the Deniliquin mill back into production in respect of the 2011 crop year.
- 103 A summary of the carrying values of each major asset as at 31 October 2010 is set out below:

SunRice – carrying values	
	A\$000
Rice receival and storage facilities	100,588
Leeton mill	16,167
Deniliquin mill	11,602
Coleambally mill	1,943
Specialty Foods	16,116
SunFoods	16,481
CopRice	13,175
Trukai	16,045
Other	23,573
Total	<u>215,690</u>

## Borrowings

- 104 SunRice's total borrowings comprise a mixture of seasonal debt (being borrowings used to fund working capital requirements) and core debt used to fund fixed assets and investments. Facilities are provided through a syndicated agreement with major Australian banks. SunFoods and Trukai also utilise funding from local sources.
- 105 The level of total debt fluctuates significantly during the year and the total debt at any one point is not necessarily reflective of SunRice's average debt requirements. Peak seasonal borrowings are traditionally in July of each year, when the full amount of the first payment of the new crop and final payment of the previous crop have been made, and in November when the second payment for the current crop is made.
- 106 Whilst total debt levels in recent years have been at reasonably consistent levels, there has been a significant shift over the period in the provision of debt finance from growers to bank finance. Factors contributing to this shift have included the prolonged period of drought in eastern Australia and the appetite of growers to invest.
- 107 A summary of outstanding borrowings as at 30 April 2010 and 31 October 2010 is set out below:

<b>SunRice – outstanding borrowings</b>		
	<b>30 Apr 10</b>	<b>31 Oct 10</b>
	<b>\$000</b>	<b>\$000</b>
Bank loans:		
Seasonal debt	132,787	164,507
Core debt	98,546	88,668
AGS debt	36,000	36,000
	<u>267,333</u>	<u>289,175</u>
Bank overdrafts	3,825	471
Lease liabilities	2,259	2,153
Rice bonds	6,862	-
	<u>280,279</u>	<u>291,799</u>

- 108 The AGS<sup>18</sup> debt represents loans incurred to pay the RMB annually as part of the deferred acquisition of the RMB storage assets. As noted in paragraph 100, payables as at 31 October 2010 include the outstanding liability of \$30.76 million in respect of the acquisition of the RMB storage assets. The total indebtedness of SunRice<sup>19</sup> inclusive of this liability was \$322.6 million, as follows:

<b>SunRice – total indebtedness</b>	
	<b>\$m</b>
Borrowings	291.8
RMB storage assets liability	30.8
	<u>322.6</u>

<sup>18</sup> AGS refers to Australian Grain Storage Pty Ltd, a wholly owned subsidiary of SunRice.

<sup>19</sup> The total indebtedness excludes cash and cash equivalents at 31 October 2010 of \$19.8 million.

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- 109 Rice bonds were repaid in July 2010 and represent the final tranche of borrowings undertaken in July 1997 as an alternative funding mechanism. The bonds were subordinated to bank loans outstanding. Repayment of rice bonds in recent years had been partially effected by the issue of B Class shares in settlement thereof (at the election of the bond holder).

### Share capital

- 110 As at the date of the Agreement the total issued capital of SunRice was as follows:

- (a) 800 A Class shares
- (b) 54,701,988 B Class shares.

- 111 There were no other SunRice securities on issue (nor any offers or agreements that could give rise to the issue of SunRice securities).

### A Class shares

- 112 A Class shares are redeemable preference shares that can only be issued to active growers (or persons that the Board believes will become active growers). Holders of A Class shares are entitled to one vote at all general meetings of the company but have no right to receive dividends or other distributions.

### B Class shares

- 113 B Class shares represent the economic ownership of the company and have the right to receive dividends declared and other distributions made by the company from time to time (including the right to participate equally with other B Class shareholders in the distribution of surplus funds on a winding-up of the company).
- 114 B Class shares do not carry any voting rights (except in very limited circumstances associated with changing the rights attached to B Class shares). B Class shareholders have the right to receive notice of and attend any general meeting of the company but no right to vote at general meetings.
- 115 Whilst the B Class shares are listed on the NSX, share ownership is restricted. 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 (including joint holders) who, at the time of the issue, were existing B Class shareholders
  - (c) approved entities of existing shareholders
  - (d) participants under the SunRice Employee Share Plan; and
  - (e) RMB equity holders.
- 116 B Class shares are subject to shareholding limits that prevent shareholdings that exceed 5% of the total number of B Class shares on issue.

- 117 B Class shares are not redeemable, but may be bought back by the company in accordance with the Corporations Act.
- 118 In recent years SunRice has sought to increase the permanent capital base of the company and has undertaken a series of capital raisings, the most recent of which was in July 2009 (pursuant to a prospectus dated 1 June 2009). A total of 15.4 million B Class shares were issued to existing shareholders, RMB equity holders and employees at a cash price of \$2.14 per share<sup>20</sup>. Settlement of 1.1 million shares was effected by the conversion of outstanding rice bonds.

### Share price performance

- 119 The price of SunRice's B Class shares as traded on the NSX from 20 June 2007<sup>21</sup> to 20 October 2010<sup>22</sup> is summarised in the table below:

SunRice – share price performance <sup>(1)</sup>				
	High \$	Low \$	Close \$	Monthly Volume <sup>(2)</sup> 000
<b>Quarter ended</b>				
June 2007 <sup>(3)</sup>	2.50	2.50	2.50	12
September 2007	2.40	1.50	1.58	53
December 2007	1.76	1.65	1.75	67
March 2008	2.05	0.67	1.88	13
June 2008	1.99	1.75	1.99	35
September 2008	1.87	1.63	1.75	49
December 2008	2.04	1.70	2.04	41
March 2009	2.10	1.90	2.05	81
June 2009	2.15	2.03	2.05	55
September 2009	2.15	1.70	2.15	77
December 2009	2.08	1.90	1.90	66
<b>Month ended</b>				
January 10	1.93	1.72	1.90	95
February 10	1.90	1.90	1.90	40
March 10	1.85	1.78	1.80	39
April 2010	1.79	1.70	1.70	59
May 2010	1.90	1.67	1.90	75
June 2010	1.90	1.60	1.90	89
July 2010	1.89	1.60	1.60	43
August 2010	1.72	1.58	1.61	261
September 2010	1.74	1.71	1.71	31
October 2010 <sup>(4)</sup>	1.71	1.60	1.60	7

<sup>20</sup> The shares issued on conversion of RMB equity had a nominal price range of \$2.14 to \$3.715 per share, reflecting the deferred interest-free nature of the liability. The higher nominal share prices were equivalent to net present values of \$2.14 per share.

<sup>21</sup> SunRice's B Class shares listed on the NSX on 18 June 2007, however trading data is only available from 20 June 2007.

<sup>22</sup> Being the last trading day before SunRice announced that it had entered into exclusive negotiations in relation to the potential acquisition by Ebro of all the issued share capital of SunRice.

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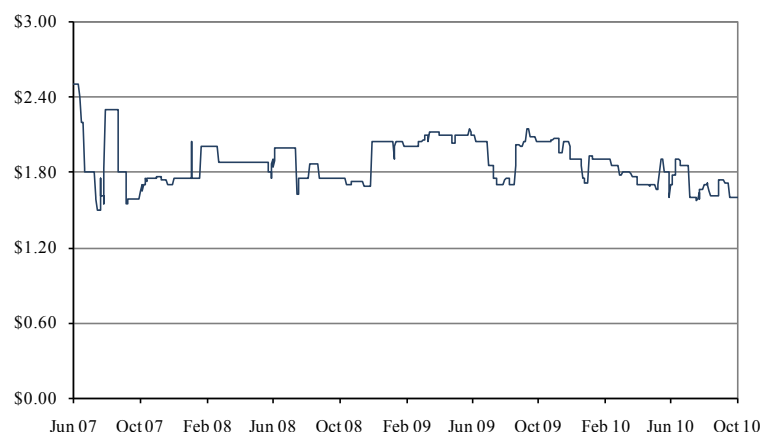
**Note:**

- 1 Prices represent the average daily share price.
- 2 Monthly volumes for the quarter ended represent average monthly volumes.
- 3 The quarter ended June 2007 only represents the period 20 June 2007 to 30 June 2007.
- 4 The month ended October 2010 only represents the period 1 October 2010 to 20 October 2010.

**Source:** NSX.

- 120 The following graph illustrates the movement in SunRice's share price from 20 June 2007 to 20 October 2010:

**SunRice – B Class share price history<sup>(1)</sup>**  
**20 June 2007 to 20 October 2010**



**Note:**

- 1 Prices represent the average daily share price. Where there was no trading, the last traded share price has been adopted.

**Source:** NSX.

### Liquidity

- 121 An analysis of SunRice's liquidity and volume weighted average share price (VWAP) prior to the announcement of exclusive negotiations with Ebro is set out below:

**SunRice – liquidity and VWAP<sup>(1)</sup>**

Period	Start date	End date	High \$	Low \$	VWAP \$	Value \$	Volume	% of issued capital
3 months	21 Jul 10	20 Oct 10	1.74	1.58	1.64	514,819	313,900	0.57
6 months	21 Apr 10	20 Oct 10	1.90	1.58	1.68	883,848	525,645	0.96
1 year	21 Oct 09	20 Oct 10	2.08	1.58	1.78	1,617,120	907,366	1.66

**Note:**

- 1 SunRice's VWAP has been calculated using SunRice's average daily share price.

**Source:** NSX.



- 122 The very low level of liquidity in the B Class shares reflects the fact that share ownership is restricted as set out in paragraph 116.

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### IV Valuation approach

- 123 Regulatory Guide 111 – *Content of expert reports* (RG 111) outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
  - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
  - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
  - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
  - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 124 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 125 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 126 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest, tax and amortisation (EBITA), earnings before interest and tax (EBIT) or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

- 127 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

### **Methodologies selected**

- 128 The market value of SunRice has been assessed by aggregating the market value of the business operations, together with the realisable value of surplus and other assets and deducting net borrowings and other liabilities.
- 129 The valuation of the business has been made on the basis of market value as a going concern and has been determined using two main methods.

### **Capitalisation of EBITDA**

- 130 Firstly, a capitalisation of EBITDA method has been applied. Under this methodology the value of the business is represented by its underlying maintainable EBITDA capitalised at a rate (or EBITDA multiple) reflecting the risk inherent in those earnings. The value of the equity in SunRice has then been determined by adding the realisable value of surplus and other assets and deducting net borrowings and other liabilities.
- 131 The capitalisation of EBITDA methodology has been adopted because:
- (a) transaction evidence in the sector is generally expressed in terms of EBITDA multiples; and
  - (b) EBITDA is not impacted by differences between the depreciation rates or methods used by SunRice and comparable companies, or by differences in the level of gearing (provided gearing levels are not excessive).

### **Capitalisation of profit after tax method**

- 132 As agricultural businesses such as SunRice tend to exhibit significant variations in net debt levels throughout the year, in our opinion, it is also appropriate to value SunRice using the capitalisation of profit after tax method.
- 133 Under this method the value of the equity in SunRice is determined by capitalising the business' underlying maintainable profit after interest and tax at an appropriate PE multiple, plus (or minus) the realisable value of surplus assets (or liabilities).

### **Consideration of other methods**

- 134 In assessing the value of SunRice we have also had regard to the level of net tangible assets employed to ascertain the reasonableness of the implied level of goodwill.
- 135 A DCF methodology has not been applied as earnings and cash flow volatility from year to year (due to the impact of seasonal conditions) does not allow reasonably reliable medium or long-term earnings and cash flows projections to be determined.

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- 136 The pre-bid market price adjusted for a premium for control has also not been used as an indicator of value due to the very low level of trading in the B Class shares in SunRice. As stated in Section III, this low level of trading largely reflects the current restrictions placed on the ownership of SunRice shares (which, in turn, impact on the value of the B Class shares).

## V Valuation of SunRice

### Methodology

137 As discussed in Section IV, we have adopted the following principal methods to value the equity in SunRice:

- (a) a capitalisation of EBITDA approach
- (b) a capitalisation of net profit after interest and tax approach.

138 The results of applying these valuation methodologies are set out below.

### Capitalisation of EBITDA approach

139 Under the capitalisation of EBITDA approach the underlying maintainable EBITDA is capitalised at an appropriate EBITDA multiple to derive the value of the business on a ungeared basis (i.e. enterprise value).

140 The value of the equity in SunRice is then derived by adding the net realisable value of surplus and other assets and deducting net interest bearing debt and other liabilities.

### Assessment of normalised EBITDA

141 In order to assess the appropriate level of EBITDA for valuation purposes, we have had regard to the historical results of each business unit to 31 October 2010, and have discussed each business unit's financial performance, operating environment and prospects with SunRice management<sup>23</sup>.

142 Whilst we have considered the results of individual business units in detail, as the profitability of individual business units is commercially sensitive, we set out below a summary of the historical results by main business segment:

SunRice – EBITDA attributable by business segment				
	Year to 30 Apr 07 A\$m	Year to 30 Apr 08 A\$m	Year to 30 Apr 09 A\$m	Year to 30 Apr 10 A\$m
Rice Milling and Marketing <sup>(1)</sup>	27.7	30.1	127.6	32.1
Rice Foods and Other Businesses	35.2	38.7	27.3	21.4
Attributable share of EBITDA <sup>(2),(3)</sup>	62.9	68.8	154.9	53.5

**Note:**

- 1 Includes pro-rata share of EBITDA generated by Trukai, SunFoods and APC (which are not 100% owned).
- 2 Share of EBITDA attributable to SunRice shareholders.
- 3 Before redundancies and impairment charges.

<sup>23</sup> Due to the difficulty associated with reliably forecasting future profitability (principally due to the variability of profitability due to seasonal and other factors) we have not relied on management forecasts.

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- 143 The “Rice Milling and Marketing” segment result principally reflects:
- (a) profits from the receipt and storage of paddy rice by AGS
  - (b) profits from the sourcing, milling and distribution of rice in Australian and international markets
  - (c) the attributable share of EBITDA generated from Trukai in PNG (66.67% owned), SunFoods in the USA (65.0% owned) and APC in Jordan (80% owned)<sup>24</sup>.
- 144 The “Rice Foods and Other Businesses” segment result represents the combined results of:
- (a) Riviana, which is involved in the importation and distribution of food products
  - (b) the Rice Foods business which sells rice and corn cakes, convenience rice meals and rice flour
  - (c) CopRice, a producer of animal stockfeed and pet food
  - (d) the SunArise Insurance operations.

### *Commentary on results*

- 145 We note that the profitability of the “Rice Milling and Marketing” segment in FY09 benefited to a large extent from significant increases in the global rice price. These price rises were largely unhedged and resulted in large one-off trading profits being generated. Accordingly, in our view, when assessing maintainable EBITDA the additional trading profit of the Rice Milling and Marketing segment for FY09 attributable to these price increases should be considered as unsustainable.
- 146 The reduction in the EBITDA of the “Rice Foods and Other Businesses” segment in FY09 and FY10 largely reflects:
- (a) the impact of high rice prices in 2009 and 2010 which have adversely impacted profit margins
  - (b) the decline in EBITDA generated by the Riviana, CopRice and SunArise Insurance business units. These businesses have been adversely impacted by the volatility of the Australian dollar (Riviana – due to greater competition from imports) and the impact of the GFC and drought and commodity prices (CopRice and SunArise Insurance)<sup>25</sup>.
- 147 However, the convenience meals division (within Rice Foods) has reported consistently higher levels of EBITDA (albeit from low levels), reflecting growth in this market segment and the successful introduction by SunRice of new products.

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<sup>24</sup> It should be noted that SunRice’s reported EBITDA reflects 100% of the EBITDA generated by these entities and does not therefore represent the EBITDA attributable to SunRice shareholders.

<sup>25</sup> SunArise Insurance was also impacted by large claims in FY10 due to significant hail damage to grower crops.

### *Assessment of maintainable EBITDA*

148 It should be noted that the above results only reflect SunRice's 65% interest in SunFoods from the date of acquisition (1 October 2008). Accordingly, we have adjusted the actual results to reflect the level of EBITDA which would have been achieved had SunRice owned its SunFoods interest from 1 May 2006. For this purpose we have assumed that SunRice's pro-rata share of SunFoods EBITDA was consistent with the level of EBITDA achieved in FY10.

149 On this basis the adjusted EBITDA attributable to SunRice was as follows:

<b>SunRice – EBITDA</b>	
	<b>A\$m</b>
<b>EBITDA attributable to SunRice:</b>	
FY07	65.5
FY08	71.4
FY09	154.9
FY10	53.5
<b>Averages:</b>	
Last four years	86.3
Last three years	93.3
Last four years (assuming FY09 result consistent with FY08)	65.5
Last three years (assuming FY09 result consistent with FY08)	65.4

150 In the circumstances, and having regard to the cyclical nature of the group's operations, we consider it more appropriate to have regard to the operating performance over a number of years rather than a particular financial year. Accordingly, for valuation purposes we have assessed the maintainable EBITDA attributable to SunRice shareholders at A\$70.0 million<sup>26</sup>.

### **EBITDA multiple**

151 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- (a) the stability and quality of earnings
- (b) the quality of the management and the likely continuity of management
- (c) the nature and size of the business
- (d) the spread and financial standing of customers
- (e) the financial structure of the company and gearing level
- (f) the multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
- (g) the multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
- (h) the future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc

<sup>26</sup> This includes SunRice's pro-rata share of EBITDA from Trukai, SunFoods and APC.

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- (i) the cyclical nature of the industry
  - (j) expected changes in interest rates
  - (k) the asset-backing of the underlying business of the company and the quality of the assets
  - (l) the extent to which a premium of control is appropriate
  - (m) whether the assessment is consistent with historical and prospective earnings.
- 152 Further to the above, due to the high level of earnings volatility, earnings multiples for companies operating in the agricultural sector can vary significantly depending on a range of factors including current and expected seasonal conditions and the extent to which each company is exposed to agricultural risk. In particular, it should be noted that:
- (a) the historical (or forecast) earnings multiples for companies whose historical (or forecast) earnings have been adversely impacted by poor seasonal or climatic conditions tend to be high, but are generally much lower when calculated as a multiple of earnings derived under normal (average) seasonal conditions
  - (b) forecast earnings beyond the current year generally reflect an assumption that seasonal and climatic conditions will revert to more normal (average) conditions due to the inability to reliably forecast future weather patterns
  - (c) companies with larger more geographically diverse operations are generally less impacted by adverse climatic conditions in a specific region, and therefore generally trade on more consistent multiples.
- 153 As our assessment of earnings reflects the medium to long-term earnings potential based on average seasonal and climatic conditions, our adopted earnings multiples have been assessed on a consistent basis. More reliance has therefore been placed on the listed company multiples for FY11 and beyond (as these generally assume normal seasonal and climatic conditions) and transaction multiples based on the medium / long-term earnings potential of the businesses acquired.
- 154 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for SunRice.

### *Listed company multiples*

- 155 The EBITDA multiples for listed companies operating either in the agricultural, food processing or rice processing / marketing sectors are set out below:

Listed company EBITDA multiples <sup>(1)</sup>							
Company	Country	Enterprise value		EBITDA multiples			
		A\$m	FY08	FY09	FY10	FY11	FY12
Hormel Foods	USA	6,981.4	10.5	10.8	9.1	8.6	8.3
Viterra	Canada	5,205.3	9.7	16.0	10.0	7.5	7.5
Ebro	Spain	3,755.0	13.1	11.0	10.2	9.2	8.6
Goodman Fielder	Australia	2,660.5	7.6	7.3	6.8	6.5	6.4
GrainCorp	Australia	1,693.4	n/m	9.7	8.5	5.8	6.0
REI Agro	India	952.4	13.7	9.8	7.2	n/a	n/a

Listed company EBITDA multiples <sup>(1)</sup>							
Company	Country	Enterprise value	EBITDA multiples				
		A\$m	FY08	FY09	FY10	FY11	FY12
Tassal Group	Australia	339.0	8.6	7.5	8.0	6.7	5.9
Patties Foods	Australia	256.0	8.9	9.5	7.8	7.0	6.4
Maryborough Sugar Factory	Australia	245.1	n/m	n/m	18.6	7.6	7.3
Select Harvests	Australia	230.4	6.3	6.3	7.5	6.7	6.0
KRBL	India	214.4	6.5	4.9	4.5	4.3	3.7
Namoi Cotton Co-Operative	Australia	179.2	10.9	10.5	12.7	n/a	n/a
Buderim Ginger	Australia	34.0	9.1	6.4	n/a	n/a	n/a
FFI Holdings	Australia	33.7	17.3	12.9	7.8	n/a	n/a
Farm Pride Foods	Australia	29.0	2.0	2.3	2.1	n/a	n/a
<b>Mean</b>			9.6	8.9	8.6	7.0	6.6
<b>Median</b>			9.1	9.6	7.9	6.8	6.4

**Note:**

1 Enterprise value and earnings multiples calculated as at 14 February 2011.

2 Brief descriptions of the above listed companies' operations are set out in Appendix C.

**Source:** Average broker forecasts (excluding outliers and outdated forecasts) sourced from Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements, stock exchanges, LEA analysis.

n/a – not available. n/m – not meaningful.

- 156 We note that a number of the above listed companies are significantly larger than SunRice and have more diverse operations. As indicated above, larger companies generally trade on higher multiples than smaller ones due, inter alia, to their greater diversity and hence lower risk.
- 157 The above multiples are also based on the listed market price of each companies' shares (and therefore exclude a premium for control). Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.
- 158 Adding a 25% control premium<sup>27</sup> to the listed EBITDA multiples for FY11 would result in the following EBITDA multiple range on a 100% controlling interest (takeover) basis:

	Low	High
Median and mean EBITDA multiples for FY11	6.8	7.0
Control premium of 25%	1.7	1.75
Controlling interest EBITDA multiple range	8.5	8.75

<sup>27</sup> Given the prevailing high level of foreign investment interest in Australian agricultural companies we consider it appropriate to apply a control premium at the high end of the range indicated by empirical evidence.

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### Transaction evidence

159 A summary of the EBITDA multiples implied by transactions in the agricultural sector (which in most cases reflected the acquisitions of controlling interests) is shown below<sup>28</sup>:

Transaction multiples			Purchase price <sup>(2)</sup>	EBITDA multiples	
Date <sup>(1)</sup>	Target	Acquirer	A\$m	Historical	Forecast
Nov 10	SOS Rice division	Ebro	266	6.5 <sup>(3)</sup>	n/a
Aug 10	AWB	Agrium	1,727	n/a	9.3 <sup>(4)</sup>
Jul 10	Sucrogen	Wilmar International	1,750	13.5	n/a
Oct 09	UMH	GrainCorp	757	8.0	n/a
May 09	ABB Grain	Viterra	2,224	20.3	17.3 <sup>(5),(6)</sup>
Dec 07	UAP Holdings	Agrium	2,990	n/a	n/a
Oct 07	Mulgrave Central Mills	Maryborough Sugar Factory	54	n/a	n/a
May 07	Agricore United	Saskatchewan Wheat Pool	2,010	16.3	n/a
Mar 07	Queensland Cotton Hldgs	Olam International	279	23.1	10.0 <sup>(7)</sup>
Jul 06	Minute Rice	Ebro	370	7.6	n/a
Dec 05	Roberts	Ruralco Holdings	181	11.0	11.5 <sup>(6)</sup>
Nov 05	Royster Clark ULC	Agrium	702	n/a	n/a
Jul 05	Wrightson	Pine Gould Guinness	415	18.9	10.3
May 04	Ausbulk	ABB Grain	689	20.9	13.8
Aug 03	Landmark	AWB	825	15.3	11.4
Feb 03	Grainco Australia	GrainCorp	245	26.8	n/a

#### Note:

- 1 Date of the announcement.
- 2 Enterprise value. Foreign denominations are translated to Australian dollars as at the date of the announcement.
- 3 Based on EBITDA before overheads. While the EBITDA multiple based on EBITDA after overheads was not disclosed it would be higher than the 6.5 shown above.
- 4 Forecast multiple based on average broker forecasts for FY11 (as set out in this IER).
- 5 Multiple for ABB Grain is 11.3 times for the second forecast year. In our view, this is more reflective of a multiple based upon maintainable earnings than the 17.3 times forecast multiple for the forecast year.
- 6 Multiple reflects an estimation of depreciation based upon historic experience.
- 7 Queensland Cotton Holdings forecast is based on average seasonal conditions as per the IER prepared for the transaction.

**Source:** LEA analysis using data from ASX announcements, analyst reports and company annual reports.  
n/a – not available.

160 In respect of the above transactions we note:

- (a) a number of the above transactions occurred prior to the on-set of the global financial crisis (GFC)
- (b) none of the businesses acquired are directly comparable to SunRice
- (c) a number of large transactions in the agricultural sector in Australia have recently taken place (which has highlighted the high level of foreign investment demand for Australian agricultural companies)

<sup>28</sup> The above table excludes the acquisition of AWB's commodity management business by Cargill Inc which was announced on 15 December 2010 as limited information in respect of the transaction is available.

- (d) the EBITDA multiples implied by the two rice company acquisitions by Ebro (SOS Rice and Minute Rice) were lower than for the other transactions.

***Other factors***

- 161 SunRice is currently the sole and exclusive exporter of rice grown in NSW to international markets<sup>29</sup>. This appointment was made by the RMB in 2006 for five years, with a termination notice period of five years after the initial period. Retention of this appointment on a “sole and exclusive” basis after 2016 is therefore uncertain, and the introduction of competition into the export market could be expected to adversely impact profitability. Further, it should be noted that any acquisition of SunRice could result in the immediate cancellation of this agreement by the RMB<sup>30</sup>.
- 162 In accordance with amendments to the Marketing of Primary Products Act (now the Rice Marketing Act) which took effect on 1 July 2006, the RMB may also appoint additional authorised buyers in the domestic market who have the right to purchase rice from producers in NSW. To date only a small number of additional authorised buyers have been appointed, due in part to the low level of Australian crop production in recent years due to drought. As Australian rice production increases it is likely that further authorised buyers will emerge, resulting in greater competition for SunRice. This has the potential to affect SunRice’s market share of Australian domestic rice sales.
- 163 The above factors increase the risk associated with an investment in SunRice and would, prima facie, reduce the multiple to apply to SunRice. However:
- (a) as stated in Section III, SunRice now has the flexibility to source the majority of its rice from supply relationships outside Australia
  - (b) as stated above, recent acquisition activity in the sector has highlighted the high level of investment demand for Australian agricultural companies.

**Conclusion on appropriate EBITDA multiples**

- 164 Based on the above, on balance we consider an EBITDA multiple range of 8.25 to 8.75 (including a premium for control) is appropriate to apply to the maintainable EBITDA attributable to SunRice shareholders.

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<sup>29</sup> Approximately 99% of rice grown in Australia is grown in NSW.

<sup>30</sup> The RMB has subsequently consented to the change in control implicit in the proposed acquisition of SunRice by Ebro.

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### Enterprise value

- 165 On this basis the value of SunRice's operating businesses (on an ungeared basis) is as follows:

SunRice – enterprise value		
	Low A\$m	High A\$m
Maintainable EBITDA <sup>(1)</sup>	70.0	70.0
EBITDA multiple	8.25	8.75
Enterprise value	577.5	612.5

#### Note:

- 1 Includes pro-rata share of EBITDA of Trukai (66.67%), SunFoods (65.0%) and APC (80.0%).

### Net debt

- 166 As stated in Section III, SunRice's total borrowings comprise a mixture of seasonal debt (which varies significantly throughout the year) and core debt (which is used to fund fixed assets and investments).
- 167 For valuation purposes we are therefore of the opinion that it is appropriate to consider the average net borrowings throughout the year (rather than the net borrowings at a point in time) when determining the value of the equity in SunRice.
- 168 On this basis we have adopted net borrowings of A\$272 million, comprising core debt of approximately A\$125 million<sup>31</sup> and average seasonal debt of approximately A\$147 million. Adopted total borrowings include the pro-rata share of the net borrowings attributable to SunRice shareholders in Trukai, SunFoods and APC.
- 169 In addition, when SunRice acquired the RMB's network of rice receival and storage facilities in 2006 a component of the purchase price was deferred and payable over a 10 year period. As at 31 October 2010 the amount outstanding was A\$30.8 million. As this debt does not attract interest, for valuation purposes we have calculated the present value of this liability at a rate commensurate with our estimate of SunRice's borrowing costs (being 8.5% per annum).
- 170 In assessing the value of the equity in SunRice we have therefore allowed for total net debt as follows:

SunRice – net debt	
	A\$m
Net borrowings	272.0
Present value of RMB liability	26.2
Total net debt	298.2

<sup>31</sup> This includes the debt drawn-down on a facility of A\$36 million which was established to fund the consideration paid to date in respect of the storage assets acquired from RMB.

### Surplus assets

- 171 We have taken into account the market value of SunRice's derivative positions (net of related tax liabilities) as at 31 October 2010 and the investment property at Griffith. The combined value of these assets is approximately A\$5.5 million.

### Value of SunRice

- 172 Our assessed value of 100% of the equity in SunRice using the capitalisation of EBITDA methodology is therefore as follows:

SunRice – value of equity		
	Low A\$m	High A\$m
Enterprise value	577.5	612.5
Less net debt	(298.2)	(298.2)
Add surplus assets	5.5	5.5
Value of equity	284.8	319.8

### Capitalisation of profit after tax approach

- 173 Under the capitalisation of profit after tax approach we have applied a price earnings (PE) multiple to our estimate of SunRice's maintainable profit after interest and tax (and minority interests). We have also added the realisable value of surplus assets and deducted the present value of the RMB liability<sup>32</sup>.

### Maintainable profit after tax

- 174 We have derived our estimate of maintainable profit after interest, tax and minority interests by:
- adopting our estimate of the level of maintainable EBITDA attributable to SunRice shareholders (including SunRice's pro-rata share of the EBITDA from its interests in Trukai, SunFoods and APC); and
  - deducting SunRice's attributable share of depreciation, interest and tax (i.e. excluding the proportion of these items attributable to the minority shareholders in Trukai, SunFoods and APC).

<sup>32</sup> As the RMB liability is not interest bearing no allowance for this liability is reflected in our maintainable profit after tax figure.

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- 175 On this basis our estimate of maintainable profit after interest, tax and minority interests is as follows:

SunRice – maintainable profit after tax	
	A\$m
Maintainable EBITDA	70.0
Less FY10 depreciation	(20.4)
Less FY10 net interest expense	(17.2)
Profit before tax	32.4
Tax expense	(9.8)
Maintainable profit after tax	22.6

**Note:**

- 1 All figures exclude amounts attributable to minority shareholders in Trukai, SunFoods and APC. In contrast, the comparative FY10 figures disclosed in paragraph 88 reflect a 100% interest in these entities.

### PE ratios

- 176 The PE multiples for listed companies operating either in the agricultural, food processing or rice processing / marketing sectors are set out below:

Listed company PE multiples <sup>(1)</sup>							
Company	Country	Market capitalisation	PE multiples				
		A\$m	FY08	FY09	FY10	FY11	FY12
Hormel Foods	USA	6,830.7	23.2	20.8	17.3	16.1	15.1
Viterra	Canada	4,404.1	12.9	26.9	30.5	14.9	15.1
Ebro	Spain	3,244.6	26.4	11.7	16.1	14.4	13.4
Goodman Fielder	Australia	1,704.8	12.2	9.8	10.3	8.9	8.7
GrainCorp	Australia	1,505.2	n/m	18.0	19.8	11.1	11.1
REI Agro	India	517.9	7.1	12.6	5.4	n/a	n/a
Tassal Group	Australia	257.5	10.3	8.9	11.0	10.9	9.6
Patties Foods	Australia	201.4	13.5	17.0	12.0	10.9	9.7
Maryborough Sugar Factory	Australia	236.8	n/m	n/m	25.0	15.6	14.0
Select Harvests	Australia	185.9	5.9	6.5	7.7	9.3	8.1
KRBL	India	143.4	11.7	9.7	5.3	4.6	4.2
Namoi Cotton Co-Operative	Australia	45.1	24.5	9.8	14.5	n/a	n/a
Buderim Ginger	Australia	7.6	10.0	n/m	n/a	n/a	n/a
FFI Holdings	Australia	35.2	31.2	21.1	11.9	n/a	n/a
Farm Pride Foods	Australia	6.9	3.0	n/m	n/m	n/a	n/a
<b>Mean</b>			14.8	14.4	14.4	11.7	10.9
<b>Median</b>			12.2	12.2	12.0	11.0	10.4

**Note:**

- 1 Enterprise value and earnings multiples calculated as at 14 February 2011.

**Source:** Average broker forecasts (excluding outliers and outdated forecasts) sourced from Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements, stock exchanges, LEA analysis.

n/a – not available. n/m – not meaningful.

- 177 The above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover).
- 178 After adding a control premium we have adopted a PE multiple range of 14.0 to 15.0 when valuing SunRice. Whilst a PE multiple at the top end of this range may, prima facie, appear high for an agricultural company given the inherent earnings volatility, in our opinion, the application of our multiple range is appropriate given, inter alia:
- (a) the high level of investment demand for Australian commodity businesses (as evidenced by recent acquisition activity); and
  - (b) the implied PE multiples derived from recent transaction activity in the Australian agricultural sector.

#### Value of equity in SunRice

- 179 On this basis the value of 100% of the equity in SunRice is as follows:

SunRice – value of equity		
	Low A\$m	High A\$m
Maintainable profit after tax	22.6	22.6
PE ratio	14.0	15.0
	316.4	339.0
Less present value of RMB liability	(26.2)	(26.2)
Add surplus assets	5.5	5.5
Value of equity	295.7	318.3

#### Conclusion

- 180 The resulting equity values under each of our valuation methods are summarised below:

Methodology		
	Low A\$m	High A\$m
Capitalisation of EBITDA	284.8	319.8
Capitalisation of profit after tax	295.7	318.3

- 181 Based on the above we have assessed the value of 100% of the equity in SunRice at **A\$290 million to A\$320 million**.

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### VI The value of the A Class and B Class shares

#### Introduction

- 182 In order to determine whether the scheme consideration payable to A Class and B Class shareholders in SunRice is fair and reasonable the value of 100% of the equity in SunRice needs to be apportioned between the two classes of shares to determine the respective current market values of the A Class and B Class shares.

#### Rights attaching to each share class

- 183 As stated in Section III, the A Class shares are redeemable preference shares that can only be issued to active growers (or persons that the Board believes will become active growers). Holders of A Class shares are entitled to one vote at all general meetings of the company but have no right to receive dividends or other distributions.
- 184 B Class shares represent the economic ownership of the company and have the right to receive dividends declared and other distributions made by the company from time-to-time (including the right to participate equally with other B Class shareholders in the distribution of surplus funds on a winding-up of the company).
- 185 However, B Class shares do not carry any voting rights (except in very limited circumstances associated with changing the rights attached to B Class shares). B Class shareholders have the right to receive notice of and attend any general meeting of the company but no right to vote at general meetings.
- 186 B Class shares are not redeemable, but may be bought back by the company in accordance with the Corporations Act.
- 187 In summary therefore:
- (a) the A Class shares have no economic interest in SunRice but have voting control
  - (b) the B Class shares represent the economic ownership interest in SunRice and are entitled to all dividends paid, but do not have voting rights or control.

#### Value implications

- 188 Based on the above, the value of the A Class shares should reflect the value of their voting rights.
- 189 In contrast, as the B Class shares represent the residual economic interest in the equity, in our opinion, their value should be derived by taking:
- (a) the value of 100% of the equity in SunRice; less
  - (b) the value of the A Class shares.

### **The value of the A Class shares**

- 190 Investors generally prefer shares that have voting privileges. Holders of voting shares may be able to influence the allocation of a company's resources for their own benefit, or at least be able, in certain circumstances, to constrain the ability of controlling shareholdings to act in their own interest. Additionally, voting shareholders have the right to elect directors and therefore may have some influence relating to appointing management, setting company policy, determining the course of the business and acquiring and liquidating assets.
- 191 The owner of non-voting shares on the other hand has no practical likelihood of influencing corporate policy, and can only register disapproval of corporate policy by either selling their non-voting shares or, in some circumstances, claiming oppression of minorities and taking legal action. Accordingly, non-voting shares normally sell at a discount relative to the value of voting shares.
- 192 The value of voting rights can be demonstrated by a comparison of the market prices paid for voting and non-voting shares in other companies.

### **Empirical studies**

- 193 There are generally two scenarios where there are classes of voting shares and classes of non-voting shares:
- (a) where there are substantial numbers of shares in both classes; or
  - (b) where a small block of shareholders holds voting control.
- 194 When there are a substantial number of voting and non-voting shares outstanding, studies of public companies have shown the difference in the value of voting shares compared to non-voting shares is very small, generally in the range of nil to 7%. This is because the vote is not likely to have much practical influence in such circumstances. The results of these studies are set out below:

<b>Studies of voting versus non-voting stock</b>	
	<b>Premium for voting shares %</b>
Lease, McConnell & Mikkleson <sup>(1)</sup>	5.44
O'Shea & Siwieki <sup>(2)</sup>	3.5
Houlihan, Lokey, Howard and Zukin <sup>(3)</sup>	2.05 – 3.20
Financial Valuation Group (Tampa) <sup>(4)</sup>	
Mean	0.44 – 9.08
Medium	nil – 3.54

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### Note:

- 1 Ronald C Lease, John McConnell and Wayne M Mikkelsen "The Market Value of Control in Publically Traded Corporation" *Journal of Financial Economics* (1983) pp 439-471, at 469.
  - 2 Kevin C O'Shea and Robert M Siwieki "Stock Price Premiums for Voting Rights Attributable to Minority Interests" *Business Valuation Review* (December 1991); 165-171
  - 3 Paul J Much and Timothy J Fagan "The Value of Voting Rights" in *Financial Valuation: Business and Business Interests*, 1996. Update, James H Zukin, edn (New York: Warren Gosham and Lament, 1996).
  - 4 A 12 year study of the differences in price between voting and non-voting stock of the same companies. The prices of shares similar in all aspects except for voting rights were compared. James R Hitchner "Financial Valuation Applications and Models; 2<sup>nd</sup> edn (Wiley 2006) pp 432-450.
- Source:** Valuing a Business: The Analysis and Appraisal of Closely Held Companies, Shannon P. Pratt with Alina V. Nicalita, 5<sup>th</sup> edn.

- 195 However, the empirical studies generally noted that, when voting power is concentrated in a small block of shares, that block may have considerable value compared to the non-voting stock, unless the non-voting shares have "coat-tail" protection (i.e. the right to receive what the voting block receives if the company / entity is sold).

### Australian evidence

- 196 In Australia the value placed by the share market on voting rights can be ascertained by considering the trading prices of the voting and non-voting shares in News Corporation Limited (News Corp) and Village Roadshow Limited (Village Roadshow)<sup>33</sup>.

### News Corp

- 197 News Corp has both Class A non-voting shares and Class B voting shares on issue. Since 2008 the same dividend per share has been paid on both classes of shares. Accordingly, the value of the voting rights attributable to News Corp's Class B shares (in the absence of a change in control transaction) can be ascertained by the difference in listed market prices, as shown below:

Value attributed to voting rights			
	Shares on issue m	3 month VWAP to 7 Dec 10 \$	Market cap A\$m
Class A non-voting shares	1,828.2	14.34	26,216
Class B voting shares	798.5	16.19	12,928
Net debt as at 30 June 2010 <sup>(1)</sup>			4,611
Enterprise value			43,755
Value of voting rights	798.5	1.85 <sup>(2)</sup>	1,477
Value of voting rights as a percentage of enterprise value			3.4%

### Note:

- 1 Assumed to be representative of a sustainable level of debt.
- 2 The Class B voting shares traded at a 12.9% premium to the non-voting shares over the period.

<sup>33</sup> Prior to the recent conversion of the non-voting preference shares.

- 198 As indicated above, recent trading in News Corp shares indicates that the voting rights have a value equal to 3.4% of News Corp's enterprise value.
- 199 However, in our opinion, the listed market value attributed to the voting rights in News Corp Class B shares will understate the value of 100% of the A Class voting shares in SunRice. This is because:
- (a) Rupert Murdoch and associated family interests have effective control of News Corp Class B shares. Thus the listed market price of the Class B shares in News Corp will not reflect the full value of those voting rights (as the ability of portfolio investors to have significant influence on News Corp's operations is limited given the Murdoch holding)
  - (b) the value of the voting rights in News Corp on a 100% controlling interest basis<sup>34</sup> would, in our view, be significantly higher than indicated by the listed market price differential between the Class A and B shares in News Corp (largely due to the Class B shareholders ability to veto any transaction they did not believe gave them fair value)
  - (c) in the case of SunRice a takeover has been proposed (which provides the A Class shareholders in SunRice an opportunity to share in the value unlocked by the takeover).

***Village Roadshow***

- 200 Prior to the recent conversion of preference shares, Village Roadshow had both preference shares and ordinary shares on issue.
- 201 The key terms of the preference shares were as follows:
- (a) if any dividend was declared on the ordinary shares, the preference shares were entitled to a dividend of 10.175 cents per share or 3 cents per share more than the ordinary shares, whichever is the greater
  - (b) in the event of an unconditional takeover offer for the ordinary shares, the preference shares could convert to ordinary shares
  - (c) holders of preference shares had a priority as to return of capital in a winding-up of 50 cents per share and then participated, *pari passu*, with holders of ordinary shares in any surplus
  - (d) the preference shares had no voting rights.
- 202 The ordinary shares had both voting and dividend rights.
- 203 Despite having a higher dividend entitlement, the right to convert to ordinary shares in the event of a takeover and priority as to return of capital, Village Roadshow's preference shares traded at approximately an 8% discount (on average) to the ordinary shares (based on the average closing prices) during the five years prior to the announcement of the proposal to convert the preference shares<sup>35</sup>.

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<sup>34</sup> Absent any requirement to offer the same consideration to both the voting and non-voting shares.

<sup>35</sup> Source: Page 25 of Village Roadshow Explanatory Memorandum dated 24 August 2010.

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- 204 Based on the number of shares on issue and Village Roadshow's ordinary share price on the day prior to the announcement of the conversion proposal, the implied listed market price premium for the ordinary (voting) shares was some 5.6% of Village Roadshow's total market capitalisation<sup>36 37</sup>:

Premium attributed to ordinary (voting) shares			
	Shares on issue m	3 month VWAP to 7 Dec 10 \$	Market cap A\$m
Ordinary	114.2	2.12	242.1
Preference	52.2	1.95 <sup>(1)</sup>	101.8
Total market capitalisation			343.9
Premium attributed to voting shares	114.2	0.17	19.4
Premium as a percentage of market capitalisation			5.6%

**Note:**

- 1 Based on price of ordinary shares less 8% average discount over previous five years.

- 205 Given the matters referred to in paragraph 204 above, and the controlling interest in Village Roadshow held by the Kirby family and Mr Graham Burke (which meant that the voting rights held by other ordinary shareholders provided only limited influence), in our opinion, the premium attributed to the voting shares in Village Roadshow would imply a higher value for the voting rights in SunRice.

### Demutualisations

- 206 The view that voting shares have significant value even though they may not have an economic ownership interest in the entity and/or no right to receive dividends paid is also consistent with the approach taken in a number of demutualisations in Australia. In each of the demutualisations of AMP, Colonial Mutual, National Mutual and NRMA, members received a significant minimum allocation per member which was "*broadly reflective of a value attached to the right to vote at meetings*"<sup>38</sup>. For example, we note that:
- (a) in the demutualisation of NRMA Insurance Limited<sup>39</sup> (the Insurance business) in 2000, members of the NRMA road service (which had the voting rights in relation to the Insurance business but did not directly share in the profits of the Insurance business) received 40% of the shares issued upon demutualisation<sup>40</sup>. In addition NRMA Limited (being the provider of the road service for the benefit of members) received 10% of the total shares issued (effectively on behalf of NRMA Limited members)

<sup>36</sup> Note this is indicative only as we have not taken the average market capitalisation over the five year period.

<sup>37</sup> Due to the complex funding structures used by Village Roadshow we have not determined the premium attributed to the voting shares as a percentage of enterprise value.

<sup>38</sup> Source: Consulting Actuary's Report on the NRMA demutualisation, dated 14 February 2000 (page 127).

<sup>39</sup> Now IAG Limited.

<sup>40</sup> Source: Page 86 of NRMA Demutualisation Information Memorandum.

- (b) in the AMP demutualisation in 1997, non-participating policyholders received some 25% of the shares issued (notwithstanding that they did not have an economic interest in AMP)<sup>41</sup>.

#### **A Class shares in AWB and ABB**

- 207 We have also had regard to the redemption of A Class shares in AWB Limited (AWB) and ABB Grain Limited (ABB) in 2008 and 2007 respectively. In both cases the A Class shares were held by growers, had voting rights but no economic interest in the business or right to receive dividends.
- 208 In both cases the A Class shares were redeemed or cancelled for either no consideration (AWB) or a nominal amount of \$1 per A Class share (ABB). However, it should be noted that in both cases:
  - (a) the holders of the A Class shares also appear to have owned a substantial number of B Class shares, which were expected to have greater value as a result of the redemption or cancellation of the A Class shares
  - (b) shareholding limits in both companies were retained to ensure that control could not pass without 75% shareholder voting approval and that growers could be adequately represented as shareholders.
- 209 Consequently, in our view, it should not be concluded from the AWB and ABB transactions that voting rights do not have any material value (particularly where that voting control is concentrated in a small block of shares).

#### **Conclusion on empirical evidence**

- 210 Based on the above we have concluded that, on balance, voting rights have value. This value tends to be substantially greater in situations where voting control is concentrated in a small block of shares.

#### **Ability to extract value**

- 211 In our opinion, the most appropriate basis upon which to value the A Class shares in SunRice is to consider the extent to which A Class shareholders could extract some financial reward for the A Class shares. As stated above, the A Class shares do not have dividend rights and accordingly they cannot exercise their voting power to pay a dividend on the A Class shares.
- 212 However, in a takeover situation a bidder will seek to acquire the A Class shares<sup>42</sup> in order to obtain voting control. In our view, any takeover offer for the B Class shares would almost certainly be conditional upon the A Class shares also being acquired (or cancelled / redeemed)<sup>43</sup>.

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<sup>41</sup> Source: Page 14 of AMP Demutualisation Explanatory Memorandum.

<sup>42</sup> As well as the B Class shares.

<sup>43</sup> As is the case with the current Scheme involving Ebro.

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- 213 Further, where a takeover is being implemented by way of a scheme of arrangement (such as the proposed Scheme), both the A Class and B Class shareholders must separately vote in favour of the Scheme. Thus, both the A Class and B Class shareholders can veto the proposal. Accordingly, it would be reasonable in such a situation to share the benefits that result from approving the Scheme.
- 214 One of the major benefits obtained by shareholders in a target company subject to a takeover bid or change of control transaction is the receipt of what is typically referred to as a “premium for control”, being the price offered over and above the pre-bid listed market price of the shares. Empirical evidence undertaken by LEA indicates that the average control premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover).
- 215 Our assessed value of the equity in SunRice incorporates a premium for control (consistent with this empirical evidence) of some A\$75 million to A\$83 million, calculated as follows:

	Low A\$m	High A\$m
Assessed value of 100% of equity in SunRice	290	320
Implied control premium (35/135 of equity value)	75	83

**Note:**

- 1 As indicated in paragraph 159, given the prevailing high level of foreign investment interest in Australian agricultural companies we consider it appropriate to apply a control premium at the high end of the range indicated by empirical evidence.

- 216 The key question is how much of this premium should be attributed to each class of share. In this regard, there is no allocation of value which can be demonstrated to be objectively correct. However, in our view, it would be reasonable to attribute:
- (a) 50% of the premium for control to the A Class shares for the high case valuation. This is because both the A Class and B Class shareholders need to agree to the Scheme for the proposal to proceed<sup>44</sup>
  - (b) a lower percentage of say 40% of the premium for control to the A Class shares for the low case valuation. This recognises that the A Class share of the premium for control (while subjective) is unlikely to exceed 50% of the control premium but could be lower given the relative entitlements of the A and B Class shares (eg the fact that the A Class shares do not carry dividend entitlements).

<sup>44</sup> We note that this view was consistent with the view adopted by the Consulting Actuary in connection with the allocation of shares in the NRMA demutualisation (refer page 81 of the NRMA Information Memorandum).

217 On this basis the value of the A Class shares in total is as follows:

	Low	High
	A\$m	A\$m
Premium for control	75.0	83.0
% attributed to A Class	40%	50%
Value of A Class shares (in total)	30.0	41.5

218 As indicated below the above values represent some 5.2% to 6.8% of the enterprise value of SunRice assessed in paragraph 166 (which we consider is appropriate based on the empirical evidence discussed above):

	Low	High
	A\$m	A\$m
Value of A Class share	30.0	41.5
Enterprise value	577.5	612.5
Value of voting rights as a % of enterprise value	5.2%	6.8%

219 We have therefore concluded that the value of the A Class shares in SunRice in a takeover or other change of control transaction is as follows:

	Low	High
Value of A Class shares in total (\$m)	30.0	41.5
Number of A Class shares	800	800
Value of A Class shares	\$37,500	\$51,875

### The value of the B Class shares

220 Based on the methodology discussed in paragraph 190 we have therefore assessed the value of 100% of the B Class shares in SunRice within the following range:

	Low	High
	\$m	\$m
Value of total equity	290.0	320.0
Less value of A Class shares	(41.5)	(30.0)
Value of B Class shares	248.5	290.0
Number of B Class shares (millions)	54.7	54.7
Value of B Class share <sup>(1)</sup>	\$4.54	\$5.30

**Note:**

1 The wide value range for the B Class shares reflects the wide value range for the A Class shares (which reflects the inherent subjectivity in value attributable to voting rights).

221 To assist B Class shareholders to consider the offer, and to provide a more narrower range of values, we have also set out below an alternative calculation based on a value for the A Class

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shares of \$35.8 million (being the mid-point of our assessed range). On this basis the value of a B Class share in SunRice is as follows:

	Low \$m	High \$m
Value of total equity	290.0	320.0
Less value of A Class shares	(35.8)	(35.8)
Value of B Class shares	254.2	284.2
Number of B Class shares (millions)	54.7	54.7
Value of B Class share	\$4.65	\$5.20

## VII Evaluation of the Scheme

- 222 In our opinion, the Scheme is fair and reasonable and in the best interests of the A Class and B Class shareholders of SunRice in the absence of a superior proposal. We have formed this opinion for the following reasons.

### Fairness

- 223 Pursuant to RG 111 a scheme is “fair” if the value of the scheme consideration is equal to or greater than the value of the securities the subject of the Scheme. This comparison for both the A Class and B Class shares in SunRice is shown below:

Position of A Class shareholders in SunRice			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of Scheme consideration	50,000	50,000	50,000
Value of 100% of A Class shares	37,500	51,875	44,687
Extent to which the Scheme consideration exceeds (or is less than) the value of the A Class shares	12,500	(1,875)	5,313

Position of B Class shareholders in SunRice			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of Scheme consideration <sup>(1)</sup>	5.025	5.025	5.025
Value of 100% of B Class share <sup>(2)</sup>	4.54	5.30	4.92
Extent to which the Scheme consideration exceeds (or is less than) the value of the B Class shares	0.485	(0.275)	0.105

#### Note:

- 1 Due to the benefit of Australian franking credits of up to 60.3 cents per share attached to the proposed fully franked dividend of \$1.407 per B Class share, the value of the scheme consideration to some Australian resident B Class shareholders in SunRice may be greater than \$5.025 per share.
- 2 Based on our narrower range of \$4.65 to \$5.20 per B Class share (refer paragraph 222) the Scheme would also be fair to B Class shareholders.

- 224 The value of the Scheme consideration is therefore:
- (a) towards the high end of our assessed value range for the A Class shares; and
  - (b) consistent with the mid-point of our assessed value range for the B Class shares.
- 225 Accordingly, in our opinion, the Scheme consideration is fair to both A Class and B Class shareholders when assessed based on the guidelines set out in RG 111.

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### Other qualitative factors

- 226 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 227 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of A Class and B Class SunRice shareholders in the absence of a superior proposal.
- 228 In assessing whether the Scheme is reasonable and in the best interests of SunRice shareholders LEA has also considered, in particular:
- (a) the extent to which the Scheme consideration represents a premium to:
    - (i) the listed market price of the B Class shares as traded on the NSX prior to the announcement of the exclusive negotiations with Ebro
    - (ii) the price at which SunRice raised additional equity capital in July 2009
  - (b) the extent to which SunRice shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
  - (c) the likely market price of the B Class shares on the NSX if the Scheme is not implemented
  - (d) the opportunity provided by the Scheme to realise value for the A Class and B Class shares, having regard to (in the case of the B Class shares) their liquidity as traded on the NSX
  - (e) the value of SunRice to an alternative offeror and the likelihood of a higher alternative offer being made for SunRice prior to the date of the Scheme meetings
  - (f) the advantages and disadvantages of other alternatives to the Scheme considered by SunRice and its advisors
  - (g) the advantages and disadvantages of the Scheme from the perspective of A Class and B Class shareholders in SunRice; and
  - (h) other qualitative and strategic issues associated with the Scheme.
- 229 These issues are discussed in detail below.

### Premium to NSX traded price

- 230 Empirical evidence indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This premium range reflects the fact that:
- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
  - (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
  - (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company

- (d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

231 The implied offer premium for the B Class shares relative to B Class share prices (as traded on the NSX) prior to 20 October 2010<sup>45</sup> is shown below:

Implied offer premium to recent SunRice B Class share prices <sup>(1)</sup>		
	SunRice share price \$	Implied offer premium %
Scheme consideration – B Class shares	5.025	
Closing share price on:		
20 October 2010	1.60	214.1
21 September 2010 (1 month prior to the announcement)	1.74	188.2
21 July 2010 (3 months prior to the announcement)	1.85	171.6
<b>VWAP:</b>		
1 month to 20 October 2010	1.70	196.1
3 months to 20 October 2010	1.64	206.4

**Note:**

1 SunRice's share price represents the average daily share price. If share price data was not available, the last traded share price was carried over.

**Source:** NSX.

- 232 As indicated above, the Scheme consideration offered to B Class shareholders represents a very large premium to the market price of SunRice B Class shares based on share market trading on the NSX prior to the announcement of exclusive negotiations with Ebro.
- 233 However the volume of trading in SunRice's B Class shares is very low (in part, due to the restrictions on share ownership). Based on the level of trading, in our opinion, the B Class share price prior to the announcement of exclusive negotiations with Ebro is not a reliable indicator of the market value of the B Class shares or an appropriate reference point from which to assess the Scheme.

<sup>45</sup> Being the last trading day before SunRice announced that it had entered into exclusive negotiations in relation to the potential acquisition by Ebro of all the issued share capital of SunRice.

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### **Likely price of SunRice B Class shares if the Scheme is not approved**

- 234 If the Scheme is not approved by SunRice shareholders and the Court and no higher offer or alternative proposal emerges, we would expect that, consistent with historical trading, SunRice B Class shares would trade (at least in the short-term) at a very significant discount to our valuation and the Scheme consideration.
- 235 If the Scheme is not implemented those SunRice shareholders who wish to sell their SunRice B Class shares are therefore likely, at least in the short-term, to realise a significantly lower price for their shares than will be payable under the Scheme.

### **Opportunity to realise value for A Class and B Class shares**

- 236 Whilst the B Class shares in SunRice are listed on the NSX, as noted above the B Class shares rarely trade and share turnover is very low. In addition, trading prices prior to the announcement of exclusive negotiations with Ebro were also well below the Scheme consideration.
- 237 The A Class shares in SunRice are not listed on any stock exchange and no market for these shares exists. In addition, the A Class shares do not convey any entitlement to receive dividends. Consequently, the ability to extract significant monetary value for the A Class shares only really arises upon a change of control transaction (such as the Scheme).
- 238 The Scheme (if implemented) therefore provides an opportunity for both the A Class and B Class shareholders in SunRice to realise value for their shares and to receive cash consideration consistent with the respective full underlying value of the shares.

### **Likelihood of a superior proposal**

- 239 We have been advised by the Directors of SunRice that no alternative proposals have been received since the announcement of the Scheme.
- 240 Further it should be noted that SunRice has agreed that it will not:
- (a) solicit, encourage or initiate any competing transaction
  - (b) participate in any discussions or negotiations which may reasonably be expected to lead to a competing transaction
  - (c) enter into any agreement, arrangement or understanding in relation to a competing transaction or any agreement, arrangement or understanding which may reasonably be expected to lead to the completion of a competing transaction<sup>46</sup>.
- 241 There has however recently been a high level of foreign investment interest in Australian agricultural companies. Accordingly, it is possible although uncertain as to whether an alternative proposal for SunRice may occur prior to completion of the Scheme.

### **Alternatives considered by SunRice Board**

- 242 As announced to the NSX in October 2010 the Board of SunRice considered a range of options before recommending the Scheme in the absence of a superior proposal. These options included:
- (a) retention of the current structure and operations (referred to as the “Status Quo” alternative)
  - (b) listing on the ASX (including seeking a “cornerstone” investor with a view to listing on the ASX in the medium / longer term)

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<sup>46</sup> The exclusivity obligations do not apply if SunRice has complied with the various obligations set out in the Scheme Implementation Agreement and the SunRice Board determines, based on written advice from its legal advisers, that compliance with exclusivity obligations would involve a breach of fiduciary duties or would otherwise be unlawful.

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- (c) the sale of individual business units
- (d) delisting from the NSX.

243 While the Scheme is a change of control transaction and is therefore not directly comparable with these other alternatives, we concur with the SunRice Board's view that the Scheme is a superior outcome for shareholders and growers than the above alternatives. The main reasons for this view are discussed below.

### **Status Quo**

244 In our view retention of the "Status Quo" is not in the best interests of SunRice shareholders. This is because:

- (a) A Class shareholders will not receive any cash consideration for their A Class shares
- (b) the listed market price of the B Class shares on the NSX is likely to remain well below the Scheme consideration
- (c) due to its high level of debt the Status Quo leaves SunRice vulnerable to profit shocks, increases in interest rates and tightening credit markets
- (d) SunRice's dual capital structure impedes the company's ability to raise new equity capital (and fund future growth)
- (e) in our view it is inevitable that SunRice will ultimately have to adopt a more appropriate capital structure in order to meet its longer term business objectives
- (f) SunRice is likely to face increased competition to a greater extent in both domestic and overseas markets if the Scheme is not implemented.

245 Further information on these matters is discussed in paragraphs 254 below.

246 Furthermore, given the withdrawal of exclusive export licences (rights) in other agricultural sectors, in our view, it should not be assumed under the Status Quo scenario that SunRice will be able to retain its sole and exclusive export agreement in the longer term.

### **ASX listing**

247 It should be noted that before SunRice could be listed on the ASX the company would need to change its Constitution and comply with certain "corporate governance" matters including:

- (a) the removal of A Class voting rights (and related establishment of a single class of share)
- (b) the appointment to the Board of a majority of independent directors (who are not growers). The Directors' overriding obligation would be to act in the best interests of its shareholders (not growers).

- 248 While an ASX listing would facilitate the raising of additional equity capital, it should be noted that:
- (a) the interests of existing shareholders (in both ownership and value terms) would be diluted due to the need to raise additional equity capital at the same time (to broaden the shareholder base and reduce debt). Grower control of SunRice would therefore effectively cease
  - (b) in our opinion, the market price of SunRice shares would continue to trade below the Scheme consideration (reflecting in part the difference between the value of individual portfolio interests and the value of a 100% controlling interest as reflected in the Scheme consideration)<sup>47</sup>
  - (c) shareholders who are also growers would not obtain the benefit of the various binding commitments proposed to be entered into by Ebro
  - (d) the alternative of seeking a “cornerstone” investor (with a view to listing on the ASX in the medium / longer term) may also require the provision of a priority return on investment mechanism and an exit option after a minimum agreed investment period.

#### **Sale of business(es)**

- 249 In order to reduce debt the Board has also considered the potential sale of certain business units. This option would result in SunRice remaining grower controlled.
- 250 In our view this option is less attractive than the Scheme. This is because:
- (a) while the Scheme provides shareholders with a payment consistent with our assessment of the full underlying value of SunRice shares, SunRice management have advised that a sale of individual business units would crystallise significant tax liabilities (reducing potential returns to shareholders). Such a sale process would generally also take significant time to implement and returns to shareholders would therefore likely be delayed relative to the timetable under the proposed Scheme
  - (b) due to SunRice’s current debt position, proceeds from the sale of business units would firstly be used to repay debt
  - (c) a sale of some business units would also reduce the earnings base of the company and the diversity of earnings. In our view, this would make SunRice more vulnerable to profit shocks than the “Status Quo” option, unless debt was also materially reduced more than the proportionate reduction in EBITDA (as a result of the sale)
  - (d) due to the integrated nature of SunRice’s business units the sale of some businesses may result in the loss of economies of scale benefits currently achieved by the group, adversely impacting earnings
  - (e) depending on which business units were sold the risk profile of SunRice could materially change. For example, a sale of the lower risk “Rice Food Businesses” would leave SunRice with the higher risk “Rice Milling and Marketing Businesses”

<sup>47</sup> For example, based on the scheme consideration of \$5.025 per share, we would expect a portfolio interest in SunRice B Class shares to trade at around \$3.00 to \$3.40 per share. This reflects allowance for the control premium component of the scheme consideration, together with our expectation that institutional investors would not place a value on SunRice comparable to that offered by Ebro. However, it should be noted that the listed market price of SunRice B Class shares would be likely to fluctuate significantly and might therefore trade in a wider range.

## Annexure G: Independent Expert's Report

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- (f) A Class shareholders would receive no payment under this option, and it is unlikely there would be any material increase in the B Class share price unless significant funds were also returned to shareholders (which, given the high level of debt, is unlikely unless the majority of assets were sold)
- (g) a sale of business assets will not make it easier for SunRice to obtain new equity capital to fund growth as the impediments to future equity raisings will still exist
- (h) downsizing the business may be perceived by financiers and counter-parties as reducing the creditworthiness of SunRice. It may also be more difficult to retain and incentivise key staff (who may have a preference for working in larger growth orientated companies).

### NSX delisting

- 251 Whilst a delisting from the NSX would retain grower control of SunRice, and some modest cost savings would be achieved, we consider these benefits to be more than offset by the following:
- (a) there will no longer be an observable share price. Whilst SunRice may facilitate share transactions between buyers and sellers, if the price of SunRice shares is set too high, sellers of SunRice shares may not be able to dispose of their shares given a lack of buyers
  - (b) there is unlikely to be a material increase in the price at which SunRice shares are traded
  - (c) a delisting will not address many of the issues placing pressure on the SunRice share price, namely:
    - (i) the high level of net debt
    - (ii) current shareholder restrictions on share ownership, voting and transfers
    - (iii) the pool of available equity capital is likely to be insufficient for the medium and long-term requirements of the business.

### Implications if the Scheme is not implemented

- 252 If the Scheme is not implemented the A Class shareholders in SunRice will retain control of SunRice and the B Class shareholders will retain their economic ownership interest in the SunRice business.
- 253 However, if the Scheme is not implemented it should be noted that:
- (a) **SunRice shareholders will not receive the Scheme consideration**

As stated above, there is no market for the A Class shares in SunRice and they do not convey any entitlement to dividends. Accordingly, the opportunity for A Class shareholders to extract monetary consideration directly for their A Class shares is likely to arise **only** under a change of control transaction (such as the Scheme).

Due to the current share ownership restrictions and very low level of trading in the B Class shares on the NSX, the realisable market price of the B Class shares in the absence of the Scheme (or an alternative proposal) is likely to be significantly lower than the Scheme consideration
  - (b) **SunRice has a high level of net debt**

As set out in Section V, SunRice has net debt of some A\$298 million (including average seasonal debt and the net present value of the RMB liability). Based on SunRice's shareholders funds as at 31 October 2010 of A\$257.4 million, SunRice has a gearing ratio (debt divided by shareholders funds) of around 115%. This is significantly higher than:

- (i) the gearing ratios of most other companies operating in the agricultural sector; and
- (ii) the level of gearing we believe would normally be appropriate for businesses operating in the agricultural sector due to their high level of earnings volatility.

As a result of this high level of net debt, SunRice's interest coverage ratio (being the level of EBIT<sup>48</sup> available to meet interest payments) is low at some 2.9 times annual net interest payments. This leaves SunRice vulnerable to profit shocks, increases in interest rates and tightening credit markets (such as those experienced during the global financial crisis). Should any of these events occur the value of the equity in SunRice (and hence the value of the A Class and B Class shares) could be materially eroded.

In this regard we understand that SunRice's debt facilities have recently been extended (albeit with more stringent covenants than were previously required). SunRice have advised that, in their view, an appropriate buffer against potential breaches of debt covenants will require additional equity capital of approximately \$75 million to \$100 million. Such a capital raising would lower SunRice's gearing ratio<sup>49</sup> from 115% to around 70% to 55%, which we consider to be reasonable and sustainable.

However, while such a capital raising would change the gearing ratio it would not provide sufficient funding to facilitate future growth in the SunRice business

- (c) **SunRice is likely to find it difficult to raise additional equity capital if the current share structure is maintained**

Under the current structure, voting control of SunRice is held by the A Class shareholders who are generally active growers (or persons the Board believes will become active growers). While these A Class shares do not convey any right to a dividend, in our opinion, they significantly impede SunRice's ability to raise new equity capital. This is principally because:

- (i) the providers of new equity capital will generally require voting rights in respect of their shares, and are unlikely to provide such capital if the voting control is held by another class of share

<sup>48</sup> Management expect that sustaining capital expenditure will be broadly consistent with depreciation over the next few years.

<sup>49</sup> Debt divided by shareholders funds.

## Annexure G: Independent Expert's Report



- (ii) in our opinion, external investors would be uncomfortable with the level of voting control held by the A Class shareholders (who are also active growers) given the inherent potential to influence matters in which they have a vested interest (e.g. the setting of paddy prices)<sup>50</sup>
- (iii) there is likely to be a perception by the potential providers of new equity capital that the Directors appointed by A Class shareholders may not act in the best interests of all SunRice shareholders.

The lack of a liquid secondary market for SunRice shares also makes it difficult to attract new equity capital because investors generally prefer investments that can be easily traded. In addition, it is highly likely that any new equity raising would need to occur at a significant discount to the Scheme consideration (reflecting the portfolio interest acquired), and would generally be significantly dilutionary (from both an ownership and value perspective) for existing SunRice shareholders.

Given the above, it is therefore likely that the large majority of any capital raising by SunRice would have to be provided by its existing shareholder base, or coincide with a significant change in SunRice's existing capital structure (to remove the voting rights held by A Class shareholders and allow the providers of new capital to obtain voting rights).

In this regard, we note that the take-up rate by shareholders in recent capital raisings by SunRice has been low. For example the capital raised (through the conversion of existing debt facilities) in the four year period to 30 April 2010 was as follows:

	Total debt provided \$m	Debt converted \$m	% of total debt provided
RMB equity	102.0	29.0	28.4
Rice bonds	59.0	12.1	20.5
	161.0	41.1	

We note that if an appropriate level of new equity capital could not be raised when required, additional financial support from growers could be required. Dividends paid to B Class shareholders could be reduced and the price paid to growers for their paddy rice could also be affected

- (d) **the current share structure of SunRice is unlikely to be sustainable in the medium to long-term**

For the reasons discussed above, in our opinion, the current share structure of SunRice is not sustainable in the medium to long-term. In our view, it is therefore highly likely that SunRice will ultimately have to adopt a more appropriate capital structure in order to achieve its longer term business objectives. In this regard we note that the dual share structures (which conveyed significant voting control with growers) previously adopted by AWB, ABB and Graincorp no longer exist

<sup>50</sup> While SunRice became a corporation in 2005, in an operational sense it has retained a number of co-operative features. Entities operating as co-operatives have generally had limited success in raising significant third party equity capital.

(e) **SunRice may face increased competition to a greater extent if the Scheme is not implemented**

Currently SunRice has a market share equal to some 70% of the Australian domestic retail rice market<sup>51</sup>. Further, we understand that due to, inter-alia, the success of its brand portfolio, SunRice generates profit margins in its Australian rice business that are high by global standards.

However, if the Scheme is not implemented it is possible that Ebro will seek to enter SunRice's most profitable markets including Australia, PNG and the Middle East, initially by importing its branded rice products into Australia. In this regard we understand that Ebro has existing global supply relationships with SunRice customers in markets in which SunRice does not currently compete. The potential increase in competition could have a significant adverse impact on the profitability of SunRice and/or paddy prices paid to NSW growers

(f) **NSW rice growers will not have the benefit of the various binding commitments from Ebro (refer paragraphs 256 to 260 below).**

**254 In summary therefore, rejecting the proposed Scheme has significant risks for A Class and B Class shareholders.**

**Additional benefits to growers**

255 We have concluded that the Scheme is fair and reasonable and in the best interests of SunRice shareholders based primarily on value considerations.

256 We recognise however that whilst the value of their shareholdings is important to SunRice shareholders, there are likely to be other issues of significance to shareholders who are also active growers in considering their support for the Scheme. These relate primarily to farm values, and include, in particular, the on-going security arrangements regarding the purchase of the annual rice crop and market price paid.

257 We note Ebro has entered into various commitments in this regard as summarised below:

- (a) a Grower Advisory Board<sup>52</sup> will be established comprising three grower representatives and three representatives from Ebro, with one of the grower representatives to be the Chairman
- (b) Ebro will work with the Grower Advisory Board in conducting its minimum seven year commitment (commencing crop year 2012) to purchase rice from NSW rice growers using a formula linked to Californian Medium Grain prices<sup>53</sup>
- (c) Ebro will maintain SunRice's level of support for research and development on a scale that is not less than the amount expended on average for the last three years, increased annually by the consumer price index

<sup>51</sup> Source: AZTEC.

<sup>52</sup> The role of the proposed Grower Advisory Board includes consideration of and making recommendations as to annual prices and related price mechanisms, as well as acting as a forum for consideration of issues generally of interest to growers.

<sup>53</sup> In the absence of a material adverse change in the SunRice business the price commitment will automatically rollover for another seven year period.

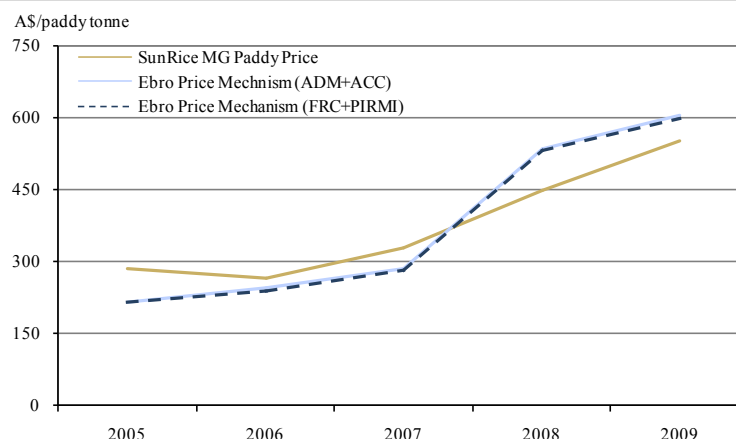
## Annexure G: Independent Expert's Report

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- (d) Ebro will continue SunRice's support of the Australian rice industry, including support for the Ricegrowers' Association of Australia and the rice growing communities.
- 258 In our experience these commitments to the vendors (growers) exceed those generally provided by purchasers of businesses.
- 259 If the Scheme is not implemented NSW rice growers will not have the benefit of the binding commitment from Ebro to purchase rice from NSW rice growers using a formula linked to Californian Medium Grain prices. In respect of this price commitment we note that:
  - (a) SunRice has indicated that the company is not willing to offer growers a similar price commitment if the Scheme is not implemented. This is principally because:
    - (i) such a commitment would expose SunRice to additional risks
    - (ii) SunRice has a high debt level (as discussed above)
    - (iii) SunRice management have advised that the funds available to pay growers for paddy rice are likely to be lower in the medium term due to the need to incur higher levels of capital expenditure in respect of upgrade programs deferred during the long period of drought
    - (iv) given the projected levels of the domestic rice crop in 2011 and 2012 the working capital requirements of the business are likely to increase relative to recent years
  - (b) while SunRice currently has an obligation to act as a "buyer of last resort" for NSW rice it has no obligation to offer a benchmark price (and has no intention of doing so). The Californian benchmark price commitment from Ebro is therefore more beneficial relative to the current position as it provides enhanced price certainty
  - (c) based on a comparison of the historical paddy prices paid to SunRice's growers over the five crop years to 2009 with the price that would have been paid under the Ebro price commitment (had it existed over the same period), it appears that SunRice grower shareholders would have been in a "no worse" position on average than has prevailed in terms of the paddy prices received:

**Ebro's historical pro-forma pool price vs SunRice – total paddy return<sup>(1)</sup>**



**Note:**

<sup>1</sup> The years reflect Australian crop years and the prior California crop year.

Source: SunRice.

## Summary of our opinion on the Scheme

260 We summarise below the likely advantages and disadvantages for SunRice shareholders if the Scheme proceeds.

### Advantages

261 The Scheme has the following benefits for SunRice A Class shareholders:

- (a) the Scheme Consideration of \$50,000 per A Class share is at the top end of our assessed valuation range of the A Class shares on a 100% controlling interest basis, and is therefore fair and reasonable when assessed based on the guidelines set out in RG 111
- (b) in the absence of the Scheme (or an alternative change of control transaction) the ability to realise monetary value for A Class shares is extremely limited because the A Class shares:
  - (i) are not listed on any stock exchange and no market for these shares exists<sup>54</sup>
  - (ii) do not convey any entitlement to receive dividends; and
  - (iii) can only be held by active growers (or persons that the Board believes will become active growers).

262 The Scheme has the following benefits for SunRice B Class shareholders:

- (a) the Scheme consideration of \$5.025<sup>55</sup> per B Class share is consistent with our assessed valuation range of the B Class shares on a 100% controlling interest basis and is therefore fair and reasonable when assessed based on the guidelines set out in RG 111

<sup>54</sup> The A Class shares may be redeemed in circumstances where the shareholder is no longer an active grower.

## Annexure G: Independent Expert's Report

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- (b) the Scheme consideration for the B Class shares represents a significant premium to the recent stock market prices of B Class shares (as traded on the NSX) prior to the announcement of the exclusive negotiations with Ebro on 21 October 2010 (albeit that B Class shares are thinly traded)
  - (c) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the listed market price of B Class shares is likely to trade at a very large discount to our valuation and the Scheme consideration for the B Class shares (consistent with the historical trading price of the B Class shares on the NSX which reflects the restrictions on ownership and associated low level of trading)
  - (d) the Scheme provides B Class shareholders with an opportunity to realise for cash a price for their shares which is consistent with their full underlying value.
- 263 In addition, if the Scheme is implemented SunRice shareholders (as shareholders) will no longer be exposed to the risks associated with the SunRice business, including:
- (a) its prevailing high debt level and limited ability to raise further equity capital when required
  - (b) the potential loss of SunRice's sole and exclusive export status
  - (c) the capacity of the business to sustain further periods of drought and/or enforced reductions in water availability due to political decisions with adverse consequences in relation to the Murray Darling basin.

### **Disadvantages**

- 264 SunRice A Class and B Class shareholders should note that if the Scheme is approved they will no longer hold an economic or voting interest in SunRice. SunRice A Class and B Class shareholders will therefore not participate in any future value created by the company as a result of on-going operations over and above that reflected in the respective Scheme consideration.

### **Conclusion**

- 265 Given the above analysis, we consider the acquisition of SunRice shares by Ebro under the Scheme is fair and reasonable and in the best interests of both the A Class and B Class shareholders in SunRice in the absence of a superior proposal.

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<sup>55</sup> Comprising both the proposed dividend of \$1.407 per share and a cash payment of \$3.618 per share.

## Appendix A

### Financial Services Guide

#### Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

#### Financial Services Guide

- 3 The Corporations Act authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to SunRice shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

#### Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

#### General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

#### Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$200,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

## Annexure G: Independent Expert's Report

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### Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

### Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27  
363 George Street  
Sydney NSW 2000  
(or GPO Box 1640, Sydney NSW 2001)

## Appendix B

### Qualifications, declarations and consents

#### Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 independent expert's reports to shareholders.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 16 years and 25 years experience respectively in the provision of valuation advice.

#### Declarations

- 3 This report has been prepared at the request of the Directors of SunRice to accompany the Scheme Booklet to be sent to SunRice shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of SunRice shareholders.

#### Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with SunRice or Ebro prior to the preparation of this report.

#### Indemnification

- 6 As a condition of LEA's agreement to prepare this report, SunRice agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of SunRice which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

#### Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

## Annexure G: Independent Expert's Report

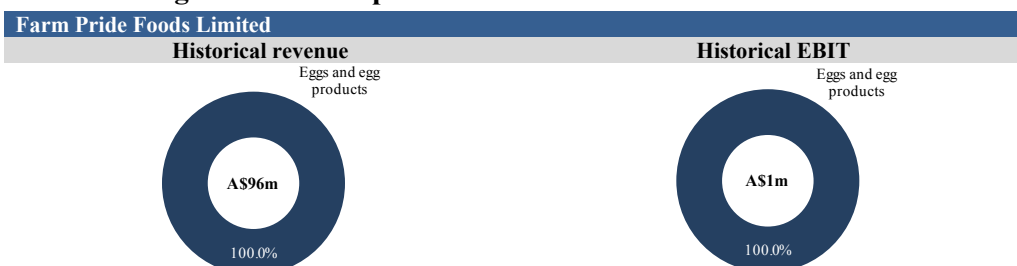


### Appendix C

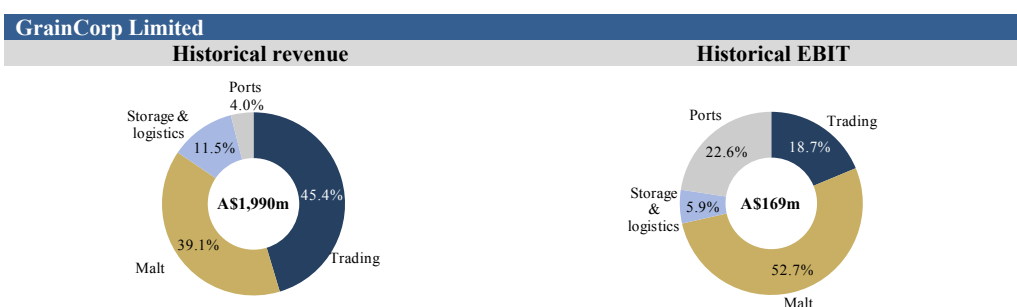
#### Comparable listed companies

- 1 There are limited directly “comparable” stock exchange listed companies, both in Australia and internationally, that are primarily rice processing and manufacturing companies. We have therefore had regard to agricultural and food processing companies, as well as a limited number of international rice processors.
- 2 Brief descriptions of the “comparable” companies are set out below<sup>56</sup>:

#### Australian agricultural companies



Farm Pride Foods Limited (Farm Pride) is a grader, packer, processor, supplier and marketer of shell eggs and processed egg products within Australia, and exporting to Asia. The business began in 1937, evolving from the Egg and Egg Pulp Marketing Board of Victoria, which later became the Victorian Egg Marketing Board. In 1993, the Board was privatised and became known as the Egg Industry Co-operative Limited. Farm Pride Foods was established in 1997. Farm Pride currently operates more than 10 farms and sources eggs from across the country to process and pack approximately 12 million eggs per week. Farm Pride has one of Australia's largest egg processing plants, turning shell eggs into processed and convenience forms of egg products for supply into the food service industry.



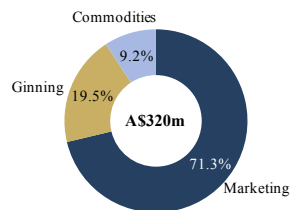
GrainCorp Limited (GrainCorp) is currently the largest provider of grain storage, logistics and port elevation services in the eastern states of Australia. Following the acquisition of United Malt Holdings Group in 2009, GrainCorp became the world's fourth largest commercial malt producer. GrainCorp is a diversified agribusiness, engaged in the provision of services to domestic and international stockfeed, human grain and oilseed consumption, and bulk commodity customers. Its business consists of storage and handling of grain and bulk commodities, grain and protein meal supply, flour milling and malt production.

<sup>56</sup> Revenue and earnings exclude intersegment revenue and earnings and corporate costs. Historical revenue and earnings are based on latest full year financial segmental information.

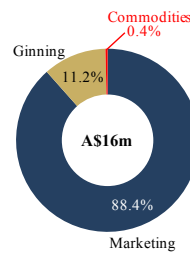
## Appendix C

### Namoi Cotton Co-operative Limited

#### Historical revenue



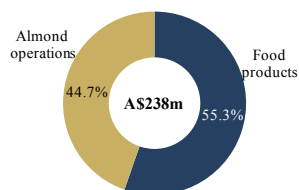
#### Historical EBIT



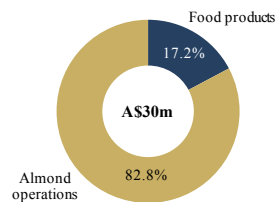
Namoi Cotton Co-operative Limited (Namoi) is Australia's leading cotton ginning and marketing organisation. Namoi was established in 1962 as a grower co-operative, and today has evolved into a fully integrated ginning, marketing, warehousing and shipping organisation selling cotton to many of the world's major cotton processing markets. Namoi has an extensive network of ginning, marketing and logistics operations throughout the cotton growing regions of NSW and Southern Queensland, while also being represented internationally in Indonesia. Namoi Cotton also procures various grain and pulse crops from Australian growers and sells these into various domestic and international markets.

### Select Harvests Limited

#### Historical revenue



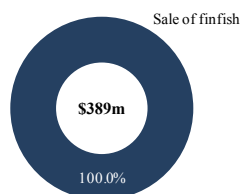
#### Historical EBIT



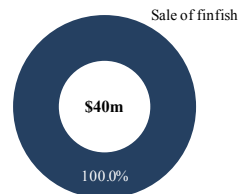
Select Harvests Limited, Australia's largest almond grower, manages 60% of Australia's almond orchards, and is one of the largest almond growers globally. It is also Australia's leading manufacturer, processor and marketer of a range of nuts, fruit based and associated products and exports almonds to several countries in Asia, Europe and the Middle East. The company owns 3,368 acres of almond orchards in Victoria and 4,500 acres in Western Australia and manages over 35,000 acres of almond orchards on a fee for service basis.

### Tassal Group Limited

#### Historical revenue



#### Historical EBIT

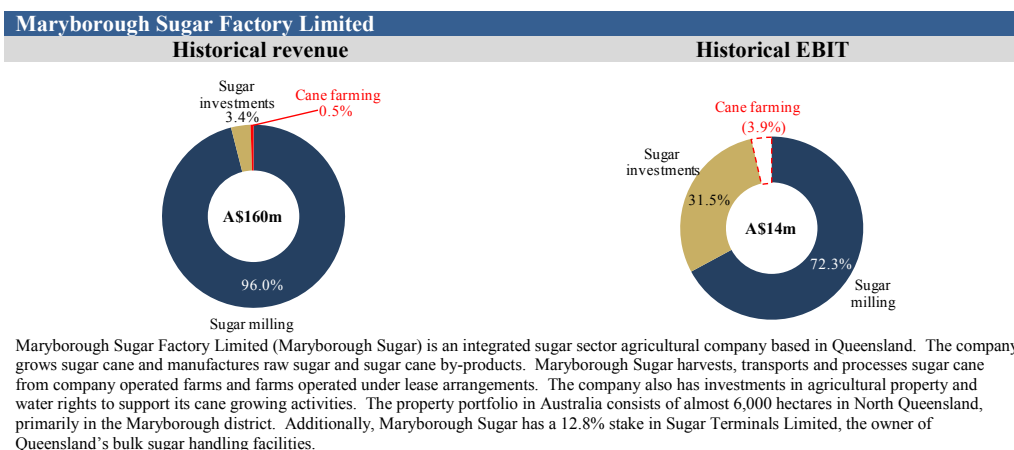


Tassal Group Limited (Tassal) is the largest producer and marketer of Atlantic salmon and related products in Australia. Tassal supplies fresh whole and salmon portions to the domestic market, as well as being a key supplier of value-added Atlantic salmon to the largest Australian supermarket chains. The company's principal activities include the hatching, farming, processing, sales and marketing of Atlantic salmon.

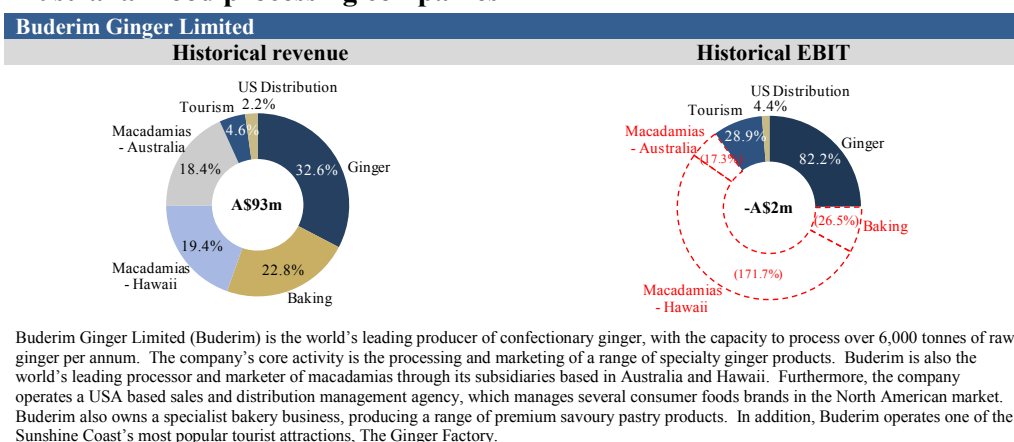
## Annexure G: Independent Expert's Report



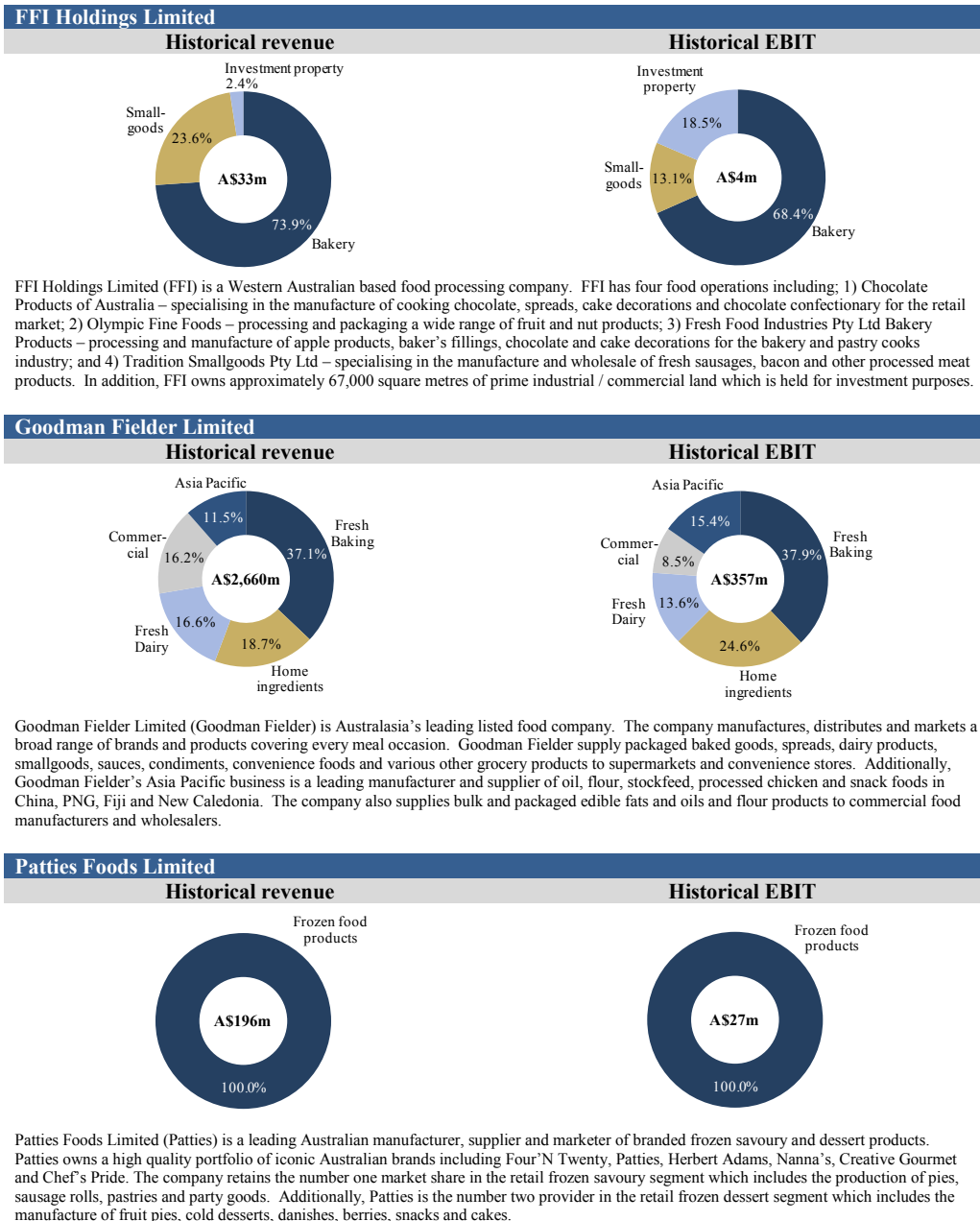
### Appendix C



### Australian food processing companies



## Appendix C



## Annexure G: Independent Expert's Report

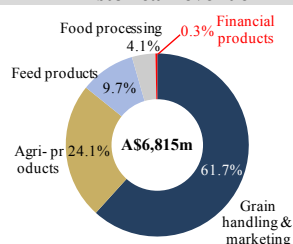


### Appendix C

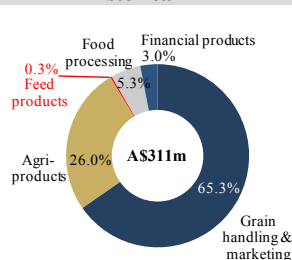
#### International agricultural companies

##### Viterra Inc.

##### Historical revenue



##### Historical EBIT

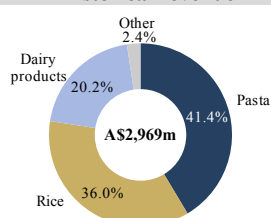


Headquartered in Canada, Viterra Inc. (Viterra) is a global agribusiness with extensive operations in Western Canada, Australia and New Zealand. The company provides grain handling services, such as warehousing and marketing, fertiliser manufacturing and distribution as well as raw material processing into livestock feed, ingredients and nutritional supplements. The company also provides sales and related services for crop inputs and equipment and financial products such as credit programs to support farm cash flow requirements. In September 2009, Viterra acquired ABB Grain, Australia's largest barley exporter and second largest exporter of wheat. The acquisition added 111 storage facilities, seven export terminals and eight silos in Australia, as well as operations in New Zealand focused on the trading and distribution of grains and proteins.

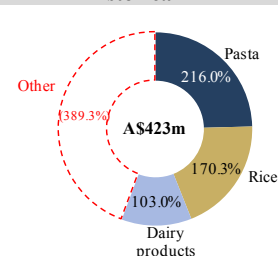
#### International rice processing and manufacturing companies

##### Ebro Foods S.A.

##### Historical revenue

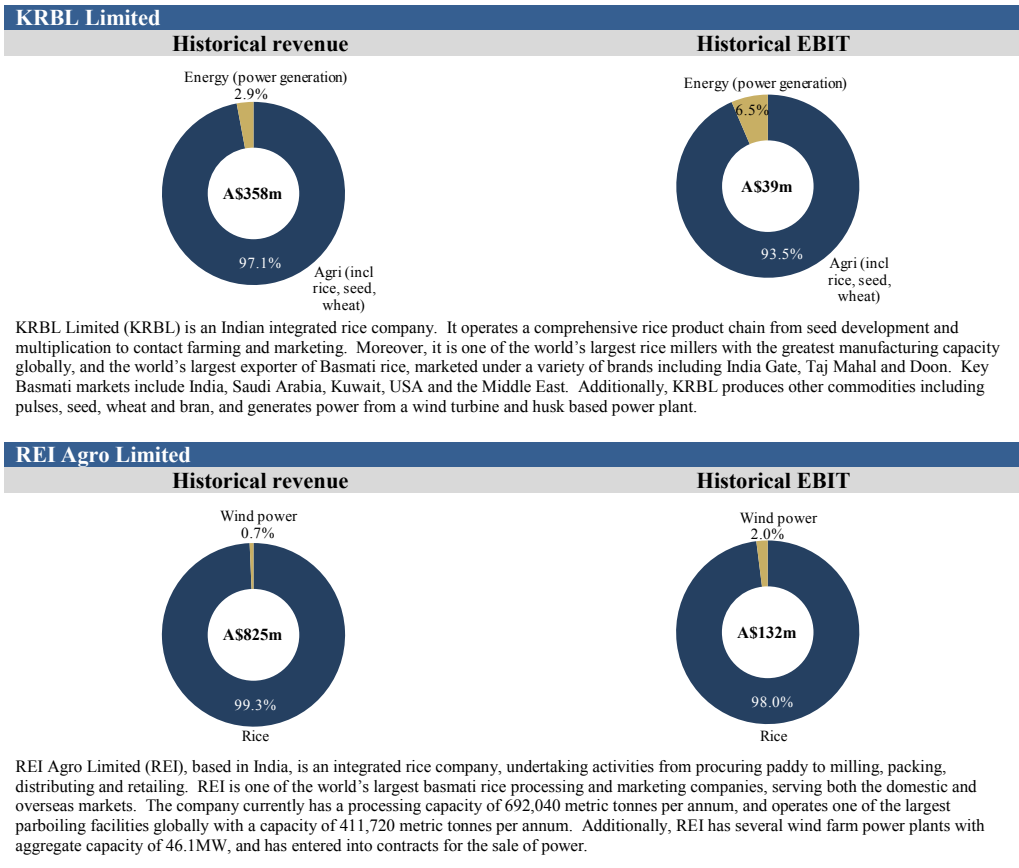


##### Historical EBIT



Ebro Foods S.A. (Ebro) is a Spanish food company, with leading positions in the global rice and pasta sectors. Ebro's rice division consists of the Herba Group, a leading European rice supplier, and Riviana Group, the largest rice company in the United States. The company's pasta division operates through the Panzani Group, a leader in the French pasta, rice and sauce sectors, Birkel Group, a leader in the German pasta sector, and New World Pasta Group, a leader in the American and Canadian dry pasta sectors. The company also engages in biotechnology and related research and development, with the aim of creating natural products for the functional and pharmaceutical food market. Furthermore, Ebro owns property for the purposes of investment.

## Appendix C



Annexure G: Independent Expert’s Report



Appendix C

International food processing companies



Hormel Foods Corporation (Hormel) is a US-based multinational manufacturer and marketer of high quality, brand name food and meat products for consumers throughout the world. Hormel’s food products are segmented into five categories; 1) Grocery products – includes chilli’s, canned luncheon meats, stews and microwaveable meals; 2) Refrigerated foods – includes a range of raw, marinated and pre-cooked proteins and refrigerated entrees; 3) Jennie-O-Turkey Store – is a wholly owned subsidiary and is the US’ second largest producer of whole and processed turkey products sold to retail and foodservice outlets; 4) Specialty foods – includes high quality products sold to restaurants, healthcare facilities and retail customers, as well as customised products; and 5) All other – consists primarily of Hormel Foods International, a wholly owned subsidiary which has established numerous joint ventures and license agreements worldwide, and exports products to more than 40 countries. Hormel’s products are sold under well established brands, including Compleats, Fast’N Easy, Lloyd’s and SPAM.

## Transactions in the agricultural sector

- 1 There have been a number of transactions involving businesses operating in the Australian and global agribusiness markets. Brief descriptions of the activities of the target companies at the date of acquisition are set out below.

### SOS Group – Rice Division

- 2 On 25 November 2010, Ebro and SOS Group reached an agreement for Ebro to acquire the SOS rice division. The SOS rice business operates in Spain, the USA, the Netherlands and other European countries, and the Middle East. The SOS rice division has leading brands such as SOS, Lassie, Blue Ribbon and Abu Bint and strong market positions in Spain, the Netherlands, Saudi Arabia and certain markets in the USA.

### Agrium Inc – Commodity Management Business

- 1 On 15 December 2010, Agrium Inc announced it had agreed to sell the commodity management business it acquired as part of its acquisition of AWB Limited to Cargill Inc. The commodity management business, comprising Australian and international operations, provides services and products required to market agricultural commodities from farm gate to first stage processors. The Australian arm provides grain marketing services, bulk ocean freight chartering and container management services, pool management and financing services. The international business consists of operations in Geneva and India, and is focused on the trading and supply of commodities to existing and new customers.

### AWB Limited

- 2 On 16 August 2010, AWB announced that it had received an unsolicited proposal from Agrium Inc for the acquisition of all the issued capital of AWB. The acquisition was completed on 3 December 2010. AWB was one of Australia's leading agribusiness companies. AWB has two primary business streams
  - (a) **Rural services** – incorporating the Landmark distribution network providing agribusiness needs including merchandise, fertiliser, farm services and advice, wool and livestock agency services, insurance and real estate, as well as investments in Australian Wool Handlers and Landmark Global Exports
  - (b) **Commodity management** – acquisition and sales of commodities such as wheat, feedgrains, oilseeds and pulses, and the operation of storage and handling infrastructure and freight services both in Australia and internationally.

## Annexure G: Independent Expert's Report

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### Appendix D

#### **Sucrogen**

- 3 On 5 July 2010 CSR Limited agreed to sell its Sucrogen business to Wilmar International Limited. Sucrogen was a wholly owned subsidiary of CSR Limited, operating as CSR's sugar business. Sucrogen was the largest producer of raw sugar in Australia, accounting for some 40% of Australia's raw sugar. In addition, it owned a 74% interest in joint ventures which were the leading refined sugar companies in Australia and New Zealand. Other activities included distilling and marketing ethanol, solvents and specialty chemicals and electricity co-generation.

#### **United Malt Holdings Group**

- 4 United Malt Holdings Group (UMH) consisted of the Canada Malting Company, Great Western Malting, Bairds Malt and Barrett Burston Malting, which operated in Canada, the USA, the United Kingdom and Australia respectively. Prior to being acquired by GrainCorp in November 2009, UMH was the world's fourth largest commercial malt producer, supplying malt for use in the production of beer and whisky to the world's largest brewers and distillers. The group operated 14 malt houses located in, or with good access to, the world's primary barley growing and trading regions.

#### **ABB Grain Limited**

- 5 ABB's primary business was the provision of storage, processing, logistic, marketing and trading services in agricultural commodities along an integrated supply chain. The company accumulated grains such as barley, wheat, sorghum, canola, oats and maize from all the grain growing regions in Australia and New Zealand and exported these to some 40 countries. ABB Grain owned 111 silos and seven export shipping terminals. The malting division operated the largest maltings network in Australia, producing over 500,000 tonnes of malt annually, principally for export destinations.

#### **UAP Holding Corp.**

- 6 UAP Holding was the largest independent distributor of agricultural and non-crop products in the USA and Canada at the date of the acquisition. The company marketed a comprehensive line of products, including chemicals, fertilizer and seed to farmers, commercial growers and regional dealers. It also provided value-added services, including crop management, biotechnology advisory services, custom fertilizer blending, seed treatment, inventory management and custom applications of crop inputs. UAP Holding maintained a network of approximately 370 distribution and storage facilities and three formulation plants, located in major crop-producing areas in the USA and Canada.

#### **Mulgrave Central Mills**

- 7 Mulgrave Central Mills was engaged in the milling of sugar cane and manufacture of raw sugar and molasses. The company was originally founded as a growers' co-operative, later transforming into a company with the majority of shareholders being cane-suppliers. Prior to acquisition by Maryborough Sugar Factory, Mulgrave Central Mills was also a significant shareholder in Sugar Terminal Limited.

## Appendix D

### **Agricore United**

- 8 Agricore was a Canada-based agri-business, with smaller operations in the USA and Japan. The company was primarily involved in sourcing grain from producers for delivery to end users. It also provided crop production services, which involved the sale of crop input products as well as livestock services, which included the manufacture and sale of livestock feed and related services.

### **Queensland Cotton Holdings Limited**

- 9 Queensland Cotton was one of Australia's largest and oldest cotton companies with extensive operations in Australia, the USA and Brazil. The company was primarily involved in the production, processing and marketing of cotton and also provided crop financing, merchandising of cotton planting seeds, fertilisers and chemicals, raw cotton handling and transport, and cotton ginning. Queensland Cotton operated 11 gins throughout Queensland and NSW in Australia and 12 cotton gins in California and Arizona in the USA.

### **Kraft Foods Global Inc. – Minute Rice**

- 10 On 27 July 2006, Ebro announced it reached an agreement with Kraft Foods Global Inc. to buy its rice business, Minute Rice, in the USA and Canada. Minute Rice was a leading branded rice retailer, ranked second and fifth in the Canadian and USA markets respectively.

### **Roberts Limited**

- 11 Roberts was an Australia-based company operating as an auctioneer and general merchant. The company was involved in farm merchandise, including farm advice and services covering such areas as nutrition, animal health, fertilisers, fencing and crop care. Roberts' other operations included wool broking, livestock agency and rural finance. The company also had smaller interests in real estate agency, farm machinery distribution, wool buying and exporting and sub-divisional development.

### **Royster Clark ULC**

- 12 Royster Clark was a major retail distributor of agricultural nutrients, seed and crop protection products and provider of agronomic services to USA growers. Royster Clark operated over 250 farm centres throughout the Mid-western and South-eastern US. It operated more than 30 facilities including seed processing and fertilizer granulation and blending plants. Royster Clark also operated more than 70 storage and distribution terminals and warehouses and managed approximately 1 million tonnes of total fertilizer storage capacity.

### **Wrightson Limited**

- 13 Wrightson was a New Zealand-based agricultural service provider offering a range of products and services through its some 80 stores. The company was involved in rural merchandising, farm consultancy and financing, real estate and insurance services, supplying seeds, grains and feed supplements, livestock marketing and wool procurement, warehousing, marketing and exporting. It also provided forestry services on a small scale.

## Annexure G: Independent Expert's Report

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### Appendix D

#### **Ausbulk Limited**

- 14 Ausbulk was an Australia-based unlisted public company whose core business was the storage and handling of grain and other bulk commodities. The company was engaged in grain marketing, first stage grain processing, logistics, containerisation, grain quality analytical services and e-commerce. Ausbulk acquired Joe White Maltings and Adelaide Malting, making it a leading malt processing company in Australia. The company's grain handling and storage business had over 100 receival sites and seven grain export terminals, as well as a 50% interest in Melbourne Grain Export Terminal.

#### **Landmark**

- 15 Landmark was a diversified rural services business based in Australia. At the date of acquisition by AWB (August 2003), Landmark was engaged in merchandising of agricultural inputs, fertiliser agency services, provision of seasonal finance, sale of insurance for rural business and households, saleyard auction and private treaty services, wool broking and auction selling services and rural real estate. Landmark was Australia's largest distributor of merchandise and fertiliser products in Australia, with a national distribution network of 430 outlets.

#### **Grainco Australia Limited**

- 16 Grainco was an Australia-based unlisted bulk commodity, logistics and trade facilitation group. The company operated primarily in two business segments, being the handling and storage of grain and non-grain commodities and the sourcing, purchasing and marketing of grain products. The operations were primarily in Australia, however the trading operation entered into grain sales to both domestic and international customers.

## Appendix E

### Glossary

Term	Meaning
A Class share scheme consideration	Cash payment of \$50,000 per share to A Class shareholders of SunRice
ABB	ABB Grain Limited
ACCC	Australian Competition and Consumer Commission
Agreement	Scheme Implementation Agreement with Ebro
AGS	Australian Grain Storage Pty Ltd
AIFRS	Australian equivalents to International Financial Reporting Standards
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
AWB	AWB Limited
B Class share scheme consideration	Total cash payment of \$5.025 per share, together with \$0.603 per share of franking credits to B Class shareholders of SunRice
Corporations Act	Corporations Act 2001 (Cth)
Corporations Regulations	Corporations Regulations 2001
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax depreciation and amortisation
Ebro	Ebro Foods S.A.
FIRB	Foreign Investment Review Board
FIRB	Foreign Investment Review Board
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
GFC	Global financial crisis
IER	Independent expert's report
Insurance business	Demutualisation of NRMA Insurance Limited
LEA	LonerGAN Edwards & Associates Limited
News Corp	News Corporation Limited
NPV	Net present value
NSW	New South Wales
NSX	National Stock Exchange of Australia Limited
PE	Price earnings
PNG	Papua New Guinea
RG 111	Regulatory Guide 111 – Content of expert reports
RGA	Ricegrowers Association of Australia
Rice Marketing Act	<i>Rice Marketing Act 1983 (NSW)</i>
RIRDC	Rural Industries Research and Development Corporation
RMB	Rice Marketing Board
RRAPL	Rice Research Australia Pty Ltd
Scheme	The proposed acquisition of SunRice shares by Ebro
Scheme Consideration	\$50,000 per A Class share and \$5.025 per B Class share in SunRice
SunRice	Ricegrowers Limited and its subsidiary companies
Trukai	Trukai Industries Limited
USA	United States of America
USA Anti-Trust Act	<i>United States Hart-Scott-Rodino Antitrust Improvements Act of 1976</i>
Village Roadshow	Village Roadshow Limited
VWAP	Volume weighted average price

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# Annexure H:

Letter from RMB to Shareholders

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## Annexure H: Letter from RMB to Shareholders

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### The Rice Marketing Board

FOR THE STATE OF  
NEW SOUTH WALES

Dear Ricegrowers' members

#### **Proposed acquisition of Ricegrowers Limited (*Ricegrowers*) by Ebro Foods S.A (*Ebro*) (*Ebro Proposal*)**

#### **1. Background**

In order to facilitate the implementation of the Ebro Proposal, Ricegrowers asked the Rice Marketing Board for the State of New South Wales (the **Board**) to provide:

- (a) its written consent to a "change in control" of Ricegrowers under the Sole and Exclusive Export Agreement (the **Export Agreement**);
- (a) confirmation that the Export Agreement would not be terminated by the Board as a result of any such "change in control"; and
- (b) confirmation that the Export Agreement would be extended and run for at least 5 more years from 30 June 2011.

#### **2. Decision of the Board**

The Board, which:

1. comprised only the independent directors;
2. was advised by its independent lawyers; and
3. obtained its own independent opinion in relation to the Sole and Exclusive Export Agreement for a further term of five years if the Proposed Scheme is successful is consistent with the main objective of the RMB of ensuring that Ricegrowers receive the best possible returns from rice sold outside Australia,

gave due consideration to the implications of the Ebro Proposal on growers in New South Wales. The Board considered each of the Ricegrowers' requests in light of its objects under the *Rice Marketing Act 1983* (NSW).

The Board decided to consent to the change in control and extend the term of the Export Agreement until 30 June 2016 subject to:

- Ricegrowers agreeing to certain amendments to the Export Agreement; and
- Ebro entering into a Deed of Guarantee and Undertaking in favour of the Board.

Both of these documents will come into effect if and when the Ebro Proposal is approved and becomes effective.

YANCO AVENUE PO BOX 151 LEETON NSW 2705 AUSTRALIA  
TELEPHONE: 02 6953 3200 FACSIMILE: 02 6953 7684  
ABN: 24 720 995 211

(a) Amended and Restated Export Agreement

The Export Agreement has been amended so that the Board's directors will no longer sit on the Ricegrowers' board of directors. However the Board will be represented on the newly formed Grower Advisory Board and have visibility of all materials provided to that Grower Advisory Board. The amended and restated Export Agreement also reflects the commitments Ebro has made to growers in terms of providing the Board with ongoing information and materials relating to the operations of Ebro and Ricegrowers, committing to the ongoing research and development for rice production in NSW and repaying the debt owed by Australian Grain Storage Pty Limited to the Board.

Additionally, the amended and restated Export Agreement gives the Board the power to terminate the Export Agreement or the exclusive nature of the Export Agreement for non-performance of Ricegrowers' repayment obligations.

(b) Deed of Guarantee and Undertaking

Ricegrowers (through its subsidiary Australian Grain Storage Pty Limited) has ongoing repayment obligations to the Board stemming from the sale of several of the Board's assets to Ricegrowers in June 2006. These payments are passed to growers under the Board's Capital Equity Rollover Scheme.

Ebro has entered into a parent company Deed of Guarantee and Undertaking to guarantee both these payment obligations and certain of the commitments Ebro makes in the Continuity Undertaking Deed which it will enter into as a part of the Ebro proposal.

Yours sincerely



Nicholas Papallo OAM

Chair

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## Corporate Directory

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### **Ricegrowers Limited**

ACN 007 481 156

### **SunRice Directors**

Gerard Francis Lawson

David Mark Robertson

Lawrence John Arthur

Noel Gregory Graham

Gary Helou

Russell Allan Higgins AO

Gillian Louise Kirkup

Grant Frederick Latta AM

Norman McAllister

Alan David Walsh

### **Company secretaries**

Madeleine Frances Del Gigante

Bradley Leonard Hingle

### **SunRice registered office**

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LEETON NSW 2705

### **Share Registry**

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Fax: +61 2 9287 0303

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### **Financial Advisors**

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SYDNEY NSW 2000

[www.rothschild.com.au](http://www.rothschild.com.au)

### **Legal Advisors**

**Chang, Pistilli & Simmons**

(On 1 May 2011, Chang Pistilli & Simmons will be merging with Clifford Chance and Cochrane Lishman Carson Luscombe and to be known after 1 May 2011 as Clifford Chance)

Plaza Building, Australia Square

Level 13, 95 Pitt Street

SYDNEY NSW 2000

[www.cpscorplaw.com.au](http://www.cpscorplaw.com.au)

### **SunRice Information Line:**

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### **SunRice website:**

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