# FORM:
# HALF YEARLY

## NAME OF ISSUER:
RICEGROWERS LIMITED

| ABN: | HALF YEARLY | HALF YEAR ("CURRENT PERIOD"): |
|---|---|---|
| 55 007 481 156 | | 31 OCTOBER 2017 |

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | | $A,000 |
|---|---|---|---|---|
| Revenue | **Down** | **4.1%** | to | 544,899 |
| Profit for the period (after tax) | **Up** | **15.9%** | to | 24,052 |
| Profit after tax for the period attributable to members of Ricegrowers Limited | **Up** | **10.0%** | to | 23,198 |

## COMMENTARY ON RESULTS FOR THE PERIOD

Financial results were driven by a combination of several factors that included: the larger Riverina rice crop of 802,000 paddy tonnes that was harvested in 2017; the gradual positive turnaround in profitability in Trukai, CopRice and Riviana; favourable FX gains; partially offset by continued challenging trading conditions in several key SunRice markets.

### SEGMENT PERFORMANCE

***Rice Pool:***

Rice Pool revenue increased by 20% compared to HY17,driven by the larger C17 crop and the ability to once again place the Riverina crop into key premium markets where SunRice brands command strong prices. Manufacturing efficiency improvements and favourable milling yield also contributed to a positive start to the year.

***International Rice:***

International Rice's net profit before tax (NPBT) declined by 11.2% compared to HY17. Due to the larger Australian C17 crop, there was less of a requirement in HY18 to source from international supply chains. Trukai leveraged its in-market brand strength and optimised its product mix to generate positive NPBT growth during the Half, despite weak trading conditions in Papua New Guinea impacting sales. SunFoods' performance was impacted by lower volumes (due to the larger Australian crop) and the increasing cost of rice paddy in the California market. Participation by SunFoods in market tender processes is expected to bolster revenues for the business during the second half of FY18. The segment was impacted by a $4.0 million gain due to hedged exposures no longer expected to occur.

***Rice Food:***

Sales volumes and revenues remained relatively flat compared to HY17 and NPBT declined to $1.5 million. The microwave rice category continued to grow its dominant presence in the ANZ market during the period, and now generates almost half of this segment's sales revenue. The recent introduction of new Adult Mini Cakes is anticipated to underpin sales revenue growth in the snacking category over the remainder of FY18. The rice flour category experienced competition from Vietnamese imports during the Half.

# COMMENTARY ON RESULTS FOR THE PERIOD (CONTINUED)

## SEGMENT PERFORMANCE (CONTINUED)

***Riviana:***

Riviana NPBT increased by 9.4%, having benefited from ownership of the Felhbergs business for a full six months (compared to the previous corresponding period). Challenging trading conditions in the foodservice sector and restructure costs also impacted on the Riviana result. A seasonal uplift is expected during the second half as Christmas and Easter festive seasons improve retail sales.

***CopRice:***

CopRice NPBT experienced a positive turnaround of $4.0 million during the Half, having posted a loss before tax of $1.5 million in HY17. Positive pricing mix and margin growth in speciality and grocery segments drove the business's improved performance during the Half. Dairy and sheep feed segments are expecting a seasonal uplift during the summer months, which should benefit CopRice over the remainder of FY18.

# DIVIDENDS

| | Current period | Previous corresponding period |
|---|---|---|
| **Interim dividend** | | |
| Amount per security | n/a | n/a |
| Franked amount per security | n/a | n/a |
| It is not proposed to pay a dividend for the six-months period ended 31 October 2017. | | |

# DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Trukai Industries Limited, who are 66.23% owned by Ricegrowers Limited, have the following associate:

**Name of associate or joint venture**

Pagini Transport (incorporated in Papua New Guinea) Principal activity : Transport

**Reporting entities percentage holding**

Pagini Transport 28.85% (31 October 2016: 28.85%)

# CONTROLLED ENTITIES

No control was gained or lost over controlled entities during the period.

# NTA BACKING

| | Current period | Previous corresponding period |
|---|---|---|
| Net tangible asset backing per ordinary security | $7.13 | $6.82 |

# INTERIM FINANCIAL REPORT

## FOR THE HALF YEAR ENDED 31 OCTOBER 2017

RICEGROWERS LIMITED & CONTROLLED ENTITIES
ABN 55 007 481 156

# CONTENTS



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

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


Ricegrowers Limited
NIP 37 Yanco Avenue
LEETON NSW 2705

# DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Ricegrowers Limited and the entities it controlled at the end of, or during the half year ended 31 October 2017.

## 1. Directors

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

LJ Arthur
NG Graham (retired on 14 December 2017)
G Andreazza
R Gordon
GL Kirkup (see note below)
GF Latta AM
DM Robertson
LK Vial
J Bradford (see note below)
I Glasson

In accordance with the Constitution of Ricegrowers Limited, NG Graham, GL Kirkup and J Bradford were appointed as directors of the Company based on their status as elected members of the Rice Marketing Board (RMB). Their term of office as RMB members and directors of Ricegrowers Limited ended on 13 December and, in anticipation of this, an RMB election was held in November 2017. NG Graham did not seek re-election to RMB and, accordingly, he ceased to hold office as a director Ricegrowers Limited on 14 December. GL Kirkup, J Bradford and I Mason were the successful candidates in the RMB election. However, as their formal appointment to RMB needs to be completed by the NSW Governor, they will not be eligible to be directors of Ricegrowers Limited until that occurs. Once they are formally appointed as RMB members by the Governor, GL Kirkup and J Braford will be reappointed, and I Mason will be appointed, as directors of Ricegrowers Limited.

## 2. Company Secretary

M Del Gigante

## 3. Principal activities

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

## 4. Consolidated entity result

The consolidated profit before income tax of the Group for the interim period amounted to $35,376,000 (2016: $26,553,000). The net profit after income tax of the Group for the period was $24,052,000 (2016: $20,750,000). The net profit of the Group after income tax and after non-controlling interests was $23,198,000 (2016: $21,084,000).

## 5. Review of operations

SunRice's consolidated revenue for the Group was $544,899,000, down 4.1% compared to the previous corresponding period (31 October 2016). Net profit after tax was $24,052,000, a 15.9% increase compared to the prior period.

Financial results were driven by a combination of several factors that included: the larger Riverina rice crop of 802,000 paddy tonnes that was harvested in 2017; the gradual positive turnaround in profitability in Trukai, CopRice and Riviana; favourable FX gains; partially offset by continued challenging trading conditions in several key SunRice markets.

### Segment Performance

#### Rice Pool business

Rice Pool revenue increased by 20% compared to HY17,driven by the larger C17 crop and the ability to once again place the Riverina crop into key premium markets where SunRice brands command strong prices. Manufacturing efficiency improvements and favourable milling yield also contributed to a positive start to the year.

#### International Rice business

International Rice's net profit before tax (NPBT) declined by 11.2% compared to HY17. Due to the larger Australian C17 crop, there was less of a requirement in HY18 to source from international supply chains. Trukai leveraged its in-market brand strength and optimised its product mix to generate positive NPBT growth during the Half, despite weak trading conditions in Papua New Guinea impacting sales. SunFoods' performance was impacted by lower volumes (due to the larger Australian crop) and the increasing cost of rice paddy in the California market. Participation by SunFoods in market tender processes is expected to bolster revenues for the business during the second half of FY18. The segment was impacted by a $4.0 million gain due to hedged exposures no longer expected to occur.

## 5. Review of operations (continued)

### Rice Food business

Sales volumes and revenues remained relatively flat compared to HY17 and NPBT declined to $1,521,000. The microwave rice category continued to grow its dominant presence in the ANZ market during the period, and now generates almost half of this segment's sales revenue. The recent introduction of new Adult Mini Cakes is anticipated to underpin sales revenue growth in the snacking category over the remainder of FY18. The rice flour category experienced competition from Vietnamese imports during the Half.

### Riviana

Riviana NPBT increased by 9.4%, having benefited from ownership of the Felhbergs business for a full six months (compared to the previous corresponding period). Challenging trading conditions in the foodservice sector and restructure costs also impacted on the Riviana result. A seasonal uplift is expected during the second half as Christmas and Easter festive seasons improve retail sales.

### CopRice

CopRice NPBT experienced a positive turnaround of $3,962,000 during the Half, having posted a loss before tax of $1,525,000 in HY17. Positive pricing mix and margin growth in speciality and grocery segments drove the business's improved performance during the Half. Dairy and sheep feed segments are expecting a seasonal uplift during the summer months, which should benefit CopRice over the remainder of FY18.

## 6. Dividends

A final dividend of $18,401,589 was declared on 22 June 2017 for the year ended 30 April 2017. An amount of $16,340,675 was paid on 31 July 2017 with the residual amount of $2,060,914 being issued in ordinary B class shares under the company's dividend reinvestment plan.

## 7. Events subsequent to the balance sheet date

On 23 November 2017, the Company issued 239,642 shares under the Grower Share Purchase Plan (GSPP). Under the GSPP offer, eligible Growers were given the opportunity to acquire B Class Shares based on the number of tonnes they delivered in the 2017 Crop. New Shares have been issued at a price of $3.92, which was based on the Volume Weighted Average Price (VWAP) of B Class Shares traded on the NSX over the last 5 days on which B Class Shares were traded prior to 5 September 2017, subject to a 2% discount. Full details of the GSPP were made available in the separate prospectus issued by the Company on 11 September 2017.

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

There continues to be uncertainty about future market access in PNG and the related implications this could have on Trukai's business. The Group continues to actively monitor developments on this matter.

## 8. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

## 9. Rounding of amounts to the nearest thousand dollars ($000's)

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

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

For and on behalf of the Board.

| | |
|---|---|
| L Arthur<br>Chairman<br>19 December 2017 | R Gordon<br>Director |

# AUDITOR'S INDEPENDENCE DECLARATION

pwc

## Auditor's Independence Declaration

As lead auditor for the review of Ricegrowers Limited for the half-year ended 31 October 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Paddy Carney
Partner
PricewaterhouseCoopers

Sydney
19 December 2017

***PricewaterhouseCoopers, ABN 52 780 433 757***
*One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001*
*T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au*

# CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 OCTOBER 2017

| | Note | Half year October 2017 $000's | Half year October 2016 $000's |
|---|---|---|---|
| Sales revenue | 3 | **543,265** | 566,305 |
| Other revenue | 3 | **1,634** | 2,019 |
| **Revenue from continuing operations** | | **544,899** | 568,324 |
| Other income | 4 | **6,637** | 162 |
| Changes in inventories of finished goods | | **25,307** | 18,750 |
| Raw materials and consumables used | | **(339,421)** | (374,351) |
| Freight and distribution costs | | **(57,294)** | (53,725) |
| Employee benefits expense | | **(68,862)** | (61,828) |
| Depreciation and amortisation expenses | | **(10,910)** | (10,856) |
| Finance costs | | **(5,180)** | (6,319) |
| Asset (impairment) / reversal | 5 | **(485)** | 102 |
| Other expenses | 6 | **(59,315)** | (53,706) |
| **Profit before income tax** | | **35,376** | 26,553 |
| Income tax expense | 7 | **(11,324)** | (5,803) |
| **Profit for the half year** | | **24,052** | 20,750 |
| | | | |
| Profit for the half year is attributable to: | | | |
| Ricegrowers Limited shareholders | | **23,198** | 21,084 |
| Non-controlling interests | | **854** | (334) |
| | | **24,052** | 20,750 |
| | | | |
| **Earnings per share for profit attributable to B class shareholders** | | | |
| Basic and diluted earnings (cents per share) | 14 | **41.4** | 37.8 |

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 OCTOBER 2017

| | October 2017 $000's | October 2016 $000's |
|---|---|---|
| **Profit for the half year** | **24,052** | 20,750 |
| | | |
| **Items that may be reclassified to the profit or loss** | | |
| Changes in fair value of cash flow hedges | **1,705** | 2,174 |
| Exchange differences on translation of foreign operations | **(3,011)** | 1,654 |
| Income tax relating to items of other comprehensive income | **(511)** | (652) |
| **Other comprehensive income for the half year, net of tax** | **(1,817)** | 3,176 |
| **Total comprehensive income for the half year** | **22,235** | 23,926 |
| | | |
| **Total comprehensive income for the half year is attributable to:** | | |
| Ricegrowers Limited shareholders | **22,307** | 23,655 |
| Non-controlling interests | **(72)** | 271 |
| | **22,235** | 23,926 |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# CONSOLIDATED BALANCE SHEET

AS AT 31 OCTOBER 2017

| | Note | 31 October 2017 $000's | 30 April 2017 $000's |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | **90,537** | 59,978 |
| Receivables | | **140,347** | 123,076 |
| Inventories | | **412,667** | 371,572 |
| Current tax receivable | | **5,205** | 8,175 |
| Derivative financial instruments | | **1,667** | 466 |
| **Total current assets** | | **650,423** | 563,267 |
| | | | |
| **Non-current assets** | | | |
| Other financial assets | | **43** | 43 |
| Property, plant and equipment | | **218,354** | 217,977 |
| Investment properties | | **1,150** | 1,150 |
| Intangible assets | | **9,478** | 9,064 |
| Deferred tax assets | | **17,325** | 17,251 |
| Investments accounted for using the equity method | | **1,679** | 1,750 |
| **Total non-current assets** | | **248,029** | 247,235 |
| **Total assets** | | **898,452** | 810,502 |
| | | | |
| **Current liabilities** | | | |
| Payables | | **123,628** | 101,498 |
| Amounts payable to Riverina Rice Growers | | **91,471** | 114,361 |
| Borrowings | 8 | **165,053** | 65,817 |
| Current tax liabilities | | **3,150** | 830 |
| Provisions | | **18,552** | 16,823 |
| Derivative financial instruments | | **926** | 1,306 |
| **Total current liabilities** | | **402,780** | 300,635 |
| | | | |
| **Non current liabilities** | | | |
| Payables | | **1,577** | 1,871 |
| Amounts payable to Riverina Rice Growers | | **-** | 20,387 |
| Borrowings | 8 | **79,631** | 79,061 |
| Provisions | | **3,928** | 3,673 |
| **Total non-current liabilities** | | **85,136** | 104,992 |
| **Total liabilities** | | **487,916** | 405,627 |
| | | | |
| **Net assets** | | **410,536** | 404,875 |
| | | | |
| **Equity** | | | |
| Contributed equity | 9 | **109,880** | 107,819 |
| Reserves | 10 | **3,750** | 4,641 |
| Retained profits | | **274,428** | 269,632 |
| **Capital and reserves attributable to the owners of Ricegrowers Limited** | | **388,058** | 382,092 |
| Non-controlling interests | | **22,478** | 22,783 |
| **Total equity** | | **410,536** | 404,875 |

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 OCTOBER 2017

| | Attributable to Ricegrowers Limited shareholders | | | | | |
|---|---|---|---|---|---|---|
| | Contributed equity | Reserves | Retained earnings | Total | Non-controlling interests | Total |
| | $000's | $000's | $000's | $000's | $000's | $000's |
| **Balance as at 1 May 2017** | **107,819** | **4,641** | **269,632** | **382,092** | **22,783** | **404,875** |
| Profit for the half year | **-** | **-** | **23,198** | **23,198** | **854** | **24,052** |
| Other comprehensive income | **-** | **(891)** | **-** | **(891)** | **(926)** | **(1,817)** |
| Total comprehensive income for the half year | **-** | **(891)** | **23,198** | **22,307** | **(72)** | **22,235** |
| Transactions with owners in their capacity as owners: | | | | | | |
| Contribution of equity, net of transaction costs | **2,061** | **-** | **-** | **2,061** | **-** | **2,061** |
| Dividends paid | **-** | **-** | **(18,402)** | **(18,402)** | **(233)** | **(18,635)** |
| | **2,061** | **-** | **(18,402)** | **(16,341)** | **(233)** | **(16,574)** |
| **Balance as at 31 October 2017** | **109,880** | **3,750** | **274,428** | **388,058** | **22,478** | **410,536** |

| | Attributable to Ricegrowers Limited shareholders | | | | | |
|---|---|---|---|---|---|---|
| | Contributed equity | Reserves | Retained earnings | Total | Non-controlling interests | Total |
| | $000's | $000's | $000's | $000's | $000's | $000's |
| **Balance as at 1 May 2016** | 107,819 | 9,425 | 253,833 | 371,077 | 19,151 | 390,228 |
| Profit for the half year | - | - | 21,084 | 21,084 | (334) | 20,750 |
| Other comprehensive income | - | 2,571 | - | 2,571 | 605 | 3,176 |
| Total comprehensive income for the half year | - | 2,571 | 21,084 | 23,655 | 271 | 23,926 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Transaction with non-controlling interests | - | (7,956) | - | (7,956) | 3,311 | (4,645) |
| Dividends paid | - | - | (18,402) | (18,402) | - | (18,402) |
| | - | (7,956) | (18,402) | (26,358) | 3,311 | (23,047) |
| **Balance as at 31 October 2016** | 107,819 | 4,040 | 256,515 | 368,374 | 22,733 | 391,107 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED 31 OCTOBER 2017

| | Half year October 2017 $000's | Half year October 2016 $000's |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers (inclusive of goods and services tax) | **541,194** | 577,099 |
| Payments to suppliers (inclusive of goods and services tax) | **(324,559)** | (365,074) |
| Payments to Riverina Rice Growers | **(177,461)** | (83,477) |
| Payments of wages, salaries and on-costs | **(66,878)** | (61,944) |
| Interest received | **226** | 409 |
| Receipt related to other revenue | - | 129 |
| Interest paid | **(4,053)** | (7,107) |
| Income taxes paid | **(6,134)** | (27,324) |
| **Net cash (outflow)/inflow from operating activities** | **(37,665)** | 32,711 |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment and intangible assets | **(12,303)** | (8,629) |
| Acquisition of business | - | (2,600) |
| Transaction with Non-Controlling Interests | - | (4,645) |
| Proceeds from sale of property, plant and equipment | **144** | 56 |
| **Net cash outflow from investing activities** | **(12,159)** | (15,818) |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | **175,514** | 88,206 |
| Repayment of borrowings | **(88,172)** | (109,261) |
| Repayment of finance leases | **(343)** | (362) |
| RMB equity redemptions | - | (4,425) |
| Dividends paid | **(16,341)** | (18,402) |
| **Net cash inflow/(outflow) from financing activities** | **70,658** | (44,244) |
| **Net decrease in cash and cash equivalents** | **20,834** | (27,351) |
| Cash at the beginning of the half year | **49,880** | 115,067 |
| Effect of exchange rate changes on cash | **(1,392)** | 2,491 |
| **Cash and cash equivalents at end of the half year** | **69,322** | 90,207 |

## Reconciliation to cash at the end of the half year

Cash at the end of the half year as shown in the consolidated cash flow statement is reconciled to the related items in the consolidated balance sheet as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | **90,537** | 90,207 |
| Deduct bank overdraft | **(21,215)** | - |
| | **69,322** | 90,207 |

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 OCTOBER 2017

## 1. Basis of preparation of half year report

This consolidated interim financial report for the half year reporting period ended 31 October 2017 has been prepared in accordance with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 April 2017 and any public announcements made by Ricegrowers Limited during the interim reporting period, in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see note 7).

The interim financial information has been prepared on a historical cost basis, except when assets and liabilities are stated at fair values in accordance with relevant accounting policies.

### a. New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### b. Impact of standards issued but not yet applied by the Group

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

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting.

The standard is expected to have no material effect on the Group.

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

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The application of AASB 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

The Group is currently assessing the impact of the new rules and more specifically the treatment of freight. In numerous cases the Group is responsible for delivering the goods after the date at which control of the goods passes to the customer at the loading port. If the shipment was considered a separate performance obligation, the portion of revenue related to the freight would therefore be recognised overtime.

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

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

The group has not yet determined to what extent the commitments it currently holds will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

### c. Significant events of the period

For a detailed discussion about the group's performance and financial position please refer to our review of operations on pages 2 to 3.

## 2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk that are actively mitigated to reduce the Group's exposure.

The ongoing tightening of the USD available in Papua New Guinea (PNG) continues to affect Trukai's ability to settle its intercompany trade payable, exposing the Group to foreign exchange risk in case of a devaluation of the PNG Kina. As at 31 October 2017, the intercompany payable balance is USD 39,573,000 compared to USD 24,996,000 at 30 April 2017.

In relation to the liquidity risk, the total of cash and cash equivalents held by Trukai amounts to PGK 107,344,000 (AUD 42,442,000) at 31 October 2017 compared to PGK 57,907,000 (AUD 23,742,000) at 30 April 2017. The Group continues to closely monitor economic conditions in PNG to proactively manage the liquidity risk.

## 3. Revenue

| | Half Year October 2017 $000's | Half Year October 2016 $000's |
|---|---|---|
| Sale of goods | **543,265** | 566,305 |
| **Sales revenue** | **543,265** | 566,305 |
| | | |
| Interest received | **226** | 395 |
| Other sundry items | **1,408** | 1,624 |
| **Other revenue** | **1,634** | 2,019 |
| | | |
| **Revenue from continuing operations** | **544,899** | 568,324 |

## 4. Other income

| | Half Year October 2017 $000's | Half Year October 2016 $000's |
|---|---|---|
| Net gain on disposal of property, plant and equipment | - | 162 |
| Foreign exchange gains | **6,637** | - |
| **Total other income** | **6,637** | 162 |

In the current period, the foreign exchange gain was primarily the result of a combination of significant fluctuations in the AUD/USD exchange rate and hedged exposures no longer expected to occur.

## 5. Impairment

In October 2014, an impairment charge of $1,994,000 had been recognised on land, building and plants and equipment of a division of Riviana, as a consequence of lower trading performance. At 31 October 2016, the improved financial performance of this division supported the reversal of the initial impairment charge up to the net book value of the assets ($1,624,000).

This reversal was partially offset by the recognition of an impairment charge of $1,522,000 on the land, building and plants and equipment of Brandon, our rice milling operations in North Queensland. This was due to the development of a sustainable rice industry in the region which was slower than expected and the mill facing manufacturing challenges that were increasing the cost of production. The residual carrying value of the Brandon fixed assets was supported by an independent valuation.

During the half year ended 31 October 2017, an impairment charge of $485,000 has been recognised against various individual assets of the Group which are no longer being used.

## 6. Expenses

Profit before income tax includes the following expense items:

| | Half Year October 2017 $000's | Half Year October 2016 $000's |
|---|---|---|
| Energy | **6,482** | 4,016 |
| Advertising and artwork | **11,294** | 13,282 |
| Contracted services | **11,438** | 10,385 |
| Operating lease expenditure and equipment hire | **5,969** | 5,686 |
| Repairs and maintenance | **5,495** | 4,926 |
| Motor vehicle and travelling expenses | **4,038** | 4,044 |
| Insurances | **1,886** | 1,478 |
| Research and development | **148** | 456 |
| Internet, telephone and fax | **1,167** | 1,402 |
| Training | **1,640** | 797 |
| Capital restructuring costs | **-** | 67 |
| Other | **9,758** | 7,167 |
| **Total other expenses** | **59,315** | 53,706 |

At 31 October 2016, "Other" included the reversal of the dispute settlement provision of $4,710,000 with SunFoods minority shareholders.

## 7. Income tax expense

Income tax expense is recognised based on the Group's best estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the half year ended 31 October 2017 is 32%, compared to 22% for the half year ended 31 October 2016.

At 31 October 2016, the lower effective tax rate was primarily the result of SunFoods LLC utilising previously unrecognised losses carried forward.

## 8. Borrowings

| | 31 October 2017 $000's | 30 April 2017 $000's |
|---|---|---|
| **Current** | | |
| **Secured** | | |
| Bank overdrafts | **21,215** | 10,098 |
| Bank loans | **143,176** | 55,834 |
| Net accrued interest and capitalised borrowing costs | **76** | (611) |
| Lease liability | **586** | 496 |
| | **165,053** | 65,817 |
| **Non current** | | |
| **Secured** | | |
| Bank loans | **79,000** | 79,000 |
| Net accrued interest and capitalised borrowing costs | **50** | (390) |
| Lease liability | **581** | 451 |
| | **79,631** | 79,061 |
| **Total borrowings** | **244,684** | 144,878 |

**Bank loans**

| | | |
|---|---|---|
| Details of the Group's bank loans include: | | |
| Seasonal debt | **143,176** | 55,834 |
| Core debt | **79,000** | 79,000 |
| | **222,176** | 134,834 |
| Representing: | | |
| Current bank loans | **143,176** | 55,834 |
| Non-current bank loans | **79,000** | 79,000 |
| | **222,176** | 134,834 |

The Group manages its cash and borrowings on a net basis. At 31 October 2017, the Group had total borrowings of $244,684,000 (30 April 2017: $144,878,000) and $90,537,000 (30 April 2017: $59,978,000) in cash and cash equivalents. At 31 October 2017 Net Debt was $154,147,000 (30 April 2017: $84,900,000).

### Significant terms and conditions of bank facilities

At 31 October 2017, the Seasonal debt facility (including trade and grower finance facility) decreased by $145,000,000 to $265,000,000 compared to 30 April 2017 ($410,000,000). All other terms remain unchanged compared to 30 April 2017.

The Core debt facility remains unchanged compared to 30 April 2017 ($150,000,000).

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

In addition, covenants apply to the bank loans and the Group complied with these covenants throughout the reporting period.

# 9. Contributed equity

## a. Share capital

| | 31 October 2017 $000's | 30 April 2017 $000's |
|---|---|---|
| Fully paid Ordinary B Class Shares | **109,880** | 107,819 |

## b. Movement in ordinary B class shares

| Date | Number of shares | $000's |
|---|---|---|
| **Balance at 1 May 2017** | 55,762,392 | 107,819 |
| Dividend reinvestment plan issues | 511,393 | 2,061 |
| **Balance at 31 October 2017** | 56,273,785 | 109,880 |

### Dividend reinvestment plan

The company has established a dividend reinvestment plan under which holders of ordinary B class shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary B class shares rather than by being paid in cash. Shares are issued under the plan at a 2% discount to the average of the daily Volume Weighted Average Prices (VWAP's) over the 5 trading days prior to the dividend record date.

### B Class shares

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

### A Class shares

A Class shares have no nominal value but are voting shares held by active Riverina rice growers only. At 31 October 2017, 708 A Class shares were on issue (30 April 2017: 806).

## c. Capital risk management

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

The Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by net debt plus total equity. Net debt is calculated as total borrowings less cash and cash equivalents. Total equity represents 'equity' as shown on the balance sheet (including non-controlling interests). The gearing ratio at 31 October 2017 was 27% (30 April 2017: 17%).

# 10. Reserves

| | 31 October 2017 $000's | 30 April 2017 $000's |
|---|---|---|
| General reserve | **28,453** | 28,453 |
| Asset revaluation reserve | **4,917** | 4,917 |
| Foreign currency translation reserve | **(22,575)** | (20,491) |
| Hedging reserve - cash flow hedges | **911** | (282) |
| Transaction with non-controlling interests | **(7,956)** | (7,956) |
| | **3,750** | 4,641 |

In September 2016, the Group purchased the non-controlling interests of SunFoods LLC (35%) for consideration of $4,645,000 ($US 3,500,000). The acquisition of additional shares in SunFoods LLC was shown in the financial statements as a transfer of equity between non-controlling interests and the reserves attributable to Ricegrowers Limited (transaction with owners in their capacity as owners in accordance with the accounting standards.

## 11. Segment information

The Corporate Management Team examines the Group's financial performance from a product and service perspective and has identified 6 reportable segments of its business.

In aggregating operating segments into reportable segments, the Group has considered the requirements of the accounting standards and notably the existence of similarities in economic characteristics, nature of products, market and customers.

### Rice Pool

The milling, marketing and distribution of rice from the Riverina (i.e. excluding the rice sourced from Queensland) through intermediaries to consumers and directly to food service and processing customers, where the supply of Australian rice is a key driver of the economics of the business.

### International Rice

The manufacturing, marketing and distribution of rice from all other sources (i.e other than the Riverina) through intermediaries to consumers, food services and processing customers, where the economics of the business reflect profit generated as a result of managing supply and demand. International Rice is an aggregation of the main following operating segments:

- Global Rice and Ricegrowers Singapore, the global trading arms of the group, sourcing rice from outside of the Riverina region and selling branded rice products in Australia or overseas.
- Trukai, SunFoods, Aqaba Processing Company and Solrice, which are separate legal entities that distribute rice in their respective local markets. SunFoods also mills locally sourced rice and, in addition to selling domestically, exports to overseas markets.

The nature of products manufactured, the distribution process and the type of customers are comparable between these segments.

The economic characteristics of the larger operating segments, measured by their gross margin, are also largely comparable when considering past and expected performance. Some operating segments do however present different performance profiles but it is the Group's assessment that this does not materially impact the aggregated reportable segment, due to the small contribution of these operating segments to International Rice.

### Rice Food

The manufacturing, marketing and distribution of rice-based products, which incorporate additional value in their transformation process. This reportable segment is an aggregation of the Rice Cakes, Rice Flour, Rice Chips, Microwave Rice and Microwave Meals operating segments.

These operating segments have similar economic characteristics, measured as the gross margin.

### Riviana Foods (Riviana)

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

### CopRice

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

### Corporate

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

The Corporate Management Team evaluates results based on contributed NPBT, which is defined as net profit before tax and intersegment eliminations. In the case of Rice Pool, the profit before tax is calculated based on a standard paddy price before its final adjustment.

Sales between segments are eliminated on consolidation. The revenue from external customers, assets and liabilities are measured in a manner consistent with that of the financial statements.

## 11. Segment information (continued)

The following table sets forth the segment results for the period ended 31 October 2017

| | Rice Pool<br>$000's | International Rice<br>$000's | Rice Food<br>$000's | Riviana<br>$000's | CopRice<br>$000's | Corporate<br>$000's | Total<br>$000's |
|---|---|---|---|---|---|---|---|
| Total segment revenue | **189,367** | **217,586** | **55,566** | **59,167** | **56,196** | **26,148** | **604,030** |
| Inter-segment revenue | **(30,234)** | **(211)** | **(293)** | **(214)** | **(3,791)** | **(26,022)** | **(60,765)** |
| Revenue from external customers | **159,133** | **217,375** | **55,273** | **58,953** | **52,405** | **126** | **543,265** |
| Other revenue | | | | | | | **1,634** |
| **Total revenue from continuing operations** | | | | | | | **544,899** |
| Contributed NPBT | **-** | **16,130** | **1,521** | **3,385** | **2,437** | **13,009** | **36,482** |
| Intersegment eliminations | | | | | | | **(1,106)** |
| **Profit before income tax** | | | | | | | **35,376** |
| Segment assets | **413,479** | **310,736** | **44,417** | **65,018** | **43,864** | **132,474** | **1,009,988** |
| Intersegment eliminations | | | | | | | **(164,483)** |
| Cash and cash equivalents | | | | | | | **30,417** |
| Current tax receivable | | | | | | | **5,205** |
| Deferred tax assets | | | | | | | **17,325** |
| **Total assets** | | | | | | | **898,452** |

The following table sets forth the segment results for the period ended 31 October 2016

| | Rice Pool<br>$000's | International Rice<br>$000's | Rice Food<br>$000's | Riviana<br>$000's | CopRice<br>$000's | Corporate<br>$000's | Total<br>$000's |
|---|---|---|---|---|---|---|---|
| Total segment revenue | 138,997 | 263,766 | 56,787 | 61,118 | 54,329 | 12,266 | 587,263 |
| Inter-segment revenue | (6,906) | (591) | - | - | (1,322) | (12,139) | (20,958) |
| Revenue from external customers | 132,091 | 263,175 | 56,787 | 61,118 | 53,007 | 127 | 566,305 |
| Other revenue | | | | | | | 2,019 |
| **Total revenue from continuing operations** | | | | | | | 568,324 |
| Contributed NPBT | (15,649) | 18,158 | 4,830 | 3,095 | (1,525) | 12,757 | 21,666 |
| Intersegment eliminations | | | | | | | 4,887 |
| **Profit before income tax** | | | | | | | 26,553 |
| Segment assets | 276,096 | 286,271 | 44,200 | 76,117 | 42,603 | 198,691 | 923,978 |
| Intersegment eliminations | | | | | | | (141,475) |
| Cash and cash equivalents | | | | | | | 14,275 |
| Current tax receivable | | | | | | | - |
| Deferred tax assets | | | | | | | 22,358 |
| **Total assets** | | | | | | | 819,136 |

Australian cash and borrowing balances are not allocated to operating segments but to the Group, because the head office is centrally managing the treasury and financing activities of the Australian operations. This creates an asymmetry in information because fixed assets and working capital that are financed by borrowings are allocated to each reportable segment.

## 12. Dividends

On 22 June 2017, a fully franked final dividend of 33.0 cents per share was declared for the year ended 30 April 2017. An amount of $16,340,675 was paid on 31 July 2017 with the residual amount of $2,060,914 being issued in ordinary B class shares under the company's dividend reinvestment plan (see note 9).

## 13. Contingent liabilities

The estimated amount of contingent liabilities not provided for in the interim financial report of Ricegrowers Limited and its controlled entities are:

| | 31 October 2017 $000's | 30 April 2017 $000's |
|---|---|---|
| Letters of credit | **33,201** | 34,722 |
| Guarantee of bank advances | **2,607** | 2,774 |
| | **35,808** | 37,496 |

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

## 14. Earnings per share

### a. Basic and Diluted earnings per share

| | 31 October 2017 Cents | 31 October 2016 Cents |
|---|---|---|
| Basic and Diluted earnings per share | **41.4** | 37.8 |

### b. Reconciliation of earnings per share

| | 31 October 2017 $000's | 31 October 2016 $000's |
|---|---|---|
| Profit for the half year | **23,198** | 21,084 |

### c. Weighted average number of B Class shares used as a denominator

| | 31 October 2017 000's | 31 October 2016 000's |
|---|---|---|
| Weighted average number of B Class shares | **56,022** | 55,762 |

## 15. Net tangible assets per share

| | 31 October 2017 | 31 October 2016 |
|---|---|---|
| Net tangible asset backing per B Class share | **$ 7.13** | $ 6.82 |

## 16. Business combination

On 14 September 2016, Riviana acquired Fehlbergs Fine Foods (Fehlbergs). Details of this business combination were disclosed in note 36 of the group's annual financial statements for the year ended 30 April 2017.

## 17. Fair value measurement

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

The Group does not have any financial instruments that are carried at fair value using inputs classified as level 1 inputs. Only the investment property is classified as level 3, as the fair value is determined by an independent valuation.

The following table presents the Group's financial assets and liabilities measured and recognised at fair value on a recurring basis.

| | 31 October 2017 | | | 30 April 2017 | | |
|---|---|---|---|---|---|---|
| | Level 2 $'000 | Level 3 $'000 | Total $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **Assets** | | | | | | |
| Investment properties | - | **1,150** | **1,150** | - | 1,150 | 1,150 |
| Derivatives used for hedging | | | | | | |
| Foreign exchange contracts | **1,667** | - | **1,667** | 466 | - | 466 |
| **Total assets** | **1,667** | **1,150** | **2,817** | 466 | 1,150 | 1,616 |
| **Liabilities** | | | | | | |
| Derivatives used for hedging | | | | | | |
| Foreign exchange contracts | - | - | - | 89 | - | 89 |
| Interest rate swaps | **926** | - | **926** | 1,217 | - | 1,217 |
| **Total liabilities** | **926** | - | **926** | 1,306 | - | 1,306 |

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

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

## 18. Events occurring after the balance sheet date

On 23 November 2017, the Company issued 239,642 shares under the Grower Share Purchase Plan (GSPP). Under the GSPP offer, eligible Growers were given the opportunity to acquire B Class Shares based on the number of tonnes they delivered in the 2017 Crop. New Shares have been issued at a price of $3.92, which was based on the Volume Weighted Average Price (VWAP) of B Class Shares traded on the NSX over the last 5 days on which B Class Shares were traded prior to 5 September 2017, subject to a 2% discount. Full details of the GSPP were made available in the separate prospectus issued by the Company on 11 September 2017.

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

There continues to be uncertainty about future market access in PNG and the related implications this could have on Trukai's business. The Group continues to actively monitor developments on this matter.

# DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 18 are in accordance with the Corporations Act 2001, including:

i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
ii. giving a true and fair view of the consolidated entity's financial position as at 31 October 2017 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that Ricegrowers Limited will be able to pay its debts as and when they become due and payable.

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

For and on behalf of the Board.

L Arthur
Chairman
19 December 2017

R Gordon
Director

# INDEPENDENT AUDITOR'S REVIEW REPORT

## Independent auditor's review report to the members of Ricegrowers Limited

### *Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report of Ricegrowers Limited (the Company), which comprises the consolidated balance sheet as at 31 October 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and consolidated income statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for Ricegrowers Limited (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

### *Directors' responsibility for the half-year financial report*

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 October 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ricegrowers Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ricegrowers Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 October 2017 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Paddy Carney
Partner

Sydney
19 December 2017