

## Appendix 4E

### Preliminary Final Report to the Australian Stock Exchange

<b>Name of Entity</b>	Australian Rural Capital Limited
<b>ACN</b>	52 001 746 710
<b>Financial Year Ended</b>	30 June 2019
<b>Previous Corresponding Reporting Period</b>	30 June 2018

#### Results for Announcement to the Market

	\$	Percentage increase /(decrease) over previous corresponding period
<b>Revenue from ordinary activities</b>	(2,032,889)	(220%)
<b>Loss from ordinary activities after tax attributable to members</b>	(2,478,952)	(294%)
<b>Loss for the period attributable to members</b>	(2,478,952)	(294%)
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	Nil	-
<b>Previous corresponding period</b>	Nil	-
<b>Record date for determining entitlements to the dividends (if any)</b>	n/a	

#### Dividends

<b>Date the dividend is payable</b>	n/a
<b>Record date to determine entitlement to the dividend</b>	n/a
<b>Amount per security</b>	n/a
<b>Total dividend</b>	n/a
<b>Amount per security of foreign sourced dividend or distribution</b>	n/a
<b>Details of any dividend reinvestment plans in operation</b>	n/a
<b>The last date for receipt of an election notice for participation in any dividend reinvestment plans</b>	n/a

## NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.40	\$0. 60

### Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position:

See attached Annual Report

## Commentary on the Results for the Period

### The earnings/(loss) per security and the nature of any dilution aspects:

see note 8 Annual Report

### Returns to shareholders including distributions and buy backs:

See attached Annual Report

### Significant features of operating performance:

See attached Annual Report

### The results of segments that are significant to an understanding of the business as a whole:

See attached Annual Report

### Discussion of trends in performance:

See attached Annual Report

### Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:

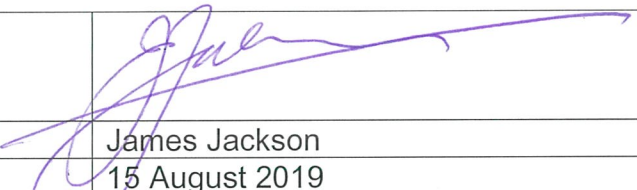
See attached Annual Report

## Audit/Review Status

<b>This report is based on accounts to which one of the following applies:</b> (Tick one)			
The accounts have been audited	*	The accounts have been subject to review	
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	
<b>If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:</b>  n/a			
<b>If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</b>  n/a			

## Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Annual Report

<b>Signed By (Director/Company Secretary)</b>	
<b>Print Name</b>	James Jackson
<b>Date</b>	15 August 2019

Australian Rural Capital Limited advises that its Annual General Meeting will be held on 30 October 2019. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after dispatch.

In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00pm (AEST) 25 September 2019.

AUSTRALIAN RURAL CAPITAL LIMITED

ABN 52 001 746 710



**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

30 JUNE 2019

# AUSTRALIAN RURAL CAPITAL LIMITED

ABN 52 001 746 710

## DIRECTORY

### Directors

James Jackson	Executive Chairman
Wayne Massey	Executive Director
Darren Anderson	Non-Executive Director

### Company Secretaries

Mark Licciardo  
Adam Sutherland

### Registered Office

c/- Broadley Rees Hogan  
Level 24  
111 Eagle Street  
BRISBANE  
QLD 4000

### Communications

**telephone:** (07) 3223 9170  
**mail:** GPO Box 635, BRISBANE QLD 4000  
**email:** [info@ruralcapital.com.au](mailto:info@ruralcapital.com.au)  
**website:** [www.ruralcapital.com.au](http://www.ruralcapital.com.au)

### Share Registry

Boardroom Pty Limited  
Level 12  
Grosvenor Place  
225 George Street  
SYDNEY NSW 2000

### Shareholder Enquiries: 1 300 737 760 / (02) 9290 9600

Shareholders requiring clarification of holdings, or requesting changes of name or address should contact Boardroom Pty Limited directly. A variety of requisite forms may be downloaded from [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

### Bankers

National Australia Bank Limited  
Level 19  
100 Creek Street  
BRISBANE  
QLD 4000

### Auditors

Bentleys Brisbane (Audit) Pty Ltd  
Level 9  
123 Albert Street  
BRISBANE  
QLD 4000

### Controlled Entities

Australian Rural Capital Management Pty. Limited  
ARC Agrivest Limited

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In this Annual Report a reference to "Group", "we", "us" "ARC" or "our" is a reference to Australian Rural Capital Limited ABN 52 001 746 710 and the entities that it controls unless otherwise stated.

The ARC corporate governance statement is available on our website ([www.ruralcapital.com.au](http://www.ruralcapital.com.au)) in the section titled "Corporate Governance" and at the ASX website ([www.asx.com.au](http://www.asx.com.au)) under the code "ARC".

## EXECUTIVE CHAIRMAN'S REVIEW

### Dear Fellow Shareholders,

The board reports an after-tax loss of \$2,478,952 for the full year to June 30, 2019. The result was primarily driven by the reduced valuation of our investment in Namoi Cotton. Our operating costs and business development costs have been maintained at similar levels to last year, reflecting our ongoing frugal approach to expenses.

Our stated Net Tangible Assets ("NTA") at June 30, 2019 was 40 cents per share compared to 60 cents a share at June 30, 2018. It remains our objective to develop a business that is valued on earnings and earnings potential along with creating value in the investments we own. I will now discuss our initiatives and progress on these objectives.

### Namoi Cotton Investment

We have held our overall shareholding at 13,471,111 shares in the Namoi Cotton Limited, which represents a 9.6% holding of the currently issued ordinary shares. The company paid a dividend of 1.9 cents per share which amounted to a total of just over \$255,000 on our holding, which was paid in the July 2018, this was earned on the 2018 Cotton season. Our Executive Chairman joined the board of Namoi Cotton in July 2018. Namoi did not declare a dividend this year due to earnings being impacted by joint venture investments and associates and a poor outlook for the 2020 season.

The NTA of Namoi remains at 93 cents per share and we believe that the valuation of those assets is real. The challenge for Namoi Cotton is to operate the business to achieve returns that support that valuation and for that to be reflected in the company share price. Understandably that is difficult in the current challenging operating climate, however it is the long- term objective of the ARC investment in Namoi.

### The Drought and Namoi Cotton

Record low rainfall have now been measured for 2 consecutive years making this current drought the worst in 120 years of record being kept. This has a significant impact on cotton growing in the regions in which Namoi operate. At the Annual General Meeting in late July, Namoi noted that the current year ginning volumes would be about 450,000 bales or 50% of our estimate of long- term sustainable bales (LTSB) of 900,000 bales per annum (noting last year was 1,200,000 bales ginned). Further to this given the ongoing dry, projected ginning volumes for next season of between 160,000 and 220,000 bales or taking the mid- point of 190,000 bales, which is close to 20% of LTSB (900,000 bales). Some upside to this number does exist if a significant rainfall event was to eventuate prior to December which could produce large scale dryland plantings, however this would only bring volumes up to this year's levels.

On the positive side, Namoi is having a serious look at the cost structure of the business and operating network and this work has started along with the appointment of a new CEO. Namoi is transitioning from a co-operative to a public company which now serves the interests of shareholders. A cultural change in the organisation is to be expected and this is happening, and we at ARC expect Namoi to emerge from these difficult operating conditions as a much more focussed business with a both eyes on costs, whilst producing returns on assets employed and still providing the strong grower and customer service it is known for. The outlook for cotton production and the growth of the industry remains solid with new regions opening in Northern Australia and investors like Macquarie Bank Funds buying cotton farms, indicate to us that cotton is still a solid business when the water is available to grow it.



The consumption of natural fibres continues to grow and is only limited by production, as consumers across the globe demand high quality, ethically produced fibre in garments as opposed to plastic based synthetic fibres or those produced under modern slavery conditions. A serious opportunity exists for Australian Cotton to leverage the sophisticated supply chain and traceability it has developed into better quality markets and improve both pricing and margins for our product.

### **The Murray Darling Basin Plan**

A great deal of media attention has been focussed on the actions of irrigators and irrigation companies and the resultant environmental impact of these actions to the Murray Darling Basin. A small number of operators have been found to be not complying with the rules and have been legally prosecuted, but this is a small minority and the enforcement of regulation has acted to stop this behaviour.

However, some of this reporting has also been factually incorrect and at times misleading to the reader, as this is a complex issue. Water used for irrigation purposes is a very regulated resource with strict rules and measures to ensure environmental flows are enabled prior to any water being used for irrigation purposes. This is the fundamental premise of the Basin Plan and compliance to this plan has continued.

The reality remains that the most significant impact on the Murray Darling Basin in the past two years is the continuing record drought, conditions never experienced before in 120 years. The Darling River which sources its flows from Queensland and New South Wales is dry. Therefore, no water is flowing from the Darling River into the Murray River.

### **Funds Management Opportunity**

Following up from our half year this activity will be driven on a deal by basis, as opposed to raising for a fund. We have not been able to source any deals in the past 6 months that stack up for us or we would recommend to investors. This remains a focus of our business but at present no activity to report.

### **Cattle Market and Livestock Financing**

This drought has also had considerable impact on the national beef cattle herd and particularly the proportion of female cattle, (being current and future breeders) being slaughtered. This means that the cattle supply equation is becoming increasingly tight as this year continues and coupled with ongoing strong demand for Australian beef and strong international pricing this is manifesting itself in a strong upward movement on cattle prices. The EYCI now trades 530 cents per kg, with market analysts expecting a move upward to 800 cents per kg over the next 12 months, (having previously reached just over 700 cents per kg in late 2016) if and when the drought breaks and re stocker demand also enters the market.

This would lead you to believe that sourcing debt funding options for this type of lending would be available at reasonable costs and we continue to seek out sources of capital to fund a lending book in this space. Realistically we require debt funding at the cost of 7% to 8% to enable us to be competitive and profitable in this space. This has yet to be forthcoming but discussions continue.

### **Cash Levels and Directors Fees**

Cash levels are now at \$250,000 which provides enough working capital for the next 12 months excluding paying director's fees. Therefore, in order to preserve cash, we have suspended all cash payments for Directors fees excluding superannuation contributions from July 1, 2019. In the absence of any future capital raising, the Directors have taken the step to accept shares as opposed to cash as remuneration for the period from July 1, 2019 to June 30, 2020. This resolution will be put to shareholders at our Annual General Meeting in October for your approval. We understand this is not a long-term solution to cashflow generation, however under the abnormal conditions of the drought and our lack of dividend income we believe this to be a prudent approach



for this period. We do envisage we will in the future, raise some new equity capital to help fund working capital and potentially an investment, and this current approach allows us the opportunity to take time to execute on that requirement.

## Summary

I wish to thank all the efforts, work and wise counsel and input of my fellow directors and our company secretaries for their contributions and continued quality input to our decision making. This was a year that started with promise but has been more difficult as the drought took grip. We are mindful we need to grow out of this phase and at the same time preserve shareholder value. We believe we are on this path which also requires a long- term approach.

Finally, the Board wishes to thank all our shareholders for your interest and support over the year and we look forward to reporting more progress soon.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'J. A. Jackson', with a long, sweeping horizontal line extending to the right.

James A Jackson  
**Executive Chairman**  
August 15, 2019

## DIRECTORS' REPORT

The Directors present their annual report on Australian Rural Capital Limited ("**the Company**") and its controlled entities ("**Group**" or "**Economic Entity**") for the financial year ended 30 June 2019.

### DIRECTORS

The names and details of the Directors of the Company in office at the date of this report are:

**James Andrew Jackson** (*Executive Chairman*) (*appointed 25 July 2014*)

James Jackson has background and experience in both capital markets and agribusiness. He worked for JB Were in Australia and SG Warburg & Co in both London and New York over a ten year period in Equity Capital Markets and Institutional Sales transacting with significant American and European institutional investors. He is now a company director and professional investor and was a director and Deputy Chairman of the ASX listed Elders Limited from 2014 to 2017 and MSF Sugar Limited (known formerly as The Maryborough Sugar Factory Ltd) from 2004 and Chairman from 2008 until the agreed takeover in 2012. This was during a period of significant growth and shareholder value creation for the company. The skills and expertise relevant to the position of director include a deep knowledge of agribusiness, financial risk management, strategic analysis and development and implementation of strategy and corporate governance. He has strong interest in agriculture and a large network in rural Australia and the capital markets. James holds a Bachelor of Commerce from the University of Queensland, completed the Program for Management Development at Harvard Business School and is a Fellow of the Australian Institute of Company Directors.

**Darren Anderson** (*Non-Executive Director*) (*appointed 5 June 2015*)

Darren Anderson has significant legal and commercial experience and expertise gained over a 30 year career to date. He is a partner of Brisbane legal firm Broadley Rees Hogan Lawyers and specialises in providing legal services to the property industry. He has particular expertise in major acquisitions and disposals in residential, industrial and rural property, structured property development, due diligence and property finance arrangements.

Darren brings extensive legal knowledge and background particularly in real property transactions, and the structuring of finance and due diligence. He has a good understanding of corporate governance, financial accounting and risk assessment.

He holds a Bachelor of Commerce and Bachelor of Laws (Second Class Honours) from the University of Queensland and is admitted as a Solicitor in the Supreme Court of Queensland.

**Wayne Massey** (*Executive Director*) (*appointed 14 December 2015*)

Wayne Massey has occupied a number of senior finance executive positions in the sugar industry since 1998, including a period as Chief Financial Officer of MSF Sugar Ltd from 2008 to 2012 (ASX listed until 2012). Wayne has experience in mergers and acquisitions, debt management and development of futures and currency capability. He has also held Director positions of unlisted Australian parent and subsidiary companies in the sugar industry in recent years and has been a Director of SMART, an Industry Superannuation Fund.

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (continued)

### COMPANY SECRETARY

**Mark Licciardo** B Bus(Acc), GradDip CSP, FGIA, FCIS, FAICD

#### *Experience and special responsibilities*

Mark Licciardo is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies.

Prior to establishing Mertons, Mark Licciardo was Company Secretary of the Transurban Group and Australian Foundation Investment Company Limited. Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mark Licciardo is a former Chairman of the Governance Institute Australia (GIA) in Victoria and the Melbourne Fringe Festival, a fellow of GIA, the Institute of Chartered Secretaries (CIS) and the Australian Institute of Company Directors (AICD) and a Director of ASX listed Frontier Digital Ventures Limited, Ensogo Limited and Mobilicom Limited as well as several other public and private companies.

**Adam Sutherland** (*joint company secretary resigned 7<sup>th</sup> May 2019*)

#### *Experience and special responsibilities*

Adam Sutherland is an experienced legal and corporate compliance officer and has supported senior legal and company secretarial executives with Crown Resorts Limited. He has expertise in corporate compliance obligations, including ASX and ASIC requirements.

Adam also assisted with the application and maintenance of local and international gaming licenses for Crown. Prior to Crown Resorts Limited, Adam was a member of the internal legal team at Crown Melbourne Limited. Adam is a current Company Secretary of various public and private companies.

### Interests in the Shares of the Company and Related Bodies Corporate

The relevant interests of each director in the share capital of the Company shown in the Register of Directors' Shareholding as at the date of this report is:

	<i>Ordinary Shares - (ARC)</i>	<i>ASX Listed Option -(ARCO)s</i>
Mr James Jackson	2,380,417	1,500,266
Mr Darren Anderson	344,905	229,788
Mr Wayne Massey	135,088	-

### PRINCIPAL ACTIVITIES

The group's primary activities are:

- (A) Equity investment – investment in rural and agricultural companies, securities, schemes and entities;
- (B) Funds management and financial services – operation of a wholesale funds management business.

Other than the re-focus of activity on investment in the rural and rural related area, there were no significant changes in the nature of the economic entity's principal activities during the financial year.

### RESULTS AND DIVIDENDS

The net loss after income tax for the financial year to 30 June 2019 was \$2,478,952 (2018: profit \$1,281,178). No dividends were paid or declared during the year.

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (continued)

### TRADING IN COMPANY SHARES

During the 12 months to 30 June 2019, the Company's shares traded in the following ranges:

<i>Quarter ending</i>	<i>High price</i>	<i>Low price</i>	<i>Closing price</i>	<i>Volume</i>
30 <sup>th</sup> September 2018	0.69	0.64	0.66	58,610
31 <sup>st</sup> December 2018	0.66	0.56	0.625	85,580
31 <sup>st</sup> March 2019	0.625	0.475	0.475	6,580
30 <sup>th</sup> June 2019	0.475	0.32	0.36	26,610

Source: ASX

### REVIEW OF OPERATIONS

A full review of operations is given on pages 2, 3 and 4 which include the Executive Chairman's Review.

### SIGNIFICANT EVENTS DURING THE YEAR

The Company continued to examine various new investments and funds management opportunities during the year.

### OPTIONS

At the date of this report, the unissued ordinary shares of Australian Rural Capital Limited under option are as follows:

<b>Grant Date</b>	<b>Date of Expiry</b>	<b>Exercise Price</b>	<b>Number under Option</b>
<b>31 July 2015</b>	<b>31 August 2020</b>	<b>\$0.50</b>	<b>7,930,863</b>
<b>4 August 2014</b>	<b>31 December 2020</b>	<b>\$0.70</b>	<b>450,000</b>
<b>11 November 2016</b>	<b>31 October 2019</b>	<b>\$0.70</b>	<b>133,333</b>
<b>11 November 2016</b>	<b>31 October 2020</b>	<b>\$0.70</b>	<b>133,334</b>

Option holders do not have any rights to participate in any issues of shares or other interests of the company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (continued)

### DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of a committee of Directors) attended by each of the Directors of the Company for the 12 months to 30 June 2019 was:

	Directors' Meetings held during period in office		Audit Committee Meetings held during period in office	
	No. of meetings eligible to attend #	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
James Jackson	6	6	2	2
Darren Anderson	7	7	2	2
Wayne Massey	7	7	2*	2*

# the Directors also assented to one written resolution during the year

\*In attendance ex-officio

### REMUNERATION REPORT (AUDITED)

#### (A) Key Management Personnel

The names and positions of key management personnel of the Company who have held office during the financial year are:

##### Directors

James Jackson	Executive Chairman
Darren Anderson	Non-Executive Director
Wayne Massey	Executive Director

#### (B) Directors Remuneration for the financial years ended 30 June 2019 and 30 June 2018

	Short-Term Benefits			Post Employment Benefits		Share Based Payments	
	Salaries & fees	Cash bonuses	Non Monetary Benefits	Super-annuation	Other	Options	Total
<b>2019</b>							
James Jackson	\$151,436	-	-	\$14,250	-	\$6,149	\$171,835
Darren Anderson	\$25,000	-	-	\$2,500	-	-	\$27,500
Wayne Massey	\$50,000	-	-	\$5,000	-	\$2,050	\$57,050
<b>TOTAL</b>	<b>\$226,436</b>	<b>-</b>	<b>-</b>	<b>\$21,750</b>	<b>-</b>	<b>\$8,199</b>	<b>\$256,385</b>
<b>2018</b>							
James Jackson	\$100,000	-	-	-	-	\$8,880	\$108,880
Darren Anderson	\$25,000	-	-	\$2,500	-	-	\$27,500
Wayne Massey	\$50,000	-	-	\$5,000	-	\$2,833	\$57,833
<b>TOTAL</b>	<b>\$175,000</b>	<b>-</b>	<b>-</b>	<b>\$7,500</b>	<b>-</b>	<b>\$11,713</b>	<b>\$194,213</b>

#### (C) Specified Executives Remuneration for the years ended 30 June 2019 and 30 June 2018

	Short-Term Benefits			Post Employment Benefits		Share Based Payments	
	Salaries & fees	Cash bonuses	Non Monetary Benefits	Super-annuation	Other	Options	Total
<b>2019 and 2018</b>							
There were no specified executives in the period from 1 July 2018 to 30 June 2019 and 1 July 2017 to 30 June 2018.							

## **DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (continued)**

### **REMUNERATION REPORT (AUDITED) (continued)**

#### **(D) Remuneration Policy**

The Non-Executive Directors annually review and recommend the remuneration packages of senior management. The payment of bonuses, options and other incentive payments are annually reviewed by the Non-Executive Directors as part of the review of Executive Directors and Specified Executives.

The Non-Executive Directors can exercise their discretion in relation to approving bonuses, options and incentives but will do so by reference to measurable performance criteria, and are able to seek independent advice on the appropriateness of remuneration packages.

The remuneration policy, which sets the terms and conditions for senior executives, was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the Board. Executives have historically received a base salary, superannuation, performance incentives and retirement benefits. Remuneration is reviewed annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed Companies and independent advice, but has regard to expected significant share ownership in the Company. The policy is designed to attract appropriate executives and reward them for performance that results in long-term growth in shareholder value.

As a result of an overall reduction in operations, some of the services to the Company are provided on an outsourced basis by third parties, including the provision of services of the Executive Chairman.

The current remuneration for Non-Executive Directors is set by resolution of shareholders at a maximum \$400,000 per annum in aggregate. This amount of remuneration includes all monetary and non-monetary components. There are no schemes for retirement benefits for Non-Executive Directors.

#### **(E) Service Agreements**

In July 2018, the Company signed an employment agreement with James Jackson, the key terms of which are payment of \$150,000 per annum payable monthly. In July 2016, the Company signed an agreement with Wayne Massey, the key terms of which are payment of \$50,000 per annum payable monthly.

#### **(F) Options held by Specified Directors and Specified Executives**

James Jackson was granted a total of 450,000 options by approval of a General Meeting held on 25 July 2014. These options vest in three tranches of 150,000 options on 25 July 2015, 25 July 2016 and 24 July 2017 providing Mr. Jackson remains in the employ of the Company. The options are exercisable at \$0.70 per share until 31 December 2020. The conditions for the issue of all three tranches of 150,000 options have been met, which means they have now vested and are held by Mr. Jackson.

On 11 November 2016, the company issued 400,000 unlisted options each exercisable into one new share of ARC at a price of \$0.70 per share as per the following table (300,000 to James Jackson and 100,000 to Wayne Massey);

Issue	Number of Options	Vesting Condition
Tranche 1	133,333	If ARC Share Price is \$0.80 by 31 October 2018 based on the VWAP for the month of October 2018
Tranche 2	133,333	If ARC Share Price is \$0.90 by 31 October 2019 based on the VWAP for the month of October 2019
Tranche 3	133,334	If ARC Share Price is \$1.00 by 31 October 2020 based on the VWAP for the month of October 2020

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (continued)

### REMUNERATION REPORT (AUDITED) (continued)

The options vest in three tranches of 133,333 on 31 October 2018, 31 October 2019 and 31 October 2020 providing James Jackson and Wayne Massey are still an employee of the company. The options relating to tranche 1 expired at 31 October 2018 and a transfer to account for this was made between the share based payments reserve and retained earnings of \$9,304.

#### (G) Shareholdings by Specified Directors and Specified Executives

Directors	Balance at 1/7/18	Received as Remuneration	Options Exercised	Net change – other	Balance at 30/6/19
James Jackson	2,380,417	-	-	-	2,380,417
Darren Anderson	344,905	-	-	-	344,905
Wayne Massey	135,088	-	-	-	135,088
TOTAL	2,860,410	-	-	-	2,860,410

#### (H) Performance of Australian Rural Capital Limited

The Company's initial aim of generating shareholder wealth through investment in micro-cap companies and financial services businesses has changed since 2009 mainly because of two investments in the wine sector proving problematic and thereby significantly reducing the Economic Entity's access to capital. Consequently, the Company returned capital to shareholders in the form of large fully franked dividends and capital returns, via distribution of underlying investments. In turn, this led to a high fixed cost base relative to capital investment and significant investment concentration of the Company's remaining capital, producing volatile returns. In July 2014, the Company refocused its investment strategy onto the rural, agricultural and related sectors. These factors ensured that the Company's share price has traded in the 50 cent range over the last 3 years. In the last 12 months the Company's investment in Namoi has decreased in value and this has resulted in a reduction in the share price during this period and is currently trading below 50 cents.

The table below shows the performance for the Company as measured by its share price, market capitalisation, distributions via dividends and capital returns and profit from all operations (discontinued or ongoing) over the last five financial years.

	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Share price (adjusted)	\$0.52	\$0.57	\$0.50	\$0.69	\$0.36
Market capitalisation (\$000's)	4,595	5,143	6,246	8,620	4,850
Dividends paid (\$000's)	-	-	-	-	-
Capital returns (\$000's)	-	-	-	-	-
Profit/(loss) for the year (\$000's)	(717)	263	(29)	1,281	(2,473)

**This concludes the Remuneration Report, which has been audited.**

#### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Pursuant to Access and Indemnity deeds signed by the parties when each Director was appointed, the Company has agreed to indemnify each Director against any liability incurred by being a Director of the Company and to pay all of the Directors reasonable defence costs in relation to any claim alleging any liability on the part of the Director as a result of being a Director of the Company. The Company has agreed to maintain Director's and Officers' Liability Insurance upon terms and conditions reasonably satisfactory to the Directors and to pay all reasonable or market premiums in respect to the insurance for a period of 7 years following the date when any Director ceases to be a Director of the Company. Under the terms of the policy, the Company is precluded from disclosing the details of premiums paid.



## **DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (continued)**

### **ENVIRONMENTAL REGULATION**

No significant environmental regulations apply to the economic entity.

### **CHANGES IN STATE OF AFFAIRS**

During the financial year, there was no significant change in the state of affairs of the economic entity other than those noted under significant events during the year.

### **PROCEEDINGS ON BEHALF OF THE COMPANY**

There are no material legal or other proceedings being made on behalf of the Company or against the Company as at the date of this report.

### **SUBSEQUENT EVENTS**

Nil.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Directors expect to continue to work towards enhancing the value of the investment in Namoi Cotton Cooperative Limited. The Company is also seeking to expand its funds management activities through the establishment of wholesale funds investing in selected agricultural assets as well as advising outside parties on the restructuring of agricultural company capital structures. The Directors have excluded information on the expected results of the economic entity since financial performance is partly reliant on gains from the sale of investment securities or mark to market adjustments, which inherently cannot be forecast. The Directors have budgeted cash operating costs of approximately \$225,000 from the normal operations of the Company, prior to the costs/benefits of any funds management expansion initiatives or dividend receipts.

### **NON AUDIT SERVICES**

During the year the Company's auditors performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Details of the amounts paid to the auditors of the Company for audit and non-audit services provided during the year are set out in Note 5 to the financial statements.

## **DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (continued)**

### **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is included on page 13.

Dated at Brisbane this 15th day of August 2019.

Signed in accordance with a resolution of the Board of Directors of Australian Rural Capital Limited

A handwritten signature in black ink, appearing to read 'J A Jackson', with a long, sweeping horizontal stroke extending to the right.

*J A Jackson - Chairman*

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*  
TO THE DIRECTORS OF AUSTRALIAN RURAL CAPITAL LIMITED  
AND ITS CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



Bentleys Brisbane (Audit) Pty Ltd  
Chartered Accountants



Stewart Douglas  
Partner  
Brisbane  
15 August 2019

## **FINANCIAL REPORT FOR THE YEAR TO 30<sup>th</sup> JUNE 2019**

**Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019**

**Statement of Financial Position as at 30 June 2019**

**Statement of Changes in Equity for the year ended 30 June 2019**

**Statement of Cash Flows for the year ended 30 June 2019**

### **NOTES:**

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**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED**  
**30 JUNE 2019**

		Economic Entity	
	Note	2019	2018
		\$	\$
<b>Continuing operations</b>			
Revenues	2	(2,032,889)	1,699,047
Other expenses	3A	(439,659)	(413,468)
Finance costs	4	(820)	(767)
Profit/(loss) before income tax		(2,473,368)	1,284,812
Income tax benefit	7	(5,584)	(3,634)
Profit/(loss) after income tax		(2,478,952)	1,281,178
Profit/(loss) attributable to non-controlling interests		-	-
Profit/(loss) after income tax and non-controlling interests		(2,478,952)	1,281,178
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income attributable to owners of Australian Rural Capital Limited		(2,478,952)	1,281,178
Basic earnings/(loss) (cents) per share from continuing operations	8	(19.8)	10.3
Diluted earnings/(loss) (cents) per share from continuing operations	8	(19.8)	6.3
Dividends (cents) per share	6	-	-

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	Economic Entity	
		2019	2018
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	9	282,154	452,379
Financial assets	10,14	4,714,888	7,004,977
Trade and other receivables	11	3,872	12,042
TOTAL CURRENT ASSETS		5,000,914	7,469,398
NON-CURRENT ASSETS			
Deferred tax assets	7B	6,146	11,730
Goodwill	25	7,709	7,709
TOTAL NON-CURRENT ASSETS		13,855	19,439
TOTAL ASSETS		5,014,769	7,488,837
CURRENT LIABILITIES			
Trade and other payables	15	40,125	51,765
TOTAL CURRENT LIABILITIES		40,125	51,765
TOTAL LIABILITIES		40,125	51,765
NET ASSETS		4,974,644	7,437,072
EQUITY			
Issued Capital	18A	20,003,935	19,995,610
Options Reserve	18B	387,303	388,118
Share based payments reserve	19	74,980	98,353
Accumulated Losses		(15,491,574)	(13,045,009)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF AUSTRALIAN RURAL CAPITAL LIMITED		4,974,644	7,437,072

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019**

<b>ECONOMIC ENTITY</b>	<b>Issued Capital \$</b>	<b>Share Based Payments Reserve \$</b>	<b>Options Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
<b>As at 30 June 2017</b>	<b>19,995,610</b>	<b>86,640</b>	<b>388,118</b>	<b>(14,326,187)</b>	<b>6,144,181</b>
Total comprehensive income for the year	-	-	-	1,281,178	1,281,178
Share based payments reserve	-	11,713	-	-	11,713
<b>As at 30 June 2018</b>	<b>19,995,610</b>	<b>98,353</b>	<b>388,118</b>	<b>(13,045,009)</b>	<b>7,437,072</b>
Total comprehensive income for the period	-	-	-	(2,478,952)	(2,478,952)
Share based payments reserve	-	8,199	-	-	8,199
Contribution of equity from listed options exercised	8,325	-	-	-	8,325
Unlisted options lapsed	-	(31,572)	-	31,572	-
Listed options exercised	-	-	(815)	815	-
<b>As at 30 June 2019</b>	<b>20,003,935</b>	<b>74,980</b>	<b>387,303</b>	<b>(15,491,574)</b>	<b>4,974,644</b>

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.



**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Economic Entity	
		2019	2018
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Payments to suppliers and employees		(434,030)	(407,011)
Purchases of investments		-	(878,666)
Proceeds from sale of investments		-	49,350
Dividends received		255,951	11,697
Interest received		349	17,443
Finance costs paid		(820)	(767)
<b>NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES</b>	<b>22 (A)</b>	<b>(178,550)</b>	<b>(1,207,954)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from equity issuance		8,325	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>8,325</b>	<b>-</b>
Net (decrease)/increase in cash held		(170,225)	(1,207,954)
Cash at the beginning of the financial year		452,379	1,660,333
<b>Cash at the end of the financial year</b>	<b>9</b>	<b>282,154</b>	<b>452,379</b>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

# AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been approved for issue by the Board of Directors of Australian Rural Capital Limited on 15 August 2019. The functional currency of the entity is measured using the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the economic entity's functional and presentation currency.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements cover the economic entity, consisting of Australian Rural Capital Limited and its subsidiaries and covers the financial year ended 30 June 2019. Australian Rural Capital Limited is a publicly listed entity, incorporated and domiciled in Australia.

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Group. The principal accounting policies adopted in the preparation of this financial report are set out below.

#### A. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ("AASB's"), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements also comply with International Financial Reporting Standards.

The Group is a "for-profit" entity, the principal activities of which during the financial year ended 30 June 2019 included 'equity investment' and 'funds management and financial services'. There were no significant changes in the nature of the group's activities during the financial year.

#### *Historical cost convention*

These financial statements have been prepared on an accruals basis and are based on historic costs as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

#### *Amendments to Accounting Standards*

In accordance with Corporations Amendment (Corporate Reporting Reform) Act 2010, the economic entity has dispensed with the inclusion of parent company accounts but discloses the requisite information for the parent company as per note 13.

#### B. Principles of Consolidation

##### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Rural Capital Limited ("company" or "parent entity") as at 30 June 2019 and the results of all subsidiaries for the year then ended. Australian Rural Capital Limited and its subsidiaries together are referred to in these financial statements as "group" or "the economic entity".

Subsidiaries are all those entities over which the economic entity has control. The economic entity controls an entity when the economic entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the economic entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the economic entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the economic entity.

Investments in subsidiaries are accounted for at the lower of cost or recoverable value in the individual financial statements of the parent entity.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**C. Operating Segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ("CODM"). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**D. Income Tax**

The income tax (expense) revenue for the year comprises current income tax (expense) income and deferred tax (expense) income.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax (liabilities) assets are therefore measured at the amounts expected to be (paid to) recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the financial year as well unused tax losses.

Current and deferred income tax (expense) benefit is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Australian Rural Capital Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as at 1 July 2003.

The wholly-owned entities have not compensated Australian Rural Capital Limited for deferred tax liabilities assumed by Australian Rural Capital Limited on the date of the implementation of the legislation.

**E. Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Net gain on investments are recognised when a contract note is issued in the case of a sale of shares or when a signed transfer agreement has been effected with the purchaser.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**F. Financial Instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component.

**Classification and subsequent measurement**

*Financial liabilities*

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

Financial guarantee contracts are initially measured at fair value (and if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance to AASB 9.3.25.3; and
- the amount initially recognised less accumulative amount of income recognised in accordance with the revenue recognition policies.

*Financial assets*

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

*Equity instruments*

At initial recognition, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investments will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

*Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

*Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which the Group elected to classify under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

**Impairment**

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amount due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss. Loss allowance is not recognised for:
  - financial assets measured at fair value through profit or loss; or
  - equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: *Financial Instruments*:

- the general approach;
- the simplified approach;
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

*General approach*

Under the general approach, at each reporting period, the Group assessed whether the financial instruments are credit impaired, and:

- if the credit risk of the financial instrument increased significantly since initial recognition, the Group measured the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- if there was no significant increase in credit risk since initial recognition, the Group measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

*Simplified approach*

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that result from transactions that are within the scope of AASB 15: *Revenue from Contracts with Customers*, and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of its customer base, appropriate groupings of its historical loss experience, etc).

*Recognition of expected credit losses in financial statements*

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

**G. Trade and Other Receivables**

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at the reporting date plus accrued interest and less, where applicable, any unearned income or provision for doubtful debts.

**H. Trade and Other Payables**

Accounts payable represent the principal amounts outstanding at the reporting date plus, where applicable, any accrued interest.

**I. Finance Costs**

Borrowing costs are expensed in the period in which they are incurred.

**J. Employee Benefits**

*Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised as current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

*Share based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees and directors.



**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

Equity-settled transactions are awards of shares, or options over shares that are provided to employees and directors in exchange for the rendering of services.

Share based payments are expensed over the period that the payments vest to the employee and directors with a corresponding increase in equity over the vesting period.

**K. Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, cash includes cash at bank and on hand and term deposits, offset by loans from a margin lending or overdraft facility.

**L. Goods and Services Tax**

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australia Taxation Office. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position. Cash flows in the Statement of Cash Flows are included on a gross basis. The GST component of cash flows arising from investing and financing activities that are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

**M. Contributed Equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the cost of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as part of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised in equity.

**N. Earnings Per Share**

*Basic earnings per share*

Basic earnings per share is determined by dividing net profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect if interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**O. Intangible Assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**P. Impairment of Non-Financial Assets**

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Q. Fair Value Measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

**R. Leases**

No assets have been acquired under finance leases.

Lease payments for operating leases or licence assignments, where substantially all the risks and benefits remain with the lessor or assignor, are charged as expenses on a straight line basis.

**S. Business Combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

**T. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**U. New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019.

The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).**

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The consolidated entity will adopt this standard from 1 July 2019 and based on preliminary assessment is not expected to have a material effect.

**V. Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

**W. New and Amended Accounting Policies Adopted by the Group**

**AASB 9 Financial Instruments and related amending Standards**

In the current year, the Group has applied AASB 9 *Financial Instruments* (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

**AASB 15 Revenue from Contracts with Customers and related amending Standards**

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

**AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions**

In the current year, the Group has applied AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions which is effective for an annual period that begins on or after 1 January 2018.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

	Economic Entity	
	2019	2018
	\$	\$
<b>2. REVENUES</b>		
Interest revenue	349	17,443
Dividend income	255,951	11,697
Change in fair value of investments retained	(2,290,089)	1,670,717
Miscellaneous Income	900	(810)
<b>TOTAL REVENUES</b>	<b>(2,032,889)</b>	<b>1,699,047</b>
<b>3. PROFIT/(LOSS) FOR THE YEAR</b>		
<b>(A) EXPENSES</b>		
Auditors remuneration – audit, audit review and accruals	31,600	31,000
Directors fees, employee benefits and costs	248,186	184,500
Share based payments	8,199	11,713
Legal Expenses	1,440	22,385
Office and occupancy expenses - other	12,000	12,000
Other expenses	138,234	151,870
<b>TOTAL EXPENSES EXCLUDING FINANCE COSTS</b>	<b>439,659</b>	<b>413,468</b>
<b>4. FINANCE COSTS</b>		
External	820	767
<b>Total finance costs</b>	<b>820</b>	<b>767</b>

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

	Economic Entity	
	2019	2018
	\$	\$

**5. AUDITORS REMUNERATION**

**Remuneration of the auditors of the parent entity for:**

Auditing and reviewing the financial statements	28,600	28,000
Audit of controlled entities	3,000	3,000
	<u>31,600</u>	<u>31,000</u>

**Non-audit services**

The auditors of the Company, Bentleys Brisbane (Audit) Pty Ltd, did provide non-audit related services to the Company. The Board of Directors in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the auditor for non-audit services provided during the relevant years:

	2019	2018
	\$	\$
Taxation services		
- Bentleys Brisbane (Audit) Pty Ltd	6,800	-

**6. DIVIDENDS AND FRANKING CREDIT BALANCES**

**Franking Credits**

Balance of franking account at the reporting date adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.

43,621	26,695
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No dividends were declared or paid in respect of the years ended 30 June 2019 or 30 June 2018.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

	<b>Economic Entity</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>7. INCOME TAX</b>		
<b>(A) INCOME TAX</b>		
The aggregate amount of income tax expense/(benefit) attributable to the year differs from the amount prima facie payable on the profit/(loss) from ordinary activities. The differences are reconciled as follows:		
Profit/(loss) before tax	(2,473,368)	1,284,812
Prima facie income tax expense/(benefit) on the profit/(loss) before income tax at 27.5% (2018: 27.5%)	(680,140)	353,323
<b>Add/(deduct) tax effect of:</b>		
Tax losses used/(not brought to account)	672,045	(357,729)
Prior year tax adjustment	5,391	-
Franking credits	6,033	5,013
Other permanent differences	2,255	-
Other timing differences	-	3,027
	<b>685,724</b>	<b>(349,689)</b>
Income tax (benefit)/expense attributable to entity	<b>5,584</b>	<b>3,634</b>

The effective tax rate of 0% (2018: 0%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2018: not to bring to account tax losses) in respect of the current year.

**Income tax benefit/(expense) is made up of:**

Deferred tax	(5,584)	(3,634)
	<b>(5,584)</b>	<b>(3,634)</b>

**(B) DEFERRED TAX ASSETS**

**Deferred tax assets comprise:**

Temporary differences – accruals	6,146	11,730
	<b>6,146</b>	<b>11,730</b>

**(C) RECONCILIATIONS**

**The overall movement in the deferred tax account is as follows:**

Opening balance	11,730	15,364
(Debit) to statement of profit or loss and other comprehensive income	(5,584)	(3,634)
Closing balance	<b>6,146</b>	<b>11,730</b>

**(D) DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT**

As at 30 June 2019, the economic entity had estimated unrecouped operating income tax losses of \$12,818,365 (2018: \$10,285,438) which are not presented on the Statement of Financial Position. The benefit of these losses has not been brought to account as realisation is not probable. The benefit will only be obtained if:

- (i) the companies derive future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (ii) the companies continue to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the companies in realising the benefit from the deductions for the losses.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

	Economic Entity	
	2019	2018
	\$	\$
<b>8. EARNINGS PER SHARE</b>		
<b>Continuing operations</b>		
Earnings used in the calculation of basic EPS	(2,478,952)	1,281,178
Earnings used in the calculation of diluted EPS	(2,478,952)	1,281,178
Weighted average number of ordinary shares outstanding during the year used in calculation of EPS:		
basic EPS	12,503,190	12,492,090
diluted EPS	12,503,190	20,422,953
Basic earnings/(loss) per share (cents)	(19.8)	10.3
Diluted earnings/(loss) per share (cents)	(19.8)	6.3

**9. CASH AND CASH EQUIVALENTS**

Cash on hand and at bank	282,154	452,379
Net cash and cash equivalents as per Statement of Cash Flows	282,154	452,379

**10. FINANCIAL ASSETS (CURRENT)**

**Fair value through profit or loss:**

Listed investments at fair value		
- shares in listed corporations (note 14, 26F)	4,714,888	7,004,977
TOTAL	4,714,888	7,004,977

**11. TRADE AND OTHER RECEIVABLES**

**CURRENT**

Other debtors and receivables	3,872	12,042
	3,872	12,042

**12. CONTROLLED ENTITIES**

	Country of Incorporation	Percentage Owned	
		2019	2018
<b>Parent Entity:</b>			
Australian Rural Capital Limited	Australia		
<b>Controlled Entities of Australian Rural Capital Limited:</b>			
ARC Agrivest Limited*	Australia	100%	100%
Australian Rural Capital Management Pty. Limited	Australia	100%	100%

\* Formerly ARC Investor Limited, change in company name occurred on 16/4/2018



**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

	Economic Entity	
	2019	2018
	\$	\$
<b>13. PARENT ENTITY INFORMATION</b>		
Information relating to the parent entity, Australian Rural Capital Limited:		
Current Assets	4,977,408	7,440,047
Total Assets	5,020,138	7,479,143
Current Liabilities	40,216	51,857
Total Liabilities	40,216	51,857
Issued Capital	20,003,935	19,995,610
Share Based Payments Reserve	74,980	98,353
Options Reserve	387,303	388,118
Accumulated Losses	(15,486,294)	(13,054,492)
Total Shareholders' Equity	4,979,924	7,427,589
Profit/(Loss) of the parent entity	(2,473,106)	1,286,892
Total comprehensive income of the parent entity	(2,473,106)	1,286,892

As at 30 June 2019 and 30 June 2018, the parent entity had not entered into any guarantees in relation to the debts of its subsidiaries, nor had entered into any contractual commitments for the acquisition of property, plant or equipment.

**14. FINANCIAL ASSETS**

The Economic Entity's shares in listed corporations include the following interests which account for over 5% of the Economic Entity's shareholders' funds or 5% of the investee company's issued capital:

Namoi Cotton Co-operative Limited		
<i>Principal activity is cotton ginning and marketing</i>		
9.6% interest in Namoi Cotton Co-operative Limited (2018: 10.1%)	4,714,888	7,004,977

**15. TRADE AND OTHER PAYABLES**

**CURRENT (UNSECURED)**

Trade creditors	5,686	20,465
Other creditors and accruals	28,997	25,858
Other payables	5,442	5,442
	40,125	51,765

**16. BORROWINGS**

At any time from 30 June 2018 to 30 June 2019, Australian Rural Capital Limited had no borrowings.

**17. CONTINGENT LIABILITIES**

The Economic Entity has no outstanding contingent liabilities (2018: nil).

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

Economic Entity	
2019	2018
\$	\$

**18. ISSUED CAPITAL**

12,508,740 fully paid authorised ordinary shares  
(2018: 12,492,090)

20,003,935 19,995,610

**Terms and conditions of contributed equity:**

Ordinary shares have no par value. Ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The voting rights attached to the ordinary shares at a general meeting of shareholders are such that on a show of hands every member present (in person or by proxy) shall have one vote and on a poll one vote for each share held.

**MOVEMENT IN ISSUED SHARES OF THE PARENT ENTITY FOR THE YEAR**

**(A) ORDINARY SHARES**

Date	Details	Number of shares	\$
1 July 2018	Opening balance	12,492,090	19,995,610
12 November 2018	Listed options exercised	16,650	8,325
30 June 2019	Closing balance	12,508,740	20,003,935

**(B) LISTED OPTIONS (ASX: ARCO) EXERCISABLE AT \$0.50 PER SHARE BY 31 AUGUST 2020**

Date	Details	Number of Options	Option Reserve \$
1 July 2018	Opening balance	7,930,863	388,118
12 November 2018	Listed options exercised	(16,650)	(815)
30 June 2019	Closing balance	7,914,213	387,303

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**19. SHARE BASED PAYMENTS RESERVE**

**Executive Remuneration**

On 4 August 2014, the company issued 450,000 options each exercisable into one new share of ARC at a price of 70c per share before 31 December 2020 to the Executive Chairman, James Jackson. The options vest in three tranches of 150,000 on 25 July 2015 (now vested), 25 July 2016 and 24 July 2018 providing James Jackson is still an employee of the company. These options had a fair value at the grant date of 12.75c per option. The conditions for the issue of all three tranches of 150,000 options have been met, which means they have now vested and are held by Mr. Jackson. The cost of the options has been amortised over the relevant period to full vesting and equated to \$0 for the period ending 30 June 2019 (2018: \$383).

On 11 November 2016, the company issued 400,000 unlisted options each exercisable into one new share of ARC at a price of \$0.70 per share as per the following table (300,000 to James Jackson and 100,000 to Wayne Massey);

Issue	Number of Options	Vesting Condition
Tranche 1	133,333	If ARC Share Price is \$0.80 by 31 October 2018 based on the VWAP for the month of October 2018
Tranche 2	133,333	If ARC Share Price is \$0.90 by 31 October 2019 based on the VWAP for the month of October 2019
Tranche 3	133,334	If ARC Share Price is \$1.00 by 31 October 2020 based on the VWAP for the month of October 2020

The options vest in three tranches of 133,333 on 31 October 2018, 31 October 2019 and 31 October 2020 providing James Jackson and Wayne Massey are still an employee of the company. These options had a fair value at the grant date of 8c per option. The cost of the options is amortised over the relevant period to full vesting and equated to \$8,199 in the period to 30 June 2019 (2018: \$11,330). The options relating to tranche 1 expired at 31 October 2018 and a transfer to account for this was made between the share based payments reserve and retained earnings of \$9,304.

**Advisory Services**

On 4 August 2014, the company issued 240,000 options each exercisable into one new share of ARC at a price of 70c per share before 31 December 2018 to Baron Partners Limited. The options fully vested upon issue. These options had a fair value at the grant date of 9.28c per option. The cost of the options of \$22,268 were fully expensed in the period ended 30 June 2015. These options expired at 31 December 2018 and a transfer to account for this was made between the share based payments reserve and retained earnings of \$22,268.

Set out below are summaries of options movements during the current reporting period:

Grant Date	Expiry Date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/ other	Balance at the end of the year
4/8/2014	31/12/2020	0.70	450,000	-	-	-	450,000
4/8/2014	31/12/2018	0.70	240,000	-	-	(240,000)	-
11/11/2016	31/10/2021	0.70	400,000	-	-	(133,333)	266,667

Weighted average exercise price	0.70	-	-	-	0.70
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The weighted average share price during the financial year was \$0.59 (2018: \$0.65)

The weighted average remaining contractual life of unlisted options outstanding at the end of the financial year was 0.95 years (2018: 1.95 years).

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**20. KEY MANAGEMENT PERSONNEL**

The names and positions held by Key Management Personnel of the economic entity who have held office during the financial year are:

**Directors**

James Jackson	Chairman - Executive
Darren Anderson	Director – Non-Executive
Wayne Massey	Director – Executive

**Compensation**

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	226,436	175,000
Post-employment benefits	21,750	7,500
Share based payments	8,193	11,713
	<b>256,385</b>	<b>194,213</b>

**Shareholding**

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	<b>Balance at start of the year</b>	<b>Received as part of remuneration</b>	<b>Additions</b>	<b>Disposals / other</b>	<b>Balance at the end of the year</b>
<b>2019</b>					
<i>Ordinary shares</i>					
James Jackson	2,380,417	-	-	-	2,380,417
Darren Anderson	344,905	-	-	-	344,905
Wayne Massey	135,088	-	-	-	135,088
	<b>2,860,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,860,410</b>
<b>2018</b>					
<i>Ordinary shares</i>					
James Jackson	2,380,417	-	-	-	2,380,417
Darren Anderson	344,905	-	-	-	344,905
Wayne Massey	135,088	-	-	-	135,088
	<b>2,860,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,860,410</b>

**Related party transactions**

Related party transactions are set out in note 24.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**21. CAPITAL AND LEASING COMMITMENTS**

**(A) OPERATING LEASE COMMITMENTS**

The Economic Entity has no outstanding operating lease commitments (2018: nil).

**(B) CAPITAL COMMITMENTS**

The Economic Entity has no outstanding capital commitments (2018: nil).

**(C) SUPERANNUATION**

The Company contributes superannuation payments on behalf of directors of the economic entity in accordance with prescribed Government legislation. The Company is not committed to funding any shortfall in the earnings of any of the individual superannuation funds.

	<b>Economic Entity</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<hr/>		
<b>22. CASH FLOW INFORMATION</b>		
<b>(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX</b>		
Operating profit/(loss) after income tax	(2,478,952)	1,281,178
<b>Cash flows excluded from profit/(loss) attributable to operating activities:</b>		
Purchases of investments	-	(878,666)
Proceeds from sales of investments	-	49,350
<b>Non cash flows in operating profit/(loss):</b>		
Change in fair value of investments retained	2,290,089	(1,670,717)
Loss on sale of investments and derivatives	-	810
Share based payments	8,199	11,713
<b>Changes in assets and liabilities net of acquisitions:</b>		
(Increase)/decrease in deferred tax balances	5,584	3,634
(Increase)/decrease in sundry debtors & prepayments	8,170	(3,673)
(Decrease)/increase in trade creditors & accruals	(11,640)	(1,583)
<b>Cash flows (used in)/provided by operations</b>	<b>(178,550)</b>	<b>(1,207,954)</b>

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**23. EVENTS SUBSEQUENT TO REPORTING DATE**

There are no events subsequent to the reporting date.

**24. RELATED PARTY INFORMATION AND TRANSACTIONS**

**Ultimate Controlling Entity**

The ultimate controlling entity of the economic entity is Australian Rural Capital Limited (refer notes 12 and 13).

**Key management personnel remuneration**

During the financial year, total remuneration of \$256,385 (2018: \$194,213) was paid to Directors and key management personnel by the economic entity, including partially owned controlled entities. Details of the payments and shareholdings in Australian Rural Capital Limited of Directors and key management personnel are shown in the Remuneration Report contained as part of the Directors Report on pages 5 – 12 of this Financial Report.

**Australian Rural Capital Limited transactions with controlled entities**

During the financial year, Australian Rural Capital Limited advanced and repaid loans, sold and purchased goods and services, and provided management, accounting and administrative assistance to its controlled entities. At 30 June 2019, the parent was owed from controlled entities \$24,775 (2018: owed \$19,180). All loans advanced to and from these controlled entities are unsecured, subordinate to other liabilities and do not bear interest. Loans between members of the tax consolidated group are not on normal terms and conditions.

No dividends were received from controlled entities in either of the periods to 30 June 2019 or 30 June 2018.

**Other related party transactions**

In the year to 30 June 2019, the Company paid Broadley Rees Hogan ("BRH") total invoices, including GST, of \$2,392 in respect of legal advice and related disbursements. Darren Anderson, a Director of the Company is a Partner of BRH. All fees and charges rendered by BRH were on commercial terms or more advantageous to the Company and were approved by Directors other than Darren Anderson.

In the year to 30 June 2019, the Company paid BRH \$11,000, including GST, in respect of licence fees for space within the BRH Brisbane offices. The Company has a licence, cancellable at one months' notice, to maintain an office within the BRH space for a fee of \$1,000 per month + GST.

At 30 June 2019, the parent owed BRH \$0 (2018: \$14,779).

**25. INTANGIBLE ASSETS**

In 2015, ARC acquired 100% of the issued capital of Australian Rural Capital Management Pty. Limited (**ARCM**) at a premium of \$7,709 to net asset value. This amount is recognised as Goodwill within the consolidated financial statements.

## **26. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT**

The economic entity undertakes transactions in a range of financial instruments including:

- listed shares and equity type securities in other corporations;
- cash assets;
- receivables;
- payables;
- deposits; and
- bills of exchange and commercial paper.

As a consequence, the Economic Entity is exposed to a number of financial risks. The Directors believe that these risks fall into two categories:

- “largely controllable risks” including interest rate risk, credit risk, and liquidity and operational risks; and
- “partly controllable risks” mainly arising from financial market risk.

We seek to sensibly mitigate the controllable risks but recognise that our financial performance is likely to be highly volatile as a result of “mark-to-market” accounting conventions, and the economic entity’s portfolio of investments in agribusiness related companies, which may be influenced by global soft commodity markets, currency fluctuations or weather related factors.

The Board provides overall guidance in respect of risk management, mainly in the areas of approving individual security investments, and providing advice and guidance in respect of the economic entity’s debt financing of its activities. The economic entity generally does not enter into derivative contracts as part of its day to day business, and has no major necessity to hedge specific exposures, given its relatively simple debt and equity financing structures and lack of overseas assets and liabilities.

### **(A) CAPITAL RISK MANAGEMENT**

We aim to manage equity and debt capital in order to provide returns for shareholders, whilst maintaining the Economic Entity’s ability to pay its debts as and when they come due. As a smaller corporation, there is limited ability to manage the overall cost of capital, since equity capital may not always be accessible, and if so, only at significant theoretical cost. These costs may result in significant dilution to existing shareholders percentage interest in the economic entity.

In addition, the supply of debt capital is also not always assured as a result of the economic entity’s requirements to use major commercial banks. Since the economic entity’s business is of a specialist nature, commercial banks may not always be willing to lend to support its activities or may do so on terms which are highly constraining. These constraints include not only the price of available credit – referenced by its margin over market based bank bill rates – but also the variable nature of covenants required to be observed by the economic entity.

To manage overall capital risks, it may be necessary for the Board of Directors to adjust the level of dividends paid to shareholders, return capital to shareholders or issue new shares. Capital is monitored on an overall basis, although in the past has had to be done so with an emphasis on maintaining access to debt facilities made available to the economic entity. These have historically required the economic entity to maintain stipulated ratios of total liabilities to total tangible assets, minimum net worth (in dollar terms), restricted the ability to pay dividends in certain circumstances, and required that a parcel of securities be lodged with the economic entity’s debt financier. The economic entity fully repaid facilities which required maintenance of such criteria on 14 July 2010, although it has utilised overdraft facilities, from time to time, since that date.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**26. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)**

**(B) LARGELY CONTROLLABLE RISKS – INTEREST RATE RISK AND EXPOSURES**

**Interest rate risk** refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets, such as interest bearing bank accounts. Historically, our interest rate liability risk arose primarily from drawdowns of bank accepted bills with a maximum of 180 days duration.

At current interest rates, over the course of a full year, an increase of 100 basis points in borrowing rates with an accompanying change in deposit rates would reduce pre-tax loss by \$4,525 (2018: increase pre-tax profit by \$10,969).

Interest rate risk is not specifically managed since the economic entity has no fixed balance sheet inflow/outflow requirements which would require complex asset-liability management, and the maximum 180 day bill accepted drawdown nature of the previous facility inhibited such a requirement. Given the equity nature of the economic entity's investments, the Directors believe that any increases in the costs of debt finance could be mitigated by the sale of equity investments.

The following table summarises interest rate risk, for the economic entity with weighted average interest rates at reporting date:

	Interest Rate	Fixed Interest Rate \$	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
<b>ECONOMIC ENTITY 2019</b>					
<b>Financial assets:</b>					
Cash and cash equivalents	0.05%	-	282,154	-	282,154
Trade and other receivables	-	-	-	3,872	3,872
Investments	-	-	-	4,714,888	4,714,888
		-	282,154	4,718,760	5,000,914
<b>Financial Liabilities:</b>					
Trade and other payables	-	-	-	40,125	40,125
		-	-	40,125	40,125
<b>Net Financial Assets</b>		-	282,154	4,678,635	4,960,789
<b>ECONOMIC ENTITY 2018</b>					
<b>Financial assets:</b>					
Cash and cash equivalents	0.05%	-	452,379	-	452,379
Trade and other receivables	-	-	-	12,042	12,042
Investments	-	-	-	7,004,977	7,004,977
		-	452,379	7,017,019	7,469,398
<b>Financial Liabilities:</b>					
Trade and other payables	-	-	-	51,765	51,765
		-	-	51,765	51,765
<b>Net Financial Assets</b>		-	452,379	6,965,254	7,417,633



**26. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL RISK MANAGEMENT (continued)**

**(C) LARGELY CONTROLLABLE RISKS – CREDIT RISK**

**Credit risk** is the risk that a contracting entity will not complete its obligations under an agreement or financial instrument and cause us to incur a financial loss. We have exposure to credit risk on various financial assets included in our statement of financial position.

The economic entity's major theoretical credit risk relates to its exposure to sold securities transactions where Members of ASX Limited are required to settle such transactions in the normal course of business on the Australian Securities Exchange. Members of ASX Limited are generally covered by the National Guarantee Fund for the types of transactions entered into by the Economic Entity. To help manage this risk, we monitor our exposures to individual entities. The maximum amount to which the economic entity is exposed as at 30 June 2019 is \$nil (2018: \$nil).

The economic entity is also exposed to credit risk through bank deposits and other simple money market instruments. These risks are managed by the economic entity placing short term deposits and bills only with highly rated major domestic commercial banks.

**(D) LARGELY CONTROLLABLE RISKS – OPERATIONAL AND LIQUIDITY RISK**

**Liquidity risk** includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the due date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial asset at all.

To help mitigate these risks we maintain constant monitoring of the economic entity's financial position through a series of cross-linked financial programs and attempt to ensure the economic entity has accessible liquidity in the form of cash and readily saleable securities. The contracted cash flows of all financial liabilities (refer note 16) are equal to their carrying value and will mature within twelve months of the reporting date.

**(E) PARTLY CONTROLLABLE RISKS – FINANCIAL MARKET AND SECURITIES RISK**

**Financial market risk** is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. In the main, this occurs due to the economic entity's investments in listed ordinary shares whose share prices can fluctuate significantly over short periods of time.

The Board of Directors regard financial market risk as being only partly controllable, since investing in ordinary shares is an inherent component of the economic entity's activities, from which it seeks to profit. The economic entity is subject to significant risks which it is largely unable to control as a result of investing in smaller companies.

Investments in these companies are subject to more volatile price fluctuations as a result of:

- illiquidity of trading in the investee company's securities;
- potential proprietary conflict from large shareholdings owned by management or Directors;
- concentration of major shareholdings, which can lead to extreme negative fluctuations in share prices when single investors seek to sell their securities in the investee company, irrespective of the business performance of the investee;
- lack of diversification of business activities of the investee company, rendering the investee susceptible to volatility within a single industry; and
- non-voting or restricted voting securities or other restrictive mechanisms enshrined in investee constitutions.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**26. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)**

In respect of individual securities, the Board of Directors monitors and approves significant exposures to individual securities, other than controlled entities. In addition, the inherent risks of significant exposures to individual entities are, on occasion, partly mitigated by board representation on the investee company. Due to the nature of securities owned, there is limited correlation with traditional stock market indices.

In the event that the listed company portfolio increased or decreased in value by 10% from the levels of 30 June 2019, there would be a corresponding positive or negative impact on pre-tax profit/(loss) of \$ 471,489 (2018: \$700,498).

**(F) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

As of 1 July 2009, the group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	4,714,888	-	-	4,714,888
TOTAL	4,714,888	-	-	4,714,888
30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	7,004,977	-	-	7,004,977
TOTAL	7,004,977	-	-	7,004,977

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used):

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**26. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)**

**(F) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)**

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2019	30 June 2018				
Held for trading non-derivative financial assets (see notes 10, 14)	Listed Australian equity securities: Agricultural industry - \$4,714,888	Listed Australian equity securities: Agricultural industry - \$7,004,977	Level 1	Quoted bid prices in an active market	N/A	N/A
Held for investment non-derivative financial assets	Unlisted Australian equity security: biotechnology industry - \$nil	Unlisted Australian equity security: biotechnology industry - \$nil	Level 2	Directors' valuation adjustments to Observable prices in private transactions	N/A	N/A

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Other data on net fair values of assets and liabilities is presented in notes 10 and 14 to the financial statements.

**(G) RECONCILIATION OF NET FINANCIAL ASSETS TO NET ASSETS**

	Economic Entity	
	2019	2018
	\$	\$
Net Financial Assets as above	4,714,888	7,417,633
<b>Non financial assets and liabilities:</b>		
Deferred tax assets	6,146	11,730
Goodwill	7,709	7,709
Net assets per balance sheet	4,728,743	7,437,072

**27. COMPANY DETAILS**

The Registered Office and Principal Place of Business of the Economic Entity is c/- Broadley Rees Hogan, Level 24, 111 Eagle Street, BRISBANE, QLD 4000.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

**28. SEGMENT REPORTING**

The Economic Entity has two reportable segments, which both solely operate in one geographic segment, being Australia. Segment results, assets and liabilities include items directly attributable to a segment. Information about each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Executive Chairman, who is also the chief operating decision maker.

Segment profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of each operating segment. The reportable segments are as follows:

**Funds management:** management of investment vehicles and provision of funds management services.

**Investment:** investment in agriculture related entities, schemes and securities; "microcap" Australian companies, and other financial services entities.

	<b>Funds</b>			
	<b>Management</b>	<b>Investment</b>	<b>Unallocated</b>	<b>TOTAL</b>
<b>2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
External revenue	-	(2,033,238)	-	(2,033,238)
Interest revenue	-	349	-	349
Expenses other than finance, depreciation and amortisation	(5,713)	-	(434,766)	(440,479)
SEGMENT RESULT	(5,713)	(2,032,889)	(434,766)	(2,473,368)
Finance Costs	-	-	-	-
PROFIT/(LOSS) BEFORE INCOME TAX	(5,713)	(2,032,889)	(434,766)	(2,473,368)
Income tax expense	-	-	(5,584)	(5,584)
PROFIT/(LOSS) AFTER INCOME TAX	(5,713)	(2,032,889)	(440,350)	(2,478,952)
Segment Assets	49,768	4,948,145	16,856	5,014,769
Segment Liabilities	240	-	39,885	40,125
Capital Expenditure	-	-	-	-
	<b>Funds</b>			
	<b>Management</b>	<b>Investment</b>	<b>Unallocated</b>	<b>TOTAL</b>
<b>2018</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
External revenue	-	1,681,604	-	1,681,604
Interest revenue	-	17,443	-	17,443
Expenses other than finance, depreciation and amortisation	(5,713)	-	(408,516)	(414,229)
SEGMENT RESULT	(5,713)	1,699,047	(408,516)	1,284,818
Finance Costs	-	-	(6)	(6)
PROFIT/(LOSS) BEFORE INCOME TAX	(5,713)	1,699,047	(408,522)	1,284,812
Income tax expense	-	-	(3,634)	(3,634)
PROFIT/(LOSS) AFTER INCOME TAX	(5,713)	1,699,047	(412,156)	1,281,178
Segment Assets	52,376	7,407,470	28,991	7,488,837
Segment Liabilities	240	-	51,525	51,765
Capital Expenditure	-	-	-	-

## AUSTRALIAN RURAL CAPITAL LIMITED

### DIRECTORS DECLARATION

In accordance with a resolution of the Board of directors of Australian Rural Capital Limited, we declare that:

- (a) The financial statements and notes of the Economic Entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Economic Entity's financial position as at 30 June 2019 and of its performance for the year ended on that date;
  - (ii) complying with Accounting Standards and Corporations Regulations; and
  - (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and
- (b) In the opinion of the directors, there are reasonable grounds to believe that the Economic Entity will be able to pay its debts as and when they become due and payable.
- (c) The Managing Director has declared that:
  - (i) the financial records of the Economic Entity for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (iii) the financial statements and notes for the financial year give a true and fair view.
- (d) The remuneration disclosures that are contained in pages 8 to 10 of the Directors' Report comply with Australian Accounting Standard AASB 124 Related Parties and Corporations Regulations 2001.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'J A Jackson', with a long horizontal flourish extending to the right.

J A Jackson  
Chairman

Date: 15 August 2019

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN RURAL CAPITAL LIMITED



### Opinion

We have audited the financial report of Australian Rural Capital Limited (the Company and its controlled entities (the "Group")), which comprises the consolidated statement of financial position as at 30 June 2019 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration.

In our opinion the consolidated financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Australian Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF AUSTRALIAN RURAL CAPITAL LIMITED  
(Continued)**



**Key Audit Matters (continued)**

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Share Based Payments</b></p> <p>As disclosed in Note 19 in the financial statements, during the year ended 30 June 2019, the Company incurred share based payments totaling \$8,199.</p> <p>Share based payments are considered to be a key audit matter due to:</p> <ul style="list-style-type: none"> <li>- the value of the transactions;</li> <li>- the complexities involved in recognition and measurement of these instruments; and</li> <li>- the judgement involved in determining the inputs used in the valuation.</li> </ul> <p>Management engaged an external valuer to determine the fair value of the options granted. This process involved significant estimation and judgement required to determine the fair value of the equity instruments granted.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> <li>- Analysing contractual agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with AASB 2 Share Based Payments;</li> <li>- Evaluating the Monte Carlo valuation model used by the external valuer and assessing the assumptions and inputs used;</li> <li>- Assessing the adequacy of the disclosures included in Note 19 to the financial report.</li> </ul>

**Other Required Information**

The directors are responsible for the other required information. The other required information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF AUSTRALIAN RURAL CAPITAL LIMITED  
(Continued)**



**Responsibilities of the Directors for the Financial Report**

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

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

**Auditor's Responsibilities for the Audit of the Financial Report**

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF AUSTRALIAN RURAL CAPITAL LIMITED  
(Continued)**



**Auditor's Responsibilities for the Audit of the Financial Report  
(continued)**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 8 to 10 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Australian Rural Capital Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Bentleys Brisbane (Audit) Pty Ltd  
Chartered Accountants

Stewart Douglas  
Director  
Partner  
15 August 2019

## AUSTRALIAN RURAL CAPITAL LIMITED.

### OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2019

#### A. Range of Shares Issued as at 6 August 2019

As at 6 August 2019 there were 12,508,740 ordinary shares held by 424 shareholders, all of which were quoted on the ASX.

Range	Holders	Shares held	% of capital
1-1,000	300	47,285	0.38
1,001-5,000	43	109,763	0.88
5,001-10,000	15	131,560	1.05
10,001-100,000	39	1,740,457	13.91
100,001-9,999,999,999	27	10,479,675	83.78
<b>Totals</b>	<b>424</b>	<b>12,508,740</b>	<b>100.000</b>

There are 276 shareholders owning a total of 31,601 shares who own unmarketable parcels of the Company's securities.

#### B. Top Twenty shareholders as at 6 August 2019

Holder	Shares held	% of capital
Federal Pacific Holdings Pty Ltd	1,193,434	9.54%
Mistover Pty Ltd <Mistover A/C>	1,174,825	9.39%
Agrico Investments Pty Limited	1,024,368	8.19%
E R Nixon Pty Ltd <ER Nixon Retirement Fund A/C>	1,000,000	7.99%
Agrico Pty Ltd <Palm Super Fund A/C>	630,745	5.04%
Poal Pty Ltd <Barain Super Fund A/C>	521,164	4.17%
Abron Management Services Pty Limited <Brown Family Super Fund A/C>	490,750	3.92%
Pethol (Vic) Pty Ltd <Macdy No 5 Super Fund A/C>	472,809	3.78%
Andrew Adcock Investments Pty Ltd <Adcock Family S/F A/C>	405,264	3.24%
Datala Investments Pty Ltd <Deep North Securit S/F A/C>	344,905	2.76%
P K Capital Pty Ltd	311,500	2.49%
Citicorp Nominees Pty Limited	272,896	2.18%
Kanumera Investments Pty Ltd <Mac Super Fund A/C>	250,000	2.00%
East 72 Investments Pty Ltd	240,188	1.92%
Stiletto Investments Pty Ltd	240,000	1.92%
Rombola Superannuation Pty Ltd <Rombola Super Fund A/C>	200,000	1.60%
Ract Super Pty Ltd <Rand Superannuation A/C>	200,000	1.60%
Mr Andrew Alexander Adamovich	200,000	1.60%
Clapsy Pty Ltd <Baron Super Fund A/C>	186,046	1.49%
Crommo Pty Ltd	185,850	1.49%
<b>TOTAL TOP TWENTY SHAREHOLDERS</b>	<b>9,544,744</b>	<b>76.31</b>

#### C. Voting Rights

Shareholders are entitled to one vote for each share held. On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll, every shareholder so present shall have one vote for every share held.

## OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2019 (CONTINUED)

### D. Top Twenty listed option holders as at x August 2019

Holder	Options held	% of class
Federal Pacific Holdings Pty Ltd	836,166	10.57%
Agrico Investments Pty Limited	782,469	9.89%
Poal Pty Ltd <Barain Super Fund A/C>	776,473	9.81%
Mistover Pty Ltd <Mistover A/C>	656,000	8.29%
E R Nixon Pty Ltd <ER Nixon Retirement Fund A/C>	637,200	8.05%
Agrico Pty Ltd <Palm Super Fund A/C>	473,121	5.98%
P K Capital Pty Ltd	420,000	5.31%
T B I C Pty Ltd <Crommelin Family Account>	322,400	4.07%
Pethol (Vic) Pty Ltd <Macdy No 5 Super Fund A/C>	315,002	3.98%
Abron Management Services Pty Limited <Brown Family Super Fund A/C>	280,375	3.54%
Andrew Adcock Investments Pty Ltd <Adcock Family S/F A/C>	270,000	3.41%
Datala Investments Pty Ltd <Deep North Securit S/F A/C>	229,788	2.90%
Baron Nominees Pty Limited	200,000	2.53%
Mr Austin Sydney Miller	189,172	2.39%
Daved Investments Pty Ltd <The Brown Super Fund A/C>	120,000	1.52%
HSBC Custody Nominees (Australia) Limited	113,364	1.43%
Stiletto Investments Pty Ltd	104,526	1.32%
Mitchelldangar Pty Ltd	100,000	1.26%
Brian T Donnellan Pty Ltd <BT Donnellan Super Fund A/C>	100,000	1.26%
Pilrift Pty Limited <Crichley Ret Fund A/C>	90,000	1.14%
<b>TOTAL TOP TWENTY SHAREHOLDERS</b>	<b>7,016,056</b>	<b>88.65</b>

### E. Substantial Shareholders

The company has received the following substantial holder notices from shareholders who hold relevant interests in the company's ordinary shares as at 6 August 2019:

Disclosed Holder	Shares held at time of notice	% of capital disclosed at time of notice
James Andrew Jackson (relevant interests)	2,380,417	19.1%
Agrico investments Pty. Limited	1,655,005	13.3%
E R Nixon Pty. Limited	708,000	7.8%
Andrew John Brown (relevant interests)	566,890	6.3%

### E. Corporate Governance Statement and Information

The Company's Corporate Governance Statement and other corporate governance related information including Securities Trading Policy, Board Charter, Risk and Audit Committee Charter and Code of Conduct is available at the Company's website: [www.ruralcapital.com.au/investors-centre](http://www.ruralcapital.com.au/investors-centre).

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Australian Rural Capital Limited (ARC)

ABN / ARBN:

52 001 746 710

Financial year ended:

30 June 2019

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

☐

These pages of our annual report:

☒

This URL on our website:

<https://www.ruralcapital.com.au/investors-centre>

The Corporate Governance Statement is accurate and up to date as at 15 August 2019 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date:

15 August 2019

Name of Director or Secretary  
authorising lodgement:

Mark Licciardo

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	<p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management):</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.2	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.3	<p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
		<hr/> <i>Insert location here</i>	
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <hr/> <i>Insert location here</i>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <hr/> <i>Insert location here</i> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input type="checkbox"/> at this location:</p> <p><i>Insert location here</i></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <hr/> <i>Insert location here</i> <p>... and the information referred to in paragraphs</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
	Equality Indicators", as defined in and published under that Act.	(c)(1) or (2): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location:  <hr/> <i>Insert location here</i>	
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location:  <hr/> <i>Insert location here</i> ... and the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location:  <hr/> <i>Insert location here</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location:  <hr/> <i>Insert location here</i> ... and the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

	<b>Corporate Governance Council recommendation</b>	<b>We have followed the recommendation in full for the whole of the period above. We have disclosed...</b>	<b>We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...</b>
		<input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	
<b>PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director; and disclose</p> <p>(3) the charter of the committee; and</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <hr/> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at this location:</p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>



	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
		<input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	... our board skills matrix: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.3	A listed entity should disclose: (a) the name of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director; the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i> ... and, where applicable, the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i> ... and the length of service of each director: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at this location: 2017 Annual Report	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
		<div></div> <div>Insert location here</div>	
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <div></div> <div>Insert location here</div>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <div></div> <div>Insert location here</div>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <div></div> <div>Insert location here</div>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and	... our code of conduct or summary of it: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
	(b) disclose that code or a summary of it.	<input checked="" type="checkbox"/> at this location: <a href="https://www.ruralcapital.com.au/investors-centre">https://www.ruralcapital.com.au/investors-centre</a>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent directors, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the process it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="https://www.ruralcapital.com.au/investors-centre">https://www.ruralcapital.com.au/investors-centre</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Directors' Report in the Annual Report</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
		<input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
4.3	A listed entity that has an AGM should ensure that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCE DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules and; (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at this location: <a href="https://www.ruralcapital.com.au/investors-">https://www.ruralcapital.com.au/investors-</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

	<b>Corporate Governance Council recommendation</b>	<b>We have followed the recommendation in full for the whole of the period above. We have disclosed...</b>	<b>We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...</b>
		<a href="#">centre</a>	
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="https://www.ruralcapital.com.au/investors-centre">https://www.ruralcapital.com.au/investors-centre</a></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>...our policies and processes for facilitating and encouraging participation at meeting of security holders:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable.</p>
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose;</p> <p>(3) the charter of the committee;</p> <p>(4) the committee members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances or the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="https://www.ruralcapital.com.au/investors-centre">https://www.ruralcapital.com.au/investors-centre</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Directors' Report in the Annual Report</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such review has taken place.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

	<b>Corporate Governance Council recommendation</b>	<b>We have followed the recommendation in full for the whole of the period above. We have disclosed...</b>	<b>We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...</b>
		<input checked="" type="checkbox"/> at this location: Note 26 in the Annual Report <i>Insert location here</i>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director; and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>



	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
		<p>appropriate and not excessive:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Remuneration Report in the Annual Report</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should;</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input checked="" type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	<p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management):</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.2	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.3	<p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
		<hr/> <i>Insert location here</i>	
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <hr/> <i>Insert location here</i>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <hr/> <i>Insert location here</i> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input type="checkbox"/> at this location:</p> <hr/> <i>Insert location here</i> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <hr/> <i>Insert location here</i> <p>... and the information referred to in paragraphs</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
	Equality Indicators”, as defined in and published under that Act.	(c)(1) or (2): <input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> at this location:  Insert location here	
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): <input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> at this location:  Insert location here ... and the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> at this location:  Insert location here	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): <input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> at this location:  Insert location here ... and the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

	<b>Corporate Governance Council recommendation</b>	<b>We have followed the recommendation in full for the whole of the period above. We have disclosed...</b>	<b>We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...</b>
		<input type="checkbox"/> at this location:  <hr/> <i>Insert location here</i>	
<b>PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director; and disclose</p> <p>(3) the charter of the committee; and</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <hr/> <i>Insert location here</i> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at this location:</p> <hr/> <i>Insert location here</i> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <hr/> <i>Insert location here</i> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
		<input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	... our board skills matrix: <input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.3	A listed entity should disclose: (a) the name of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director; the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i> ... and, where applicable, the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i> ... and the length of service of each director: <input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> <input checked="" type="checkbox"/> at this location: 2017 Annual Report	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
		<hr/> <i>Insert location here</i>	
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and	... our code of conduct or summary of it: <input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
	(b) disclose that code or a summary of it.	<input checked="" type="checkbox"/> at this location:  <a href="https://www.ruralcapital.com.au/investors-centre">https://www.ruralcapital.com.au/investors-centre</a>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent directors, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the process it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="https://www.ruralcapital.com.au/investors-centre">https://www.ruralcapital.com.au/investors-centre</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Directors' Report in the Annual Report</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement



	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
		<input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
4.3	A listed entity that has an AGM should ensure that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCE DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules and; (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at this location: <a href="https://www.ruralcapital.com.au/investors-">https://www.ruralcapital.com.au/investors-</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
		<a href="#">centre</a>	
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="https://www.ruralcapital.com.au/investors-centre">https://www.ruralcapital.com.au/investors-centre</a></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>...our policies and processes for facilitating and encouraging participation at meeting of security holders:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable.</p>
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose;</p> <p>(3) the charter of the committee;</p> <p>(4) the committee members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances or the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="https://www.ruralcapital.com.au/investors-centre">https://www.ruralcapital.com.au/investors-centre</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Directors' Report in the Annual Report</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such review has taken place.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

	<b>Corporate Governance Council recommendation</b>	<b>We have followed the recommendation in full for the whole of the period above. We have disclosed...</b>	<b>We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...</b>
		<input checked="" type="checkbox"/> at this location: Note 26 in the Annual Report <i>Insert location here</i>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director; and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed...
		<p>appropriate and not excessive:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Remuneration Report in the Annual Report</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should;</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input checked="" type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

## Corporate Governance Statement

The Board of Directors of Australian Rural Capital Limited (**ARC** or **the Company**) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs the Company, on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the 3<sup>rd</sup> edition of the ASX Corporate Governance Council's (**CGC**) Principles and Recommendations (**Recommendations**).

### **PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

	<b>Corporate Governance Council Recommendation</b>	<b>Compliance</b>	<b>Disclosure</b>
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its Board and management; and (b) those matters expressly reserved to the Board and those delegated to management.	Complies	<p>The Board has adopted a Board Charter which establishes those matters reserved for the Board and authority delegated to management. The Board's functions, as detailed in the Board Charter, include:</p> <ul style="list-style-type: none"> <li>• approving ARC strategies, budgets, plans and policies and assessing performance against these;</li> <li>• reviewing operating and financial information;</li> <li>• overseeing and approving recommendations on proposed acquisitions, divestments and significant capital expenditure;</li> <li>• overseeing and approving recommendations on capital management, the issue or allotment of equity, borrowings and other financial proposals;</li> <li>• ensuring that the Company operates an appropriate corporate governance structure, in particular ensuring that ARC acts legally, ethically and responsibly on all matters;</li> <li>• approving ARC's risk management strategy and frameworks and monitoring their effectiveness;</li> <li>• considering the social, ethical and environmental impact of ARC's activities.</li> </ul> <p>ARC has an Executive Chairman, who fulfils both Executive and governance roles; his executive role is referred to as 'Lead Executive'. In its Charter. The Board specifically delegates the day-to-day management of the Company's affairs to the Lead Executive within the levels of authority specified by the Board, along with the implementation of strategy, policy and financial initiatives.</p>

	<b>Corporate Governance Council Recommendation</b>	<b>Compliance</b>	<b>Disclosure</b>
1.2	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.</p>	Complies	<p>(a) The Company seeks to appoint Board members with the requisite experience and cultural fit given the focused area of investment of ARC in agriculture, its current small size and desire for expansion. ARC undertakes formal and informal checks prior to proposing the candidate for initial and subsequent appointment by shareholders as required under the ASX Listing Rules and the Company's Constitution.</p> <p>(b) This includes undertaking background and other checks before appointing a person or putting them forward to shareholders as a candidate for election as a Director, as well as providing all material information relevant to a decision for election as a Director. The qualifications, experience and any special responsibilities of the Board members will be set out in the most recent Annual Report and for any individual Director seeking election or re-election, in the notice of Annual General Meeting (<b>AGM</b>).</p>
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Complies	The Lead Executive's responsibilities and terms of employment, including termination entitlements, are set out in a formal service agreement. A summary of the main elements in terms of the agreement is reproduced in the Remuneration Report section of the Annual Report. Letters of appointment are prepared for non-executive Directors and any senior executives appointed, covering duties, time commitments, induction, company policies and corporate governance. Given the small number of these individuals, their remuneration structure and main elements of terms of employment are reproduced in the Remuneration Report section of the Annual Report.
1.4	The Company Secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.	Complies	The Board Charter sets out the role of the Company Secretary and that the appointment or removal of the Company Secretary must be made by the Board. The Board Charter also states that whilst the Company Secretary should be accountable to the Lead Executive and to the Board through the Chairman, on all corporate governance matters, all Directors shall have direct access to the Company Secretary.



	<b>Corporate Governance Council Recommendation</b>	<b>Compliance</b>	<b>Disclosure</b>
1.5	<p>A listed entity should:</p> <ul style="list-style-type: none"> <li>(a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</li> <li>(b) disclose that policy or a summary of it; and</li> <li>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them and either: <ul style="list-style-type: none"> <li>(1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</li> <li>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</li> </ul> </li> </ul>	Does not comply	<p>Within the confines of being a small listed company, ARC seeks to ensure diversity within the organisation. Given the size of the Company and the nature of its business, a formal diversity policy has not been established. The Board's composition is reviewed on a needs basis. In the event a vacancy arises, the Board will consider diversity as part of its nomination process. The Company is not a relevant employer under the Workplace Gender Equality Act.</p>

	<b>Corporate Governance Council Recommendation</b>	<b>Compliance</b>	<b>Disclosure</b>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Does not comply	<p>Under the leadership of the Board Chairman, the performance of the Board is reviewed subject to an informal review, its Committees and individual Directors are considered as part of the overall functioning and governance of the Company. The Board does not undertake a formal evaluation process.</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Does not comply	<p>Apart from the Lead Executive, the Company does not have any full-time executives.</p> <p>There is another Executive Director who works on a part-time basis. This Executive Director fulfils the role of CFO. Given this structure, Board the Board has not yet identified a need to establish a performance evaluation structure for executives.</p>

## **PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE**

	<b>Corporate Governance Council Recommendation</b>	<b>Compliance</b>	<b>Disclosure</b>
2.1	<p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent Directors; and</li> <li>(2) is chaired by an independent</li> <li>(3) Director;</li> </ol> <p>and disclose:</p> <ol style="list-style-type: none"> <li>(4) the charter of the committee;</li> <li>(5) the members of the committee; and</li> <li>(6) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings: or</li> </ol> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Does not comply with 2.1(a).</p> <p>Complies with 2.1(b)</p>	<p>As the number of Directors is small, the Board takes on the role of nominations and governance. Details of this role is set out in the Board Charter. By virtue of their shareholding in the Company, none of the Directors are considered independent. However, given the size and structure of the Board, the Directors consider that they are able to exercise proper judgement in carrying out their Board role.</p> <p>The Board as a whole considers the composition of the Board and appointment of any new Directors. The Board will identify suitable candidates to fill vacancies as they arise with consideration to the optimal mix of experience, skills and diversity.</p> <p>The process for nomination and succession is set out in the Board charter, a copy of which is on the Company's website.</p>

	<b>Corporate Governance Council Recommendation</b>	<b>Compliance</b>	<b>Disclosure</b>
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	Does not comply	The Company supports the appointment of Directors who bring a wide range of business and professional skills and experience. The Company has not developed a formal skills matrix. The qualifications, skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report and their attendance at Board and Committee meetings is included in the Annual Report.
2.3	A listed entity should disclose: (a) the names of the Directors considered by the Board to be independent Directors; (b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendations but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and (c) the length of service of each Director.	Complies	<p>The Board comprises three Directors and considers none of these to be independent for reasons of their shareholdings, executive role within the Company or the provision of services to the Company.</p> <p>The Company however regards each Director as being capable of exercising impartial judgement based on their expertise, experience, and desire to grow the equity base of the Company. In addition, the Board has in place a process to ensure that conflicts of interest are managed appropriately. If a potential conflict of interest arises, the Director concerned does not receive the relevant Board paper and leaves the Board meeting while the matter is considered. Directors must advise the Board immediately of any interests that could conflict with those of ARC.</p> <p>The length of service for each Director is disclosed in the Annual Report.</p>
2.4	A majority of the Board of a listed entity should be independent Directors.	Does not comply	The Board is comprised of three Directors none of whom is currently considered independent (refer 2.3 above).

	<b>Corporate Governance Council Recommendation</b>	<b>Compliance</b>	<b>Disclosure</b>
2.5	The chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.	Does not comply	James Jackson as Executive Chairman of the Board is not considered independent. The Company believes that while the Executive Chairman has a significant personal interest in the Company, his skills and investment expertise add considerable value to the Company to the benefit of all shareholders.  At this stage of its development, the Company regards this situation as enhancing its potential for growth, whilst maintaining a low cost base.
2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	Complies	Due to the relatively uncomplicated nature of the Company's operations and structure, the Board induction process is of an informal nature. New Directors are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of Directors. New Directors are also introduced to external service providers in order to build the relationships necessary to meet the requirements of the role. Directors receive a formal letter of appointment setting out the key terms and conditions together with corporate expectations relevant to their appointment. Directors are individually responsible for maintaining relevant and up to date skills and knowledge.

### **PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY**

	<b>Corporate Governance Council Recommendation</b>	<b>Compliance</b>	<b>Disclosure</b>
3.1	A listed entity should: (a) have a code of conduct for its Directors, senior executives and employees; and (b) disclose that code or a summary of it.	Complies	The Company has adopted a formal Directors' code of conduct. This is incorporated into the Company's Board Charter. The Company requires all its Directors to comply with the standards of behaviour and business ethics in accordance with the law and the code of conduct. These include acting honestly and fairly in all dealings.  The Company has made its Code of Conduct publicly available on its website - <a href="https://www.ruralcapital.com.au/investors-centre">https://www.ruralcapital.com.au/investors-centre</a>

#### PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

	Corporate Governance Council Recommendation	Compliance	Disclosure
4.1	<p>The Board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and</p> <p>(2) is chaired by an independent Director, who is not the chair of the Board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>Complies (with the exception of 4.1 (a)1 and 2</p>	<p>The Company has a Risk and Audit Committee (Committee) which plays a key role in assisting the Board of Directors with its responsibilities relating to accounting, developing internal control systems, reporting practices, and risk management.</p> <p>The Company has adopted a Charter for this Committee incorporating policies and procedures to ensure an effective focus from an independent perspective.</p> <p>Members of the Committee are: Darren Anderson – Chairman, Non-executive Director James Jackson –Executive Director</p> <p>At the date of this report, due to the size of the Board and the CFO role undertaken by Director, Wayne Massey, the Committee has only two members, so as to maintain some independence from Mr Massey's executive role. The Board have considered this departure from the Recommendations (three members and majority independent) and are satisfied that the Committee still provides a valuable forum for the external auditor to raise any issues they may have.</p> <p>Details of the Directors' qualifications and their membership and attendance at Committee meetings are set out in the Directors' Report contained in the Annual Report.</p> <p>Detailed terms of reference for the Committee have been adopted and are available at <a href="https://www.ruralcapital.com.au/investors-centre">https://www.ruralcapital.com.au/investors-centre</a>.</p> <p>The Committee meets separately with the auditor to discuss the audit reviews and reports, to ensure that there are no outstanding issues and to assess the auditor's continuing independence. At every Committee meeting, a period of discussion is held between the members of the Committee and the external auditor without the CFO and Company Secretary being present.</p>

	<b>Corporate Governance Council Recommendation</b>	<b>Compliance</b>	<b>Disclosure</b>
			The external auditor is required to confirm at the time of any statutory reporting their independence within the meaning of applicable legislation and professional standards. The current engagement Auditor was appointed following the 2016 AGM and must be rotated every five years, as a minimum, under applicable legislation.
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Complies	The Lead Executive and Executive Director provide written confirmation to the Board that the Company's Financial Reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. Further they confirm this is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complies	The external auditor is requested to attend the AGM and is available to answer shareholders' questions regarding the conduct of the audit and preparation of the Auditor's Report.

	Corporate Governance Council Recommendation	Compliance	Disclosure
<b><u>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</u></b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Complies	The Board is very conscious of its disclosure obligations and has adopted a detailed continuous and periodic disclosure policy. The Board Charter deals comprehensively with the process and policy to deal with the Company's continuous disclosure obligations. All Directors are responsible to ensure that the disclosure policy is adhered to. The Lead Executive works with the Company Secretary in dealing with media contact and any external communications. Current and archived releases announced by the Company to the ASX are available free of charge at <a href="http://www.asx.com.au">www.asx.com.au</a>

**PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS**

6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complies	The Company's website has a dedicated section for shareholders, and endeavours to publish on the website all important company information and announcements made to the market.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Does not comply	<p>The Company is committed to:</p> <ul style="list-style-type: none"> <li>ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way through the annual and half yearly reports, Investor Presentations, ASX releases, general meetings and the Company's website;</li> <li>complying with continuous disclosure obligations contained in the applicable ASX Listing Rules and the Corporations Act in Australia; and</li> <li>encouraging shareholder participation at general meetings.</li> </ul> <p>Being a smaller company at this juncture, the Company does not currently have a structured Investor Relations team or program.</p>



6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complies	The Board encourages full participation of shareholders at the Company's AGM and any other general meetings to ensure a high level of accountability and identification with the Company's strategy. In addition, the Company encourages on-line voting if shareholders are unable to attend the relevant shareholder meeting. The external auditor will also be invited to attend the annual general meeting of shareholders and will be available to answer any questions concerning the conduct, preparation and content of the auditor's report.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complies	The Company's registrar, Boardroom Pty Limited, provides the option for shareholders to receive and send communications electronically. Shareholders are encouraged to create an online account at <a href="https://www.investorserve.com.au">https://www.investorserve.com.au</a>

#### **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

7.1	<p>The Board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent Directors; and</p> <p>(2) is chaired by an independent Director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p>	Complies (with the exception of 7.1 (a)(1) and (2)).	<p>The Board takes a proactive approach to the Company's risk management and internal compliance and control system.</p> <p>Whilst a Risk and Audit Committee has been established (refer to 4.1 above and the Annual Report for details) the Board of Directors is the ultimate sponsor of risk oversight within the Company. It does so in a manner which reflects the transparent nature of the Company's systems, reporting as well as noting the use of a number of external risk managers and advisers who contribute in various ways to providing comfort that the Company is operating within a sound management framework.</p> <p>The core activities of the Company mean that it deliberately assumes a level of risk of capital loss, the quantum of which is regularly discussed and debated by the Board. Through the reporting by the Lead Executive and the Executive Director, the Board is able to monitor the level of interest rate, asset concentration of, capital, reputational, credit and overall financial management risk being issued by the Company.</p> <p>The Risk and Audit Committee terms of reference include a requirement for the Committee to review and monitor the risk management practices and activities of the Company. An appropriate note or notes within the annual financial statements will capture the financial instruments, risk management and capital risk management that the Directors have identified and their assessment.</p>
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	(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.		For the reasons outlined earlier in this report, the Committee only has two members at this time which does not meet the Recommendations of having at least three members and the majority of which are independent. Therefore as noted above the full Board undertakes many of the responsibilities of the Committee in overseeing the entity's risk management framework.
7.2	The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Complies	The Risk and Audit Committee and the Board considers risk management in making all of its decisions at meetings throughout the year. As noted under 7.1 the Risk and Audit Committee has a mandate to review and monitor the risk management practices and activities of the Company.  In addition, the full Board actively engages in the risk framework of the Company. A review was undertaken during the period of certain aspects of the risk framework. The framework will be further developed in alignment with future business growth and activities.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluation and continually improving the effectiveness of its risk management and internal control processes.	Does not comply with 7.3(a)  Complies	As a small entity with limited operational complexity, the Company does not have an internal audit function. The Board works collectively to identify and manage operational, financial and compliance risks which could prevent the Company from achieving its objectives.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Complies	A summary of risks and actions taken to mitigate these risks including capital, interest rate, credit, liquidity, financial market and net fair values are included in Note 26 of the Annual Report.

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

[illegible]

8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	Not Applicable	As there are no suitable hedges for ARC securities given the small number and illiquidity, there is no policy in this respect.
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ARC's corporate governance practices were in place for the financial year ended 30 June 2019 and is up to date to 15 August 2019, the date of the Board approving this Corporate Governance Statement for lodgment.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by the Company, refer to our website: [www.ruralcapital.com.au](http://www.ruralcapital.com.au)