

## APPENDIX 4E

### PRELIMINARY FINAL REPORT IN ACCORDANCE WITH LISTING RULE 4.3A

Full year ended 30 September 2016  
Previous corresponding period – Full year ended 30 September 2015

#### Results for announcement to the market

				\$'000
Revenue from ordinary activities	Up	10%	to	1,756,376
Profit from ordinary activities after tax attributable to members	Down	69%	to	4,296
Net profit for the period attributable to members	Down	69%	to	4,296

	Amount per security	Franked amount per security
Final dividend	2 cents	2 cents
Interim dividend	8 cents	8 cents
Previous corresponding period - Final dividend	7 cents	7 cents
- Interim dividend	9 cents	9 cents
Record date for determining entitlements to the dividend		28 November 2016
Date final dividend is payable		19 December 2016

Net Tangible Assets	2016	2015
Net tangible asset backing per ordinary security	\$0.81	\$1.12

**Details of entities over which control has been gained or lost during the period**

During the period the reporting entity gained control of or established the following entities and operations:

Entity	Date	Percentage acquired
Mackay Rural Supplies Pty Ltd	1 October 2015	100%
A&B Rural Supplies Pty Ltd	1 October 2015	100%
DDG Rural Pty Ltd	1 October 2015	100%
Herbert Valley Rural Pty Ltd	1 October 2015	100%
Statewide Irrigation & Rural Supplies Pty Ltd	1 February 2016	100%
CIAA Pty Ltd	23 March 2016	62.6%
KNM General Pty Ltd	15 April 2016	100%
Complete Ag & Seed Supplies	1 May 2016	100%
B & K Walker Pty Ltd	1 July 2016	100%
GA & FJ Fox Pty Ltd	1 August 2016	100%
Moora Rural Supplies Pty Ltd	13 September 2016	100%
Wex Water Pty Ltd	13 September 2016	70%

During the period the reporting entity lost control of the following entities:

Entity	Date	Percentage divested
Roberts Don Mac Pty Ltd	1 December 2016	50%

Details of the contribution of such entities to the profit from ordinary activities during the year are included in the accompanying financial report.

**Details of transactions impacting entities in which control has not been lost during the period**

During the period the reporting entity entered into the following transactions without losing control:

Entity	Date	Percentage acquired / (divested)
WMG Agriservices Pty Ltd	30 November 2015	(7.5%)
QNT Agencies Pty Ltd	1 February 2016	(45%)
Agritech Rural Unit Trust	4 August 2016	11.7%
Agritech Rural Pty Ltd	4 August 2016	11.7%
Agritech Rural Unit Trust	9 September 2016	4.1%
Agritech Rural Pty Ltd	9 September 2016	4.1%
BR&C Agents Pty Ltd	9 September 2016	7%
Roberts Hawkins Pty Ltd	21 September 2016	35%
CIAA Pty Ltd	29 September 2016	(15.6%)
Territory Rural Pty Ltd	30 September 2016	14.3%

**Details of associates and joint venture entities**

At the end of the period the reporting entity had interests in the following associates and joint venture entities:

Associates (including equity accounted joint ventures)	Percentage held by the group
Agfarm Pty Ltd	50%
Agfarm Unit Trust	50%
Western Riverina Fertilisers Pty Ltd	50%

The contribution of such entities to the Company's profit from ordinary activities is not material to an understanding of the report.

**Dividend Reinvestment Plan**

The Dividend Reinvestment Plan will apply to this dividend.

**Audit**

This report is based on accounts which are in the process of being audited.

**Commentary on results for the year**

Commentary on the results for the year is contained in the press release dated 15 November 2016 accompanying this statement.

A handwritten signature in black ink, appearing to read 'I. Alsters'.

Ilona Alsters  
Company Secretary  
15 November 2016

**Ruralco Holdings Limited and Controlled Entities**  
**ABN 40 009 660 879**  
**Consolidated Statement of Profit or Loss and Comprehensive Income**  
**For the Year Ended 30 September 2016**

	Notes	2016 \$'000	2015 \$'000
Revenue	3	1,756,376	1,599,862
Cost of goods sold		(1,445,073)	(1,292,899)
Depreciation expense	9	(5,338)	(5,027)
Amortisation expense	10	(4,067)	(3,270)
Personnel expenses	18(a)	(185,644)	(168,746)
Property and equipment expenses		(31,556)	(27,455)
Motor vehicle expenses		(18,709)	(18,539)
Bad debt expense	6	(3,002)	(5,315)
Marketing and advertising expenses		(7,577)	(6,200)
Data and telephony expenses		(4,264)	(4,313)
Other expenses		(32,245)	(31,860)
<b>Results from operating activities</b>		<b>18,901</b>	<b>36,238</b>
Share of net (loss) / profit of equity accounted investees	19(d)	(10)	828
Bank charges		(2,220)	(1,359)
Amortisation of capitalised borrowing costs		(785)	(3,061)
Interest expense		(3,240)	(4,664)
Total finance costs		(6,245)	(9,084)
<b>Profit before income tax</b>		<b>12,646</b>	<b>27,982</b>
Income tax expense	4(a)	(3,776)	(9,160)
<b>Profit for the period</b>		<b>8,870</b>	<b>18,822</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Early adoption of AASB 9 <i>Financial instruments</i>		(3,420)	-
Revaluation of property, plant and equipment, net of tax		(155)	(1,464)
Total items that will not be reclassified to profit and loss		(3,575)	(1,464)
<i>Items that may be reclassified to profit or loss:</i>			
Changes in the fair value of cash flow hedges, net of tax		1,209	1,199
Foreign currency translation differences		(6)	67
Total items that may be reclassified to profit or loss		1,203	1,266
<b>Total comprehensive income for the period</b>		<b>6,498</b>	<b>18,624</b>
<b>Total profit attributable to:</b>			
Equity holders of the company		4,296	14,057
Non-controlling interests		4,574	4,765
<b>Total profit for the period</b>		<b>8,870</b>	<b>18,822</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the company		1,497	13,718
Non-controlling interests		5,001	4,906
<b>Total comprehensive income for the period</b>		<b>6,498</b>	<b>18,624</b>
Earnings per share (cents per share)			
- Basic	5	5.44	18.03
- Diluted	5	5.44	18.03

The accompanying notes form part of these financial statements.

**Ruralco Holdings Limited and Controlled Entities**  
**ABN 40 009 660 879**  
**Consolidated Statement of Financial Position**  
**As at 30 September 2016**

	Notes	2016 \$'000	2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents	17	5,417	677
Trade and other receivables	6	357,797	368,716
Prepayments		6,898	7,450
Inventories	7	114,000	111,015
Biological assets	8	15,666	8,863
Derivative financial assets		283	-
Assets held for sale		1,350	2,700
<b>Total current assets</b>		<b>501,411</b>	<b>499,421</b>
<b>Non-current assets</b>			
Trade and other receivables	6	1,646	4
Investments in equity accounted investees	19(d)	8,806	8,916
Other financial assets		229	229
Property, plant and equipment	9	40,875	39,864
Intangible assets	10	147,305	134,224
Deferred tax assets	4(b)	20,000	15,468
<b>Total non-current assets</b>		<b>218,861</b>	<b>198,705</b>
<b>Total assets</b>		<b>720,272</b>	<b>698,126</b>
<b>Current liabilities</b>			
Trade and other payables	11	401,320	374,862
Derivative financial instruments	11	168	1,681
Loans and borrowings	11	4,300	58,739
Current tax liabilities		457	6,547
Employee benefits	18(a)	18,629	17,104
Make good provision		273	-
Restructuring and onerous provisions		5,733	-
Deferred consideration		325	1,016
<b>Total current liabilities</b>		<b>431,205</b>	<b>459,949</b>
<b>Non-current liabilities</b>			
Loans and borrowings	11	65,633	1,050
Deferred tax liabilities	4(b)	7,703	8,518
Employee benefits	18(a)	3,112	3,240
Make good provision		671	792
Deferred consideration		827	2,104
<b>Total non-current liabilities</b>		<b>77,946</b>	<b>15,704</b>
<b>Total liabilities</b>		<b>509,151</b>	<b>475,653</b>
<b>Net assets</b>		<b>211,121</b>	<b>222,473</b>
<b>Equity</b>			
Share capital	12(a)	173,248	170,731
Retained earnings		23,878	30,935
Reserves	12(b)	5,259	10,458
<b>Total equity attributable to equity holders of the Company</b>		<b>202,385</b>	<b>212,124</b>
Non-controlling interests		8,736	10,349
<b>Total equity</b>		<b>211,121</b>	<b>222,473</b>

The accompanying notes form part of these financial statements.

**Ruralco Holdings Limited and Controlled Entities**  
**ABN 40 009 660 879**  
**Consolidated Statement of Changes in Equity**  
**For the Year Ended 30 September 2016**

Attributable to equity holders of the Company													
Note	Issued capital \$'000	Retained earnings \$'000	Capital profits reserve \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	General reserve \$'000	Foreign currency translation reserve \$'000	Share based payment reserve \$'000	Reserve for own shares \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000	
1 October 2014	166,289	34,483	2,179	7,110	(1,963)	2,800	8	2,357	(1,699)	211,564	10,404	221,968	
Total comprehensive income for the period													
Profit for the period	-	14,057	-	-	-	-	-	-	-	14,057	4,765	18,822	
Other comprehensive income	-	1,263	-	(2,727)	1,058	-	67	-	-	(339)	141	(198)	
Total comprehensive income for the period	-	15,320	-	(2,727)	1,058	-	67	-	-	13,718	4,906	18,624	
Transactions with owners of the Company recorded directly in equity													
- Dividends to owners of the Company	13(b)	-	(13,120)	-	-	-	-	-	-	(13,120)	(3,720)	(16,840)	
- Issue of ordinary shares		4,442	-	-	-	-	-	-	-	4,442	-	4,442	
- Performance rights		-	-	-	-	-	-	1,636	-	1,636	-	1,636	
- Shares purchased and held in trust		-	-	-	-	-	-	-	369	369	-	369	
- Own shares held in trust allocated		-	-	-	-	-	-	-	(737)	(737)	-	(737)	
- Change in non-controlling interest		-	(5,748)	-	-	-	-	-	-	(5,748)	(1,241)	(6,989)	
Total transactions with owners of the Company		4,442	(18,868)	-	-	-	-	1,636	(368)	(13,158)	(4,961)	(18,119)	
30 September 2015		170,731	30,935	2,179	4,383	(905)	2,800	75	3,993	(2,067)	212,124	10,349	222,473
Total comprehensive income for the period													
Early adoption of AASB 9 Financial instruments(1)		-	(3,420)	-	-	-	-	-	-	(3,420)	-	(3,420)	
Profit for the period		-	4,296	-	-	-	-	-	-	4,296	4,574	8,870	
Other comprehensive income		-	-	-	(155)	782	(6)	-	-	621	427	1,048	
Total comprehensive income for the period		-	876	-	(155)	782	-	(6)	-	1,497	5,001	6,498	
Transactions with owners of the Company recorded directly in equity													
- Dividends to owners of the Company	13(b)	-	(11,779)	-	-	-	-	-	-	(11,779)	(5,909)	(17,688)	
- Issue of ordinary shares		2,517	-	-	-	-	-	-	-	2,517	-	2,517	
- Performance rights		-	-	-	-	-	-	1,573	-	1,573	-	1,573	
- Shares purchased and held in trust		-	-	-	-	-	-	-	(2,146)	(2,146)	-	(2,146)	
- Own shares held in trust allocated		-	-	-	-	-	-	-	(198)	(198)	-	(198)	
- Transfer to / from		-	5,049	(2,179)	-	(2,800)	(70)	-	-	-	-	-	
- Change in non-controlling interest		-	(1,203)	-	-	-	-	-	-	(1,203)	(705)	(1,908)	
Total transactions with owners of the Company		2,517	(7,933)	(2,179)	-	(2,800)	(70)	1,573	(2,344)	(11,236)	(6,614)	(17,850)	
30 September 2016		173,248	23,878	-	4,228	(123)	-	(1)	5,566	(4,411)	202,385	8,736	211,121

(1) Refer note 2 for additional information on the early adoption of AASB 9 Financial Instruments.

(2) The Company has chosen to present the capital profits reserve and general reserve within retained earnings, which is allowed by the standards.

The accompanying notes form part of these financial statements.

**Ruralco Holdings Limited and Controlled Entities**  
**ABN 40 009 660 879**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended 30 September 2016**

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		1,940,547	1,708,438
Payments to suppliers and employees		(1,887,738)	(1,681,516)
Interest received		5,861	6,141
Bank charges		(2,220)	(3,551)
Interest paid		(4,029)	(4,583)
Income taxes paid		(14,332)	(7,037)
Net cash flows from operating activities	17	<u>38,089</u>	<u>17,892</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		2,180	1,123
Proceeds from disposal of shares in subsidiaries		219	372
Proceeds from sale of interest in subsidiaries		526	-
Distribution from equity accounted investment		100	665
Dividends received		111	65
Payment for property, plant and equipment		(5,189)	(3,121)
Payment for intangible assets		(7,892)	(5,113)
Purchase of treasury shares		(2,146)	(369)
Purchase of shares in existing subsidiaries		(1,262)	(5,723)
Acquisition of subsidiaries, net of cash acquired		(12,549)	(12,714)
Net cash flows used in investing activities		<u>(25,902)</u>	<u>(24,815)</u>
<b>Cash flows from financing activities</b>			
Loans (advanced to) / from related entities		(2,377)	110
Repayment of finance lease liabilities		(966)	(2,340)
Proceeds from draw down of borrowings		693,936	477,426
Repayment of borrowings		(681,000)	(476,625)
Net repayments to depositors		-	(7,332)
Dividends on ordinary shares in the company		(9,262)	(8,678)
Dividends to non-controlling interests		(5,909)	(3,720)
<b>Net cash flows used in financing activities</b>		<u>(5,578)</u>	<u>(21,159)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u><b>6,609</b></u>	<u><b>(28,082)</b></u>
Cash and cash equivalents at beginning of year		(1,192)	26,890
<b>Cash and cash equivalents at end of year</b>	17	<u><b>5,417</b></u>	<u><b>(1,192)</b></u>

**Ruralco Holdings Limited and Controlled Entities**  
**ABN 40 009 660 879**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended 30 September 2016**

**Note 1: Reporting entity**

Ruralco Holdings Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia. The registered office of the Company is Level 5, Building A, 26 Talavera Road, Macquarie Park, NSW 2113, Australia.

The consolidated financial statements of the Company for the year ended 30 September 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Group is a for-profit entity and operates in the agribusiness sector. Its principal activity is the provision of rural supplies and services.

**Note 2: Basis of accounting**

**(a) Basis of preparation**

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

**(i) Historical cost convention**

These consolidated financial statements have been prepared on an accruals basis under the historical cost convention. Where other bases are applied these are identified in the relevant accounting policy.

**(ii) Rounding**

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to "rounding off" of amounts in the financial statements. Amounts in these consolidated financial statements have been rounded off in accordance with the Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar unless otherwise stated.



**Ruralco Holdings Limited and Controlled Entities**  
**ABN 40 009 660 879**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended 30 September 2016**

**Note 2: Basis of accounting (continued)**

**(a) Basis of preparation (continued)**

**(iii) Critical accounting estimates and judgements**

The preparation of consolidated financial statements requires management to exercise judgement in applying the Group's accounting policies. It also required the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis with revisions recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes:

- Revenue recognition (note 3)
- Classification of financial instruments (included in this note)
- Business combinations and allocation of goodwill (note 20 and 10 respectively)

The areas involving the most sensitive estimates and assumptions that are significant to the financial statements are set out below and in more detail in the related notes:

- Business combinations – fair value measured on a provisional basis (note 20)
- Impairment of assets – key assumptions underlying recoverable amounts (note 10)
- Recoverability of trade receivables (note 6)
- Biological assets – fair value of livestock (note 8)
- Derivative financial instruments – fair value of forward foreign exchange contracts (note 11)
- Inventory – provision for slow and obsolete stock (note 7)

**(iv) Fair value**

A number of the Group's accounting policies and disclosures require the measure of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair value methods are categorised into different levels in a fair value hierarchy based on the inputs used as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – 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 – inputs for the asset or liability that are not based on observable market data.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Property, plant and equipment (note 9)
- Livestock - biological assets (note 8)
- Business combinations (note 20)
- Financial instruments (note 11)

**(b) Accounting policies**

The principal accounting policies adopted in the preparation of the financial statements that relate to the financial statements as a whole are set out below. Those policies specific to one note are described in the note to which it relates. The accounting policies have been consistently applied, unless otherwise stated, to all periods presented and by all Group entities.

**Ruralco Holdings Limited and Controlled Entities**  
**ABN 40 009 660 879**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended 30 September 2016**

**Note 2: Basis of accounting (continued)**

**(b) Accounting policies (continued)**

**(i) Changes in accounting policy**

Except as described below, the accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 September 2015.

The principal Australian Accounting Standards and Interpretations that became effective and that were adopted or early adopted by the Group since 30 September 2015 were:

AASB 9 Financial Instruments, Impairment of Financial Assets (phase 2) and Hedge Accounting (phase 3). The Group early adopted the final two phases of AASB 9 from 1 October 2015. The early adoption of phase 2 introduces a new impairment assessment model for financial assets that has an impact on the Group's assessment of its doubtful debt allowances and resulted in an opening balance adjustment of \$4,885,000 to the provision for doubtful debts and \$3,419,500 to retained earnings post tax adjustments. The early adoption of phase 3 introduces a new hedge accounting methodology that will impact how the Group measures the effectiveness of its hedging arrangements, and allows the Group to recognise the movement in the time value of its hedging instruments in the hedge reserve until the underlying transaction has occurred, at which time any gains or losses are released through the profit or loss.

The adoption of these standards did not have an impact, other than set out above, on the Group's results in the current period.

**(ii) Foreign currencies**

The primary economic environment in which the Group operates is Australia and therefore the consolidated financial statements are presented in Australian dollars.

Where Group companies based in Australia transact in foreign currencies, these transactions are translated into Australian dollars at the exchange rate on the transaction date. Foreign currency monetary assets and liabilities are translated into Australian dollars at the year-end exchange rate.

Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss is recognised in profit or loss. Non-monetary assets and liabilities measured at historical cost are translated into Australian dollars at the exchange rate on the date of the transaction.

**(iii) Classification of financial instruments**

The financial assets and liabilities of the Group are classified into the following financial statement captions in the statement of financial position in accordance with AASB 9 Financial Instruments:

- 'Loans and receivables' – separately disclosed as cash and cash equivalents and trade and other receivables;
- 'Financial assets/liabilities at fair value through profit or loss' – separately disclosed as derivative financial instruments in liabilities; and
- 'Financial liabilities measured at amortised cost' – separately disclosed as loans and borrowings and trade and other payables.

Judgement is required when determining the appropriate classification of the Group's financial instruments. Details on the accounting policies for measurement of the above instruments are set out in the relevant note.

**Ruralco Holdings Limited and Controlled Entities**  
**ABN 40 009 660 879**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended 30 September 2016**

**Note 2: Basis of accounting (continued)**

**(b) Accounting policies (continued)**

**(iv) Recognition and derecognition of financial assets and liabilities**

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are no longer recognised in the statement of financial position when the contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

**(v) Standards and interpretations not yet adopted**

A number of new standards and interpretations are effective and early adoption is permitted, however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

<b>Standards and interpretations not yet adopted</b>	<b>Effective date</b>	<b>Key requirements and likely impact</b>
AASB 15 Revenue	1 October 2018	The Group is assessing the potential impact on its consolidated financial statements results from adoption of this standard.
AASB 16 Leases	1 October 2019	The Group is yet to assess the full impact on its consolidated financial statements but as the Group has operating leases with respect to properties it is likely to increase both assets and liabilities on its balance sheet and impact the classification and timing of expenses in the income statement.

**Ruralco Holdings Limited and Controlled Entities**  
**ABN 40 009 660 879**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended 30 September 2016**

**Note 3: Revenue**

***Accounting policy***

Revenue is measured at the amount received or receivable from the customer, net of GST, returns, rebates, allowances, duties and taxes paid.

The material revenue streams and the recognition principles applied by the Group are as follows:

**(i) Sale of goods and biological assets**

Revenue from the sale of merchandise, fertiliser and livestock is recognised when there has been a transfer of significant risks and rewards of ownership to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. This is generally upon the delivery of goods to customers and for shipped livestock this is generally on receipt of the bill of lading.

**(ii) Service and commission revenue**

Service and commission revenue is charged on a range of business services including livestock and wool marketing services, insurance, real estate marketing services and financial products. Revenue from the rendering of a service is recognised as the service is provided. For water services activities involving landscaping and construction, revenue is recognised with reference to the stage of completion of those services.

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group. Commission related revenue is recognised as the sales occur or unconditional contracts are signed.

**(iii) Interest and sundry revenue**

Interest revenue is recognised as it accrues. Sundry revenue primarily includes operating lease and sub lease rental income, which are recognised on a straight line basis over the term of the lease.

Revenue is comprised of the following:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of goods	1,424,386	1,284,987
Sale of biological assets	200,881	187,649
Rendering of services	122,120	117,596
Interest revenue	5,861	6,141
Sundry revenue	3,128	3,489
	<u>1,756,376</u>	<u>1,599,862</u>

**Ruralco Holdings Limited and Controlled Entities**  
**ABN 40 009 660 879**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended 30 September 2016**

**Note 4: Income tax**

**Accounting policy**

(i) Income tax expense

Tax expense comprises current and deferred tax and is recognised in profit or loss or equity according to the accounting treatment of the related transaction.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment in respect of previous years. Deferred tax expense represents the tax expense in respect of the future tax consequences of recovering or settling the carrying amount of an asset or liability. Both are calculated using tax rates for each jurisdiction, enacted or substantially enacted at the reporting date, and for deferred tax those that are expected to apply when the asset is realised or the liability is settled.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. Deferred tax is not recognised for the initial recognition of goodwill or of assets or liabilities that affect neither accounting or taxable profit, other than in a business combination; and investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

(ii) Tax consolidated group

Ruralco Holdings Limited and its wholly owned Australian resident subsidiaries are part of a tax consolidated group and are therefore taxed as a single entity. Under the terms of this agreement, the wholly owned subsidiaries reimburse Ruralco Holdings Limited, as the head entity of the tax consolidated group, for any current income tax payable arising in respect of their activities.

**Critical accounting estimates and judgements**

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Assumptions about the generation of future taxable profits depends on the Group's estimates of future cash flows, which in turn depend on estimates of future sales volumes, operational costs, capital expenditure, dividends and other capital management transactions.

The Group recognises liabilities for anticipated tax issues based on estimates of the additional taxes that are likely to become due, which requires judgement. Amounts are accrued based on management's interpretation of specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax balances in the period in which such determination is made, resulting in an adjustment to prior years.

**(a) Income tax expense**

The total taxation charge in the statement of profit or loss and comprehensive income is analysed as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current tax expense</b>		
Current period	7,678	9,508
Adjustments for prior years	(242)	54
	<u>7,436</u>	<u>9,562</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(3,660)	(402)
	<u>(3,660)</u>	<u>(402)</u>
<b>Income tax expense</b>	<u><u>3,776</u></u>	<u><u>9,160</u></u>

The income tax expense calculated for the Group does not include income tax expense on the profit before tax of unit trusts controlled by the Company to the extent non-controlling interests are beneficially entitled to that profit.

**Reconciliation of income tax expense to prima facie tax payable**

Profit for the period before tax	<u>12,646</u>	<u>27,982</u>
Prima facie tax at 30% (2015: 30%)	3,794	8,395
Adjusted for:		
Non-controlling interest share of trust profit	(101)	184
Other	83	581
	<u><u>3,776</u></u>	<u><u>9,160</u></u>

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**Note 4: Income tax (continued)**

**(b) Movements in deferred tax balances**

The nature and movements in deferred tax assets and liabilities during the year were as follows:

	At 1 October \$'000	Recognised in profit or loss \$'000	Recognised in other comprehensive income \$'000	At 30 September \$'000
<b>2016</b>				
<b>Deferred tax assets</b>				
Provisions	8,935	1,402	-	10,337
Accruals	1,610	(649)	-	961
Property, plant and equipment	441	31	-	472
Inventory	519	(519)	-	-
Performance rights	953	412	-	1,365
Tax losses carried forward	657	2,633	-	3,290
Other	2,353	1,165	57	3,575
	<u>15,468</u>	<u>4,475</u>	<u>57</u>	<u>20,000</u>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(1,442)	(426)	-	(1,868)
Equity accounted investments	(1,516)	140	-	(1,376)
Intangibles	(4,058)	261	-	(3,797)
Other	(1,502)	840	-	(662)
	<u>(8,518)</u>	<u>815</u>	<u>-</u>	<u>(7,703)</u>
<b>Total</b>	<u><b>6,950</b></u>	<u><b>5,290</b></u>	<u><b>57</b></u>	<u><b>12,297</b></u>
<b>2015</b>				
<b>Deferred tax assets</b>				
Provisions	5,650	3,285	-	8,935
Accruals	1,610	-	-	1,610
Property, plant and equipment	446	(5)	-	441
Inventory	1,184	(665)	-	519
Performance rights	608	345	-	953
Tax losses carried forward	264	393	-	657
Other	3,527	(1,875)	701	2,353
	<u>13,289</u>	<u>1,478</u>	<u>701</u>	<u>15,468</u>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(1,901)	11	448	(1,442)
Equity accounted investments	(1,327)	(189)	-	(1,516)
Intangibles	(4,006)	(52)	-	(4,058)
Other	(656)	(846)	-	(1,502)
	<u>(7,890)</u>	<u>(1,076)</u>	<u>448</u>	<u>(8,518)</u>
<b>Total</b>	<u><b>5,399</b></u>	<u><b>402</b></u>	<u><b>1,149</b></u>	<u><b>6,950</b></u>

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**Note 5: Earnings per share**

**Accounting policy**

Earnings per share ("EPS") is the amount of post-tax profit attributable to each share.

Basic earnings per share is calculated by dividing the net profit or loss attributable to shareholders of Ruralco Holdings Limited by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share reflects any commitments the Group has to issue shares in the future such as the impact of share options or restricted shares.

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of earnings to profit and loss</b>		
Profit for the year	8,870	18,822
Less profit attributable to non-controlling interests	(4,574)	(4,765)
Earnings used to calculate basic and diluted EPS	<u>4,296</u>	<u>14,057</u>
	<b>No.</b>	<b>No.</b>
<b>Weighted average number of shares used as a denominator</b>		
Weighted average number of ordinary shares in issue	<u>79,041,780</u>	<u>77,949,356</u>

**Diluted earnings per share**

The calculation of diluted earnings per share at 30 September 2016 did not include any further adjustment for the effect of potential dilutive ordinary shares.

**Earnings per share (cents per share)**

- Basic	5.44	18.03
- Diluted	5.44	18.03

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**Note 6: Trade and other receivables**

**Accounting policy**

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amount considered recoverable (amortised cost). The carrying value of trade and other receivables is considered to approximate fair value.

**Critical accounting estimates and judgements**

Estimates are used in determining the level of receivables that will not be collected. These estimates include such factors as historical experience, the current state of the Australian and overseas economies, the financial situation of specific customers and industry specific factors. A provision for impairment of trade receivables is established when there is sufficient evidence that the Group will not be able to collect all amounts due.

Other receivables include accrued rebates. Rebates are accounted for as a reduction of the prices of the suppliers, products and reduce the cost of products as inventory is sold. Rebates are accrued for when probable and when they can be reasonably estimated. Due to the complexity and diversity of individual vendor agreements, we analyse and review historical trends to apply rates negotiated with vendors to estimated and actual purchase volumes to determine accruals. These accruals could be impacted if actual purchase volumes differ from projected volumes.

**(a) Balance at year end**

Trade and other receivables can be analysed as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Trade receivables	339,535	354,069
Amounts receivable from related parties	487	683
Other receivables	17,775	13,964
	<u>357,797</u>	<u>368,716</u>
<b>Non-current</b>		
Amounts receivable from related parties	<u>1,646</u>	<u>4</u>

**(b) Trade receivables ageing**

	<b>Gross</b>	<b>Impairment*</b>	<b>Gross</b>	<b>Impairment</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not past due	297,774	(746)	314,705	(30)
Past due 0-30 days	29,506	(159)	22,482	(116)
Past due 31 - 90 days	5,727	(252)	3,473	(261)
Past due 90 days to one year	7,810	(728)	13,371	(3,163)
More than one year	7,744	(7,141)	6,899	(3,291)
	<u>348,561</u>	<u>(9,026)</u>	<u>360,930</u>	<u>(6,861)</u>

\* In accordance with AASB 9 impairment includes a general provision in the current year to impair debtors that may become doubtful in future periods.

The movement in the allowance for impairment of trade receivables during the year was as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of the year	(6,861)	(3,371)
Increase to provision	(3,002)	(5,315)
Movement from adoption of AASB 9*	(4,885)	-
Amount charged against provision	5,722	1,825
Balance at the end of the year	<u>(9,026)</u>	<u>(6,861)</u>

\* Refer note 2 for additional information on the early adoption of AASB 9 Financial Instruments.



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**Note 7: Inventories**

***Accounting policy***

Inventories are recognised initially at cost and subsequently at the lower of cost and the estimated selling price less cost to sell (net realisable value). Costs comprises purchase cost on a weighted average basis after deducting any settlement discount and including logistics expenses incurred in bringing inventories to their present location.

Volume-related supplier rebates, and supplier promotional rebates where they exceed spend on promotional activities, are recognised as a reduction in the cost of inventory.

***Critical accounting estimates and judgements***

Estimates are used in determining the level of stock that is slow moving or obsolete. These estimates include such factors as stock turnover and current sales pricing. A provision for stock obsolescence of inventory is established when there is sufficient evidence that the Group will not be sell stock held on hand.

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Finished goods	<u>114,000</u>	<u>111,015</u>

The balance of finished goods above is net of a provision for slow moving and obsolete stock of \$2,755,347 (2015: \$3,658,392).

***Inventory write downs***

Inventory write downs included in cost of goods sold	<u>3,353</u>	<u>957</u>
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**Note 8: Biological assets**

**Accounting policy**

The Group holds biological assets in the form of livestock, primarily cattle, for the purposes of servicing livestock export contracts. The Group holds dairy and beef breeder cattle (Holstein, Jersey and Angus) and northern Brahman feeder and slaughter cattle. These livestock are initially recognised at cost and subsequently measured at fair value less costs to sell. Costs to sell include all costs that would be necessary to sell the livestock, including freight, agistment and animal health costs.

**Critical accounting estimates and judgements**

Cattle fair value is based on the market price of livestock of a similar age, weight, breed and genetic make-up and is determined by reference to Meat & Livestock Australia (MLA) market prices. As these prices are observable, they are deemed Level 2 inputs.

The Group recognises the net increments or decrements in the market value of livestock as either other income or expense in profit or loss, determined as:

- the difference between the total net market value of livestock recognised at the beginning of the financial year and the total net market value of livestock recognised at the reporting date; less
- costs expected to be incurred in realising the market value (including freight and selling costs).

	<b>2016</b>	<b>2015</b>
The fair value of livestock recognised at year end is as follows:		
	<b>\$'000</b>	<b>\$'000</b>
Livestock	15,666	8,863

At 30 September 2016 the Group held 17,876 head of cattle (2015: 10,554).

**Reconciliation of carrying amount**

Balance at the beginning of the year	8,863	7,526
Increase due to purchases	145,916	121,120
Gain/(loss) arising from the changes in fair value less costs to sell	1,730	(1,611)
Decrease attributable to sales	(140,843)	(118,172)
	<u>15,666</u>	<u>8,863</u>

**Asset deterioration or loss risk**

The Group's livestock asset is exposed to the risk of potential asset deterioration (impacting its value) and asset loss. The risk revolves around damage or loss caused by animal disease or other natural forces. The Group manages this risk through a number of operating and structure related practices including risk mitigating animal husbandry management practices, risk mitigating animal holding structures and regular animal inspections and monitoring.

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**Note 9: Property, plant and equipment**

***Accounting policy***

Freehold land and buildings are measured at fair value based on periodic, but at least triennial, valuations by external independent valuers. Movements in the carrying amounts arising on revaluation of land and buildings are recognised (net of tax) primarily in the revaluation reserve in equity or alternatively in profit or loss if a decrease in fair value is an indication of impairment.

Plant and equipment and leasehold improvements are recognised at the cost originally paid less depreciation and any impairment losses.

Capital work in progress includes the building of saleyards and are transferred to asset categories and depreciated from when they are available for use in the manner intended by management.

Land and capital works in progress are not depreciated. Depreciation of buildings, leasehold improvements and plant and equipment is calculated using the straight-line method over their estimated useful lives, as follows:

Freehold buildings: 25-50 years

Leasehold improvements: the lease term ranging from 1 to 10 years

Plant and equipment: 3 to 20 years

***Critical accounting estimates and judgements***

The annual depreciation charge is sensitive to the estimated useful life of each asset and the expected residual value at the end of its life. Property, plant and equipment that is subject to depreciation is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment may include changes in technology and business performance.

The calculation of fair value of freehold land and buildings involves the use of estimates. Land has been classified as non-specialised assets and accordingly valued on the basis of market value with reference to observable prices in an active market, using traditional valuation methods including sales comparison (Level 2 price inputs).

Buildings are valued on the capitalisation basis where the current market net income is capitalised (multiplied) in perpetuity to arrive at the market value of the property. Some building assets are specialised, but most are considered non-specialised but with few sales of properties to reliably assess market values. The specialised assets have been valued on a depreciated replacement cost basis. These valuations assume adequate service potential and profitability and a continuation of the need for the asset. Regard has been given to market prices for construction costs, the likely economic life of the buildings, the condition at the date of inspection and design aspects.

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**Note 9: Property, plant and equipment (continued)**

**Movements in carrying amounts**

Movements in the carrying amounts for each class of property, plant and equipment during the current and prior year are as follows:

	Land	Buildings	Leasehold improvements	Plant and equipment	Capital work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost or Fair value</b>						
<b>1 October 2014</b>	7,921	16,008	6,338	39,565	99	69,931
Additions	-	14	1,150	4,455	449	6,068
Assets acquired in business combinations	-	-	-	937	-	937
Transfer (to)/from assets held for sale	(1,480)	(135)	-	-	-	(1,615)
Disposals	-	(909)	(657)	(6,940)	(13)	(8,519)
Revaluation of assets	42	(1,063)	-	(267)	-	(1,288)
Transfers from CWIP	-	-	216	255	(471)	-
Reclassifications	(282)	209	-	73	-	-
<b>30 September 2015</b>	<b>6,201</b>	<b>14,124</b>	<b>7,047</b>	<b>38,078</b>	<b>64</b>	<b>65,514</b>
Additions	-	63	636	4,489	618	5,806
Assets acquired in business combinations	-	-	194	2,238	-	2,432
Disposals	(170)	-	(543)	(5,292)	(34)	(6,039)
Revaluation of assets	-	-	-	(44)	-	(44)
Transfers (to)/from CWIP	-	192	-	198	(390)	-
<b>30 September 2016</b>	<b>6,031</b>	<b>14,379</b>	<b>7,334</b>	<b>39,667</b>	<b>258</b>	<b>67,669</b>
<b>Depreciation</b>						
<b>1 October 2014</b>	-	(747)	(3,588)	(22,781)	-	(27,116)
Disposals	-	814	438	5,241	-	6,493
Depreciation expense	-	(187)	(923)	(3,917)	-	(5,027)
<b>30 September 2015</b>	<b>-</b>	<b>(120)</b>	<b>(4,073)</b>	<b>(21,457)</b>	<b>-</b>	<b>(25,650)</b>
Disposals during the year	-	-	424	3,770	-	4,194
Depreciation expense	-	(216)	(699)	(4,423)	-	(5,338)
<b>30 September 2016</b>	<b>-</b>	<b>(336)</b>	<b>(4,348)</b>	<b>(22,110)</b>	<b>-</b>	<b>(26,794)</b>
<b>Net book value</b>						
<b>30 September 2015</b>	<b>6,201</b>	<b>14,004</b>	<b>2,974</b>	<b>16,621</b>	<b>64</b>	<b>39,864</b>
<b>30 September 2016</b>	<b>6,031</b>	<b>14,043</b>	<b>2,986</b>	<b>17,557</b>	<b>258</b>	<b>40,875</b>

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**Note 10: Intangible assets**

**Accounting policy**

**(i) Goodwill**

Goodwill represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised when the Group acquires a business. Goodwill is calculated as the excess of the amount paid over the fair value of the Group's share of the individual assets and liabilities acquired.

Goodwill is initially measured at cost and subsequently at its recoverable amount, being cost less accumulated impairment losses. Goodwill is not amortised but tested annually for impairment and when circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash generating units ("CGUs"), which represent the smallest group of assets that independently generate cash flows and are based on the level at which goodwill is monitored internally by management.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders and therefore no goodwill is recognised as a result of such transactions. In respect of the Group's investment in associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill arising on an acquisition is recognised directly in profit or loss.

**(ii) Other intangible assets**

Other intangible assets are those that are identifiable and can be sold separately or arise from legal rights. These can be acquired or internally generated. Each material class of intangible's valuation method on initial recognition, amortisation method and estimated useful life is set out below:

Class of intangible asset	Valuation method	Amortisation method	Estimated useful life
Brand names	Applying a royalty rate to the expected future revenues over the life of the brand.	Tested annually for impairment	Indefinite life
Customer relationships	Expected future cash flows from those relationships existing at the date of acquisition are estimated. These cash flows are then discounted back to present value.	Straight line	3 to 15 years
Rent rolls	Expected future cash flows from those rental agreements existing at the date of acquisition are estimated. These cash flows are then discounted back to present value.	Straight line	10 years
Insurance books	Expected future cash flows from those insurance agreements existing at the date of acquisition are estimated. These cash flows are then discounted back to present value.	Straight line	5 years
IT development and software	Initially at cost and subsequently at cost less amortisation. Costs include external direct costs of materials and services, and direct payroll and payroll related costs of employees' time spent on the project.	Straight line	3 to 10 years

**Critical accounting estimates and judgements**

For internal IT projects to develop products or systems, judgement is involved in determining which costs relate to research phase and which relate to the development phase of the project. This is because research costs are expensed to the profit or loss as incurred. IT development costs are capitalised to intangible assets where the Group has an intention and ability to use the related asset.

Those intangibles considered to have indefinite lives, such as goodwill and brand names, are tested annually for impairment or more frequently if indicators of impairment are identified. The allocation of goodwill and brand names and the determination of the existence of indicators of impairment requires judgement. The performance of impairment testing involves making an estimate of the recoverable amount of CGUs to which the goodwill and brand names have been allocated. Further details of the methods used and key assumptions made are detailed below in this note.

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**Note 10: Intangible assets (continued)**

**Accounting policy (continued)**

Those intangibles considered to have indefinite lives, such as goodwill and brand names, are tested annually for impairment or more frequently if indicators of impairment are identified. The allocation of goodwill and brand names and the determination of the existence of indicators of impairment requires judgement. The performance of impairment testing involves making an estimate of the recoverable amount of CGUs to which the goodwill and brand names have been allocated. Further details of the methods used and key assumptions made are detailed below in this note.

Set out below is the movement in the cost, accumulated amortisation and impairment of the Group's intangible assets:

	Goodwill	Brand names	Customer relationships	IT development & software	Patents and licences	Rent rolls	Insurance books	Capital work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>									
<b>1 October 2014</b>	98,076	15,049	5,490	16,680	2	110	-	489	135,896
Additions	-	-	-	2,408	4	-	-	2,815	5,227
Transfers from CWIP	-	-	-	426	-	-	-	(426)	-
Assets acquired in business combinations	8,827	249	303	-	-	1,296	-	-	10,675
Disposals	(113)	-	-	(211)	-	-	-	(62)	(386)
<b>30 September 2015</b>	<b>106,790</b>	<b>15,298</b>	<b>5,793</b>	<b>19,303</b>	<b>6</b>	<b>1,406</b>	<b>-</b>	<b>2,816</b>	<b>151,412</b>
Additions	-	-	-	3,500	429	265	-	4,733	8,927
Transfers from CWIP	-	-	-	3,199	-	-	-	(3,199)	-
Assets acquired in business combinations	7,900	314	-	-	-	-	500	-	8,714
Disposals	(333)	-	-	(156)	(4)	-	-	-	(493)
<b>30 September 2016</b>	<b>114,357</b>	<b>15,612</b>	<b>5,793</b>	<b>25,846</b>	<b>431</b>	<b>1,671</b>	<b>500</b>	<b>4,350</b>	<b>168,560</b>
<b>Amortisation</b>									
<b>1 October 2014</b>	(1,255)	-	(2,177)	(10,472)	-	(14)	-	-	(13,918)
Amortisation charge	-	-	(869)	(2,396)	-	(5)	-	-	(3,270)
<b>30 September 2015</b>	<b>(1,255)</b>	<b>-</b>	<b>(3,046)</b>	<b>(12,868)</b>	<b>-</b>	<b>(19)</b>	<b>-</b>	<b>-</b>	<b>(17,188)</b>
Amortisation charge	-	-	(884)	(3,069)	(48)	(44)	(22)	-	(4,067)
<b>30 September 2016</b>	<b>(1,255)</b>	<b>-</b>	<b>(3,930)</b>	<b>(15,937)</b>	<b>(48)</b>	<b>(63)</b>	<b>(22)</b>	<b>-</b>	<b>(21,255)</b>
<b>Net book value</b>									
<b>30 September 2015</b>	<b>105,535</b>	<b>15,298</b>	<b>2,747</b>	<b>6,435</b>	<b>6</b>	<b>1,387</b>	<b>-</b>	<b>2,816</b>	<b>134,224</b>
<b>30 September 2016</b>	<b>113,102</b>	<b>15,612</b>	<b>1,863</b>	<b>9,909</b>	<b>383</b>	<b>1,608</b>	<b>478</b>	<b>4,350</b>	<b>147,305</b>

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**Note 10: Intangible assets (continued)**

**Impairment testing**

An impairment test is performed by assessing the recoverable amount of each asset, or for goodwill and brand names, the related cash generating unit (or group of cash-generating units (CGUs)) and comparing this with its carrying value. The recoverable amount is the higher of an asset's fair value less costs to sell and 'value in use'. The value in use is based on the present value of the future cash flows expected to arise from the asset.

Estimates are used in deriving these cash flows and the discount rate. Such estimates reflect current market assessments of the risks specific to the asset and the time value of money. The estimation process is complex due to the inherent risks and uncertainties. If different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset, and as a consequence materially different amounts would be reported in the financial statements. An impairment loss in respect of goodwill is not reversed.

The aggregate carrying amounts of goodwill and brand names allocated to each group of CGUs are as follows:

	2016 \$'000	Restated 2015 \$'000
<b>Goodwill</b>		
Combined Rural Traders (CRT)	12,051	12,051
Mainland Operations	50,504	43,048
Tasmanian Operations	4,450	4,691
Financial Services	301	301
Water Services	45,796	45,444
	<u>113,102</u>	<u>105,535</u>
<b>Brand names</b>		
Combined Rural Traders (CRT)	14,400	14,400
Mainland Operations	314	-
Water Services	898	898
	<u>15,612</u>	<u>15,298</u>

Following a change in strategic focus, the various water businesses in the Group have been restructured and are reported under one Executive General Manager. The effect of this is a change in the level at which goodwill is monitored from Water CGU's to a group of Water Services CGU's level. As a consequence a \$30,765,207 of goodwill allocated to Mainland Operations group of CGU's was reallocated to the Water Services group of CGU's. This represented goodwill arising from the Total Eden acquisition. Impairment testing was performed pre and post reallocation to ensure there was no impairment. None was noted.

During the year management finalised the allocation of \$8,828,154 of goodwill and intangibles arising from the multiple acquisitions that occurred in 2015. Allocation was made on a relative value basis. The result was the allocation of \$5,784,560 to the Mainland Operations group of CGU's, \$2,558,081 to the Water Services group of CGU's and \$485,513 to the Tasmanian Operations CGU. The comparative split above has been restated to reflect this allocation.

The assessment of the recoverable amounts of goodwill is based on value-in-use calculations undertaken at the CGU or Group of CGU's level. The carrying amounts of goodwill in these CGU's were fully supported as at the reporting date. The following describes the key assumptions supporting the cash flow projections:

Key assumption	Description
Cash flow forecasts	Cash flow projections for a 5 year period used based on Board approved budget for FY17 and calculated forecasts for FY18 to FY21 by using FY17 as a base and then adopting growth rates set out below.
Growth rates	Growth rates used in the financial projections are based on the Group's expectations for future performance and do not normally exceed the long-term growth rate for the business in which each CGU operates. Average annual growth rates range between 3% and 25% per annum (2015: nil and 3% per annum) with the latter end of the range reflecting improved outlook for financial services operations.
Terminal values	Terminal values calculated after year 5 have been determined using the Gordon Growth model having regard to the weighted average cost of capital (WACC) below and a terminal growth rate of 2.5% (2015: 2.5%).
Discount rates	Post tax WACC of 8.9% to 12.9% (2015: 9.1% to 10.4%), reflecting the risk estimates from a market perspective for the various CGUs.

The value-in-use calculations are sensitive to changes in the key assumptions used in the impairment testing. As such, a sensitivity analysis was undertaken by management to examine the effect of changes in key assumptions which would cause the carrying amount to exceed the recoverable amount for each CGU. Management believes that a 1% increase in the post tax WACC could lead to an impairment of the Tasmanian Operations and Water Services CGU.

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**Note 11: Financial instruments**

**Accounting policy**

(i) Trade and other payables

Trade payables are recognised at the value of the invoice received from a supplier and are non-interest bearing. The carrying value of trade and other payables is considered to approximate fair value.

(ii) Loans and borrowings

Borrowings are recognised initially at fair value of the funds received less directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. Under the effective interest method the difference between the amount initially recognised and the redemption value is recorded in profit or loss over the period of the borrowing on an effective interest basis.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(iii) Derivative financial instruments

The Group enters into derivative financial instruments (primarily forward foreign exchange contracts) from time to time to hedge its foreign currency risk exposures. Such instruments are used to hedge transaction risk so they enable the sale or purchase of foreign currency at a known fixed rate on an agreed future date. Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in profit or loss within net financing costs, except where derivatives qualify for cash flow hedge accounting. In this case, the effective portion of a cash flow hedge is recognised in other comprehensive income and presented in the cash flow hedge reserve within equity. The cumulative gain or loss is later reclassified to profit or loss in the same period as the relevant hedged transaction is realised. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities.

The accounting policies and disclosures with respect to finance leases are included in note 14.

**Critical accounting estimates and judgements**

The fair value of forward foreign exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date (Level 2 inputs).

**(a) Balance at year end**

The carrying amount of financial liabilities, which represent the maximum liquidity risk exposure are as follows:

		<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>			
Trade and other payables:			
Trade payables		294,179	267,626
Sundry payables and accrued expenses		107,141	107,236
		<u>401,320</u>	<u>374,862</u>
Derivative financial liabilities		168	1,681
Loans and borrowings:			
Bank overdraft	17	-	1,869
Bank loans		21	52,000
Other loans		-	2,104
Loans from related parties		1,002	1,737
Finance lease liabilities	14(b)	3,277	1,029
		<u>4,300</u>	<u>58,739</u>
		<u>405,788</u>	<u>435,282</u>
<b>Non-current</b>			
Loans and borrowings:			
Bank loans		65,091	-
Finance lease liabilities	14(b)	542	1,050
		<u>65,633</u>	<u>1,050</u>



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**Note 11: Financial instruments (continued)**

**(b) Bank facilities**

The following tables provide details of the components of the bank facilities available to the Group:

**2016**

<b>Facility (\$000)</b>	<b>Maturity</b>	<b>Facility limit</b>	<b>Utilised</b>
Multi option facility	Sep-17	60,000	-
Debtor securitisation facility	Oct-17	150,000	65,000

The Group continues to enhance the flexibility of its financing facilities with the maturity of the revolving \$150 million Debtor Securitisation Facility extended to 13 months and the \$60 million Multi Option Facility extended to 18 months.

The Group's financing facilities contain undertakings including an obligation to comply at all times with certain financial covenants that require the Group to operate within certain financial ratio threshold levels as well as ensuring subsidiaries contribute minimum threshold amounts of the Group's Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and the Group's Total Assets.

The main financial covenants that the Group is subject to under these facilities at the balance sheet date are an Interest Cover Ratio and Tangible Net Worth hurdle amount. Financial covenants testing is undertaken and reported to the Board on a monthly basis. The Group has complied with all financial obligations under these facilities throughout the year. To better support the Group's strategic priorities, Management and the Group's financiers have agreed to amend the Group's financial covenants to allow for greater flexibility in funding acquisitions and to better reflect the Group's seasonal working capital cycle. This is reflected in increased thresholds for permitted acquisitions and updated reportable covenants that include a de minimis total shareholder equity threshold, interest cover ratio and leverage ratio maximum that is different at March and September reflecting the differing working capital (and therefore debt) positions of the Group at these two points in time.

**2015**

<b>Facility (\$000)</b>	<b>Maturity</b>	<b>Facility limit</b>	<b>Utilised</b>
Multi option facility	Mar-16	60,000	1,869
Debtor securitisation facility	Jul-16	150,000	52,000

The Group's Multi-Option Facility and Cash Advance Facility operated under a Bilateral Financier's Facility Agreement. This facility was an interchangeable revolving facility of overdraft and working capital that could be drawn down at any time and was subject to annual review.

The Group's financing facilities contained undertakings including an obligation to comply at all times with certain financial covenants that required the Group to operate within certain financial ratio threshold levels as well as ensuring subsidiaries contributed minimum threshold amounts of Group EBITDA and the Group's Total Assets.

The main financial covenants which the Group was subject to were the Interest Cover Ratio, Working Capital Ratio, Leverage Ratio and Tangible Net Worth. Financial covenants testing was undertaken and reported to the Board on a monthly basis. Reporting to the financiers occurred quarterly. The Group was in compliance with all its financial covenants throughout the financial year.

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**Note 11: Financial instruments (continued)**

**(c) Carrying value vs fair value**

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for debt on similar terms, taking into account credit risk and remaining maturities. The carrying amount of trade and other payables, other loans and loans from related parties approximate fair value due to their short term nature.

	Level 1 Fair value \$'000	Level 2 Fair value \$'000	Level 3 Fair value \$'000	Total \$'000
<b>30 September 2016</b>				
<i>Assets</i>				
Derivative financial assets used for hedging	283	-	-	283
Biological assets	-	15,666	-	15,666
Assets held for sale	-	1,350	-	1,350
Land & buildings	-	20,074	-	20,074
	<u>283</u>	<u>37,090</u>	<u>-</u>	<u>37,373</u>
<i>Liabilities</i>				
Derivative financial liabilities used for hedging	(168)	-	-	(168)
	<u>(168)</u>	<u>-</u>	<u>-</u>	<u>(168)</u>
<b>30 September 2015</b>				
<i>Assets</i>				
Biological assets	-	8,863	-	8,863
Assets held for sale	-	2,700	-	2,700
Land & buildings	-	20,205	-	20,205
	<u>-</u>	<u>31,768</u>	<u>-</u>	<u>31,768</u>
<i>Liabilities</i>				
Derivative financial liabilities used for hedging	(1,681)	-	-	(1,681)
	<u>(1,681)</u>	<u>-</u>	<u>-</u>	<u>(1,681)</u>

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**Note 12: Issued capital and reserves**

**Accounting policy**

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of issue. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person, or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(ii) Treasury shares

The Group controls an employee share plan trust that holds shares of the parent company for the purposes of allocating shares to eligible employees.

When share capital recognised as equity is repurchased by the employee share plan trust, the amount of the consideration paid is recognised as a deduction from equity on consolidation. Repurchased shares are classified as a separate component of equity in reserve for own shares. When treasury shares are issued to eligible employees, the cost of the shares allocated is recognised as an increase in equity and an expense in profit or loss.

**(a) Issued capital**

Movement in number of issued shares:

	<b>2016</b>	<b>2015</b>
	<b>No. of</b>	<b>No. of</b>
	<b>shares</b>	<b>shares</b>
Ordinary shares fully paid	79,259,913	78,531,866
The movement in fully paid ordinary shares are outlined below:		
Balance at the beginning of the year	78,531,866	77,291,069
Shares issued during the year	728,047	1,240,797
Balance at the end of the year	79,259,913	78,531,866
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares fully paid	173,248	170,731

**(b) Nature and purpose of reserves**

Total equity of the Group includes the following reserves:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Capital profits reserve*	-	2,179
Asset revaluation reserve	4,228	4,383
Cash flow hedge reserve	(123)	(905)
General reserve*	-	2,800
Foreign currency translation reserve	(1)	75
Share based payments reserve	5,566	3,993
Reserve for own shares	(4,411)	(2,067)
	5,259	10,458

\*Capital profits reserve and general reserve are now included in retained earnings.

*Nature and purpose of reserves:*

- (i) Capital profits reserve  
The capital profits reserve was established to accumulate profits. Balance has been transferred into retained earnings.
- (ii) Asset revaluation reserve  
The asset revaluation reserve is used to recognise the changes to fair values of each property carried at fair value.
- (iii) Cash flow hedge reserve  
Gains and losses on hedging instruments that are designated as hedging instruments for hedges of forward foreign exchange contracts are captured in the cash flow hedge reserve.
- (iv) General reserve  
The general reserve was established to accumulate profits. Balance has been transferred into retained earnings.
- (v) Foreign currency translation reserve  
Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.
- (vi) Share based payments reserve  
The share based payments reserve is used to recognise the fair values of performance rights granted to the Managing Director, Executives and senior management but not vested and exercised yet.
- (vii) Reserve for own shares  
Treasury shares are the Company's own shares, which are held in trust for employees in a special purpose entity. At 30 September 2016, the Group held 568,100 (2015: 360,715) of the Company's shares.

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**Note 13: Managing capital**

**(a) Capital risk management**

The Board's objectives when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There was no change in the Group's approach to capital management during the year.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital risk through a range of metrics including the gearing ratio. This ratio is calculated as net debt divided by total equity plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. Total equity is as shown in the statement of financial position (including non-controlling interest).

The Group's dividend policy seeks to balance the needs of shareholders and the business with dividends declared reflective of the Group's current and projected cash position, profit generation and available franking credits. At the Group's AGM on 19 February 2016, the Board stated its intention to review its approach to capital management within the context of its refreshed strategy and growth aspirations. The Board has now completed this review and has identified new policy approaches to dividend determination and gearing.

In setting the policies, the Board recognises the following demands on the Group's cash flows:

- \* To provide an adequate return to the shareholders of Ruralco (being a diversified agribusiness);
- \* To fund the Group's working capital and maintenance capex requirements;
- \* To fund the Group's growth acquisitions in line with stated strategic objectives; and
- \* To maintain an optimal capital structure and repay debt as required to meet applicable banking covenants.

In acknowledging these competing demands, the Board has established the following guiding principles:

- \* The Board has a preference for gearing to remain within 25-45% on a normalised business cycle basis; and
- \* The Board has a preference to maintain a dividend payout ratio of between 40% and 60% of underlying earnings per share.

	<b>Note</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Total borrowings	11	65,112	52,000
Debt like items included within other balance sheet categories		2,801	5,232
Less: cash and cash equivalents	17	(5,417)	1,192
Net debt		62,496	58,424
Total equity		211,121	222,473
Total debt and equity		273,617	280,897
Gearing ratio		22.8%	20.8%

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**Note 13: Managing capital (continued)**

**(b) Dividends**

**Accounting policy**

Dividends are provided for when appropriately authorised and no longer at the discretion of the Group.

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Dividends paid during the year to owners of the Company</b>		
Final franked dividend for the year ended 30 September 2015 of 7 cents per fully paid share paid on 18 December 2015* (2015: 8 cents in respect of the year ended 30 September 2014)	5,477	6,111
Interim franked dividend for the year ended 30 September 2016 of 8 cents per fully paid share paid on 21 June 2016* (2015: 9 cents in respect of the year ended 30 September 2015)	6,302	7,009
	<u>11,779</u>	<u>13,120</u>

\* Dividends paid has been adjusted for amount paid to Ruralco employee share plan.

Franked dividends declared or paid during the year were franked at the tax rate of 30% (2015: 30%).

<b>Dividends not recognised at year end</b>	<u>1,585</u>	<u>5,497</u>
Since the year end, the directors recommended the payment of a final franked dividend to Ruralco Holdings Limited shareholders of 2 cents per fully paid ordinary share (2015: 7 cents). The aggregate amount of the proposed dividend, expected to be paid on 19 December 2016 out of 2016 profits, but not recognised as a liability at year end is \$1,585,198.		

**Dividend franking account balance**

The amounts of franking credits calculated at 30% (2015: 30%) available for subsequent financial years are:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Franking account balance at the end of the financial year	<u>29,220</u>	<u>23,093</u>

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of the current tax liabilities;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at year end; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon the Group's ability to declare dividends. The impact on the dividend franking account of dividends proposed after the balance date but not recognised as a liability is to reduce it by \$679,371 (2015: \$2,355,956).

**Dividend reinvestment plan**

The Company has established a dividend reinvestment plan, which operates at the discretion of the Board. This plan operated for the dividends paid during this financial year.

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**Note 14: Capital and leasing commitments**

**Accounting policy**

Leases of property, plant and equipment where the Group as lessee has substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition at the commencement of the lease, the leased asset is recognised within property, plant and equipment and is measured at an amount equal to the lower of its fair value and the present value of the future minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to the asset set out in note 9. The corresponding rental obligations, net of finance charges, are included in current and non current loans and borrowings in note 11. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to achieve a constant rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

**(a) Operating lease commitments**

**Leases as lessee**

The Group leases a number of office, warehouse and saleyard facilities under operating leases. The leases vary considerably in lease terms, with the majority for a period of 3 to 5 years, with options to renew the leases for a further 3 to 5 years. Lease payments are increased according to the various lease agreements, usually in line with the local consumer price index.

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Future minimum payments under non-cancellable operating leases are as follows:		
Less than one year	14,584	23,012
Between one and five years	23,345	37,318
More than five years	2,186	4,516
	<u>40,115</u>	<u>64,846</u>

The expense recognised in the statement of profit or loss and comprehensive income in "property and equipment expenses" during the year in respect of operating leases is \$29,899,000 (2015: \$25,431,000).

**Leases as lessor**

The Group leases space in 4 of its warehouses and 7 office spaces for periods up to 5 years.

Future minimum receipts under non-cancellable operating leases are as follows:

Less than one year	1,948	1,755
Between one and five years	3,478	4,668
	<u>5,426</u>	<u>6,423</u>

The lease income recognised in the statement of profit or loss and comprehensive income in "sundry revenue" during the year in respect of operating leases is \$2,141,542 (2015: \$2,379,375).

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**Note 14: Capital and leasing commitments (continued)**

**(b) Finance lease commitments**

		2016 \$'000	2015 \$'000
The Group has finance lease commitments for motor vehicles payable as follows:			
	<b>Note</b>		
Less than one year		3,322	1,087
Between one and five years		549	1,109
		<u>3,871</u>	<u>2,196</u>
Future finance charges		(52)	(117)
Total lease liabilities		<u>3,819</u>	<u>2,079</u>
Representing lease liabilities:			
Current	11	3,277	1,029
Non-current	11	542	1,050
		<u>3,819</u>	<u>2,079</u>

**(c) Capital and other commitments**

The Group discloses capital and other commitments comprising contracted capital expenditure that will result in cash outflows in future years, but are not recognised as a liability at reporting date.

The Group has no capital expenditure commitments contracted as at the reporting date but not recognised as liabilities payable but discloses the following other commitments for future purchases related to the livestock export business:

Livestock related commitments	18,528	11,835
Freight related commitments*	1,331	8,283
	<u>19,859</u>	<u>20,118</u>

\* During the period the Group started prepaying freight resulting in a decline in freight related commitments at year end 2016.

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**Note 15: Contingent liabilities**

The Group has guarantees issued in respect of contract performance in the normal course of business for controlled entities.

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Guarantees	26,111	26,403

In the ordinary course of business the Group is called upon to give guarantees and indemnities to counterparties, relating to the performance of contractual and financial obligations (including for controlled entities and related parties). Other than as noted above, these guarantees and indemnities are indeterminable in amount.



**Ruralco Holdings Limited and Controlled Entities**

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**Note 16: Segment reporting**

**Accounting policy**

The Group determines and presents operating segments based on the information that is internally provided to the Managing Director, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The financial results of each operating segment are regularly reviewed by the Group's Managing Director in order to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters and related intangible assets, related party loans and prepayments), head office expenses, income taxes and deferred tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most of these assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

Following a change in strategic focus of the Group during the year and restructuring activities, management have undertaken a review of the Groups reportable segments in order to reflect how the Managing Director now reviews financial results. The Group comprises the following reportable segments:

- Rural Services: offers livestock agency, wool broking, real estate services and sells rural merchandise,
- Water Services: supplies and installs water related products, provides irrigation and planning services,
- Live Export: supplies dairy, feeder, slaughter and breeding cattle and sheep from Australia to International markets, primarily in South East Asia, and
- Financial Services: comprises finance broking including insurance and agricultural advisory services.

	<b>Rural Services</b>		<b>Water Services</b>		<b>Live Export</b>		<b>Financial Services</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Results</b>										
External revenues	1,371,222	1,222,786	174,633	180,533	200,881	187,587	3,779	2,815	1,750,515	1,593,721
Interest revenue	2,726	4,132	153	12	2,870	1,987	112	10	5,861	6,141
Segment revenue	1,373,948	1,226,918	174,786	180,545	203,751	189,574	3,891	2,825	1,756,376	1,599,862
Segment profit/(loss) before income tax*	78,457	65,932	7,109	8,102	(4,887)	(1,068)	(1,354)	(1,103)	79,325	71,863
Unallocated expenses										
Corporate overheads									(46,408)	(28,755)
Underlying results from operating activities									32,917	43,108
Interest (expense) / income	1,163	(1,032)	(1,217)	(328)	(3,083)	(2,888)	(103)	(416)	(3,240)	(4,664)
Corporate finance costs									(3,005)	(4,420)
Non-recurring items									(14,016)	(6,870)
Share of net profit of equity accounted investees	(10)	828	-	-	-	-	-	-	(10)	828
Income tax expense									(3,776)	(9,160)
Profit for the period									8,870	18,822
<b>Assets</b>										
Segment assets	425,979	437,873	76,415	77,071	24,588	11,923	1,605	1,060	528,587	527,927
Investment in associates & joint ventures	8,805	8,916	-	-	-	-	-	-	8,805	8,916
Unallocated assets									182,880	161,283
Total Assets									720,272	698,126
<b>Liabilities</b>										
Segment liabilities	372,810	365,109	22,203	24,026	30,269	13,513	3,064	411	428,346	403,059
Unallocated liabilities									80,805	72,594
Total Liabilities									509,151	475,653
<b>Other segment information</b>										
Acquisitions of non-current segment assets	12,549	11,637	-	1,077	-	-	-	-	12,549	12,714
Depreciation and amortisation of segment assets	6,836	5,653	2,339	2,513	152	116	78	15	9,405	8,297

During the financial year there were no changes in segment accounting policies that had a material affect on the segment information.

\* Segment profit / loss excludes the impact of non-recurring significant items. The current year total non-recurring significant items of \$14 million relates primarily to costs arising from portfolio management activities undertaken during the year including the restructure of the Water and Live Export business and the wider Group cost review, which included the closure of underperforming branches and the decision to exit from non-core operations such as from machinery in Rural Services.

Costs of \$6.9 million in 2015 related to costs associated with establishing the new debt securitisation facility, certain strategic review and restructuring costs associated with senior management changes. These costs primarily arose at corporate level and were not related to specific reportable segments.

**Ruralco Holdings Limited and Controlled Entities**  
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**For the Year Ended 30 September 2016**

**Note 17: Cash flow information**

Total cash and cash equivalents is broken down as follows:

	Note	2016 \$'000	2015 \$'000
Cash on hand		117	117
Cash at bank		5,300	560
Cash and cash equivalents		<u>5,417</u>	<u>677</u>
Bank overdraft	11	-	(1,869)
Total cash at the end of the year		<u>5,417</u>	<u>(1,192)</u>

**Reconciliation of cash flow from operations with net profit:**

Net profit after tax	<u>8,870</u>	<u>18,822</u>
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Non-cash and non-operating items in profit from ordinary activities

Depreciation and amortisation	9,405	8,297
Provision for impairment of receivables	3,002	3,490
Provision for make good	(152)	(204)
Bank charges	-	869
Interest	(4)	81
Share based payment expense	1,573	1,636
Revaluation of property plant and equipment (through profit or loss)	44	170
Loss / (profit) on sale of property, plant and equipment	120	224
Loss / (profit) on disposal of intangible assets	(232)	264
Share of associated entities loss / (profit) not received as	10	(828)
Dividend income reclassified as investment income	(111)	(65)

Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries

(Increase) / decrease in trade and other receivables	10,238	(41,985)
(Increase) / decrease in inventories and biological assets	(4,131)	(10,785)
Increase / (decrease) in trade and other payables	16,174	2,121
Increase / (decrease) in current and deferred taxes	(10,559)	920
Increase / (decrease) in employee benefits provision	4,087	1,070
Increase / (decrease) in provisions and other liabilities	(245)	33,795
<b>Net cash flows from operating activities</b>	<u><b>38,089</b></u>	<u><b>17,892</b></u>

**Ruralco Holdings Limited and Controlled Entities**  
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**Note 18: Employee benefits**

***Accounting policy***

**(i) Short-term benefits**

***Wages and salaries, annual leave and sick leave***

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are due within 12 months of the reporting date represent present obligations resulting from employees' services provided at the reporting date.

These balances are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits (such as parking and mobile telephone expenses) are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

**(ii) Long-term benefits**

***Long service leave***

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, including appropriate on-costs.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Long service leave is classified as current where the leave has vested, or will vest within the next 12 months, in accordance with the relevant state legislation under which the employee operates.

**(iii) Retirement benefits obligations**

All employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, disability or death. The Group has a defined contribution section within its plan. The Group's contributions are based on a percentage of salary, which are statutory fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Contributions to the defined contribution fund are recognised as an expense as they become payable.

**(iv) Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance date are discounted to present value.

**(v) Share-based payments**

For each of the Group's share-based compensation schemes, the fair value of the equity instrument granted is measured at the grant date and spread over the vesting period via a charge to profit or loss and a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the actual number of performance rights for which the related service and non-market vesting conditions are met.

**Ruralco Holdings Limited and Controlled Entities**  
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**Note 18: Employee benefits (continued)**

**(a) Expense and amounts outstanding for payment at year end**

Total personnel expenses for the year can be broken down as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Personnel expenses</b>		
Salaries and wages	151,599	138,101
Contributions to defined contribution plans	14,119	12,664
Share based payments (equity settled)	1,573	1,636
Termination benefits	2,599	1,564
Payroll tax	9,512	8,480
Other personnel expenses	6,242	6,301
Total personnel expenses	<u>185,644</u>	<u>168,746</u>

Employee benefit provisions recognised at balance date are as follows:

**Current - employee benefits**

Annual leave	9,672	9,286
Long service leave	8,957	7,818
	<u>18,629</u>	<u>17,104</u>

**Non-current - employee benefits**

Long service leave	<u>3,112</u>	<u>3,240</u>
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**(b) Key management personnel disclosures**

Details on the remuneration paid to the Non-Executive Directors and those other executives who at any point during the financial year had authority and responsibility for planning, directing and controlling the activities of the Group are also provided in the Directors' report.

Key management personnel compensation comprised the following:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	4,211,792	3,487,960
Post employment benefits	278,762	190,071
Termination benefits	762,765	743,650
Share-based payments	986,753	882,289
	<u>6,240,072</u>	<u>5,303,970</u>

**Ruralco Holdings Limited and Controlled Entities**  
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**Note 18: Employee benefits (continued)**

**(c) Share based payment arrangements**

**Accounting policy**

The Ruralco Holdings Limited Executive Incentive Plan and Senior Management Plan grants executives and senior management shares in the Company. The fair value of these performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value of performance rights are measured at grant date and spread over the period which the employee become unconditionally entitled to the rights. The amount recognised as an expense is adjusted to reflect the actual number of rights that vest. The fair of the rights granted is measured using a Black-Scholes simulation methodology, taking into account the terms and conditions upon which the rights were granted. Measurement inputs include the share price on the measurement date, expected share price volatility, expected dividend yield, and the risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

**Description of share based payment arrangements**

**The Ruralco Limited Executive Incentive Plan**

This incentive plan was established to provide Long Term Incentives (LTIs) for executives. Under the incentive plan, participants are granted rights that only vest if certain time based and performance based vesting conditions are met. Participation in the incentive plan is at the Board's discretion and no individual has a contractual right to participate in the incentive plan or to receive any guaranteed benefits.

The number of rights granted to executives are based on their target LTI. The target LTI is determined based upon the executive's level of seniority and contribution to the profitability of the Group.

**Senior management plan**

Under the Senior Management Share Plan, \$15,000 worth of shares will be provided to selected senior managers over 3 years as a non-performance related retention strategy, with 20% of the total amount allocated at the end of each of the first 2 years and the remaining 60% at the end of the third year. The senior manager must remain employed on the relevant vesting date in order to receive the shares.

**Measurement of fair values**

Fair value is calculated using a Black-Scholes simulation. Details of the measurement inputs used in the fair value calculation of performance rights granted are set out below.

Grant date	Vesting date	Share price at grant date	Discount rate	Expected dividend yield	Expected price volatility	S&P/ASX Small	Correlation to Total Return Index	Fair value
						Ordinaries Total Return Index volatility		
		\$	%	%	%	%		\$
1-Oct-12	1-Oct-15	3.40	2.6	6.7	30	n/a	n/a	2.83
20-May-14	1-Oct-16	3.88	3.4	5.3	30	15	0.08	2.41
1-Oct-14	1-Oct-17	3.51	2.2	5.0	30	15	0.06	1.97
6-Jul-15	30-Sep-18	3.69	1.9	5.0	30	15	0.06	1.80
1-Oct-15*	1-Oct-18	3.54	2.7	5.0	30	n/a	n/a	3.17

The expected volatility of the Company's Return On Equity (ROE) is based on the historic volatility (based on the remaining life of the performance rights), adjusted for the expected changes to future volatility due to publicly available information.

\* This performance right has non-market based vesting conditions. As such this will be reassessed annually.

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**Note 18: Employee benefits (continued)**

**(c) Share based payment arrangements**

**Reconciliation of outstanding performance rights**

A reconciliation of the number of outstanding performance rights under the Group's incentive plans are set out below.

Grant date	Vesting date	Fair value at grant	Opening balance	Granted	Vested	Forfeited	Closing balance
<b>2016</b>							
1-Oct-13	1-Oct-16	2.42	226,541	-	(27,192)	(161,868)	37,481
1-Oct-14	1-Oct-17	1.97	360,557	-	-	(125,038)	235,519
6-Jul-15	30-Sep-18	1.80	50,000	-	-	-	50,000
1-Oct-15	30-Sep-18	3.17	-	540,583	-	(49,635)	490,948
			637,098	540,583	(27,192)	(336,541)	813,948
<b>2015</b>							
1-Oct-11	1-Oct-14	2.67	300,752	-	(164,578)	(136,174)	-
10-Sep-12	30-Sep-15	2.86	150,000	-	-	(150,000)	-
1-Oct-12	1-Oct-15	2.79	343,516	-	(343,516)	-	-
1-Oct-13	1-Oct-16	2.42	475,942	-	(107,061)	(142,340)	226,541
1-Oct-14	1-Oct-17	1.97	-	422,516	-	(61,959)	360,557
			1,270,210	422,516	(615,155)	(490,473)	587,098

Performance rights are granted for nil cost and their exercise price is nil.

**Expense recognised in profit or loss**

As set out in Note 18(a), the total share based payment expense recognised in profit or loss was \$1.6 million (2015: \$1.6 million)

**Ruralco Holdings Limited and Controlled Entities**  
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**Note 19: Group composition**

***Accounting policy***

***(i) Subsidiaries***

Subsidiaries are those entities over which the Group has the power, directly or indirectly, to govern the financial and operating policies generally accompanied by an equity holding of more than half the voting rights. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control of the subsidiary commences until the date that control ceases. Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated.

***(ii) Non-controlling interests***

Non-controlling interests are interests in partly owned subsidiaries, which are not held either directly or indirectly by Ruralco Holdings Limited.

***(iii) Changes in the Group's ownership interests***

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

***(iv) Equity accounted for investees***

An associate is an entity over which the Group has significant influence (i.e. power to participate in the investee's financial and operating decisions). A joint venture is an investment where the Group has joint control, with one or more third parties.

For joint ventures and associates, the Group applies equity accounting. Under this method, it recognises the investment initially at cost and subsequently adjusts this for its share of profits or losses, which are recognised in the statement of profit or loss and comprehensive income. Any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that investee, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

***Critical accounting estimates and judgements***

Assessing whether the Group has the power to direct the relevant activities of the investee requires the use of judgement and involves consideration of the rights it holds including the right to appoint or remove key management and the decision-making rights that impact the Group's exposure to variable returns.

When indicators of impairment exist, such as underperformance to budget, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

**Ruralco Holdings Limited and Controlled Entities**  
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**Note 19: Group composition (continued)**

**(a) Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following entities. The proportion of ownership interest is equal to the proportion of voting power held.

		Percentage Owned (%)	
		2016	2015
<b>Ruralco Holdings Limited – Company</b>	*		
A company incorporated in Australia			
<b>Subsidiaries</b>			
ACN 103 517 522 Pty Ltd	*	100.0	100.0
Ag Concepts Advisory Pty Ltd	*	100.0	100.0
Ag Concepts Unlimited Pty Ltd	*	100.0	100.0
Agritech Rural Pty Ltd		65.9	50.1
Agritech Unit Trust		65.9	50.1
Agriwest Rural Pty Ltd		51.0	51.0
Archards Irrigation Pty Ltd	*	100.0	100.0
B J Underwood Pty Ltd	*	100.0	100.0
BGA AgriServices Pty Ltd	*	100.0	100.0
BR&C Agents Pty Ltd		58.0	51.0
CIAA Pty Ltd		46.9	-
Combined Rural Traders Pty Ltd	*	100.0	100.0
CQ Ag Services Pty Ltd		57.5	57.5
Dairy Livestock Services Pty Ltd		51.0	51.0
Davidson Cameron & Co Dubbo Pty Ltd	*	100.0	100.0
Davidson Cameron & Co. Narrabri Pty Ltd	*	100.0	100.0
DCC Clydsdale Taylor Pty Ltd		67.0	67.0
Davidson Cameron McCulloch Pty Ltd	*	100.0	100.0
Davidson Cameron Pty Ltd	*	100.0	100.0
Farmworks Rural Pty Ltd	*	100.0	100.0
Frontier International Agri Pty Ltd		70.0	70.0
Frontier International Northern Pty Ltd		70.0	70.0
GDL Real Estate Pty Ltd		64.5	64.5
Grant Daniel Long Pty Ltd		64.5	64.5
Ingham Farm Centre Pty Ltd	*	100.0	100.0
Kimberley Rural Pty Ltd		100.0	100.0
Merredin Rural Supplies Pty Limited	*	100.0	100.0
Moora Rural Supplies Pty Ltd		100.0	-
National Waterexchange Pty Ltd (formerly CRT Real Estate Pty Ltd)	*	100.0	100.0
North West Farm Equipment Company Pty Ltd	*	100.0	100.0
Northern Livestock & Property Pty Ltd		55.0	55.0
Northern Rural Group Pty Ltd		60.0	60.0
NT Rural Pty Ltd	*	100.0	100.0
Platinum Operations Pty Ltd		62.6	62.6
Primaries of WA Pty Ltd	*	100.0	100.0
Primaries Property Pty Ltd	*	100.0	100.0
QNT Agencies Pty Ltd (formerly BGA Agriservices North Queensland Pty Ltd)		55.0	100.0
Queensland Rural Pty Ltd (formerly FNQG8 Pty Ltd)		55.0	55.0
Rahoom Pty Ltd		100.0	100.0
Rawlinson & Brown Pty Ltd	*	100.0	100.0
Relyon (Australia) Pty Ltd	*	100.0	100.0
Roberts Don Mac Pty Ltd	^	-	50.0
Roberts Hawkins Pty Ltd		85.0	50.0
Roberts Huon Valley Pty Ltd		50.0	50.0



**Ruralco Holdings Limited and Controlled Entities**  
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**Note 19: Group composition (continued)**

<b>(a) Subsidiaries (continued)</b>		<b>Percentage Owned</b>	
		<b>(%)</b>	
		<b>2016</b>	<b>2015</b>
Roberts Limited	*	100.0	100.0
Roberts Orford Triabunna Pty Ltd		50.0	50.0
Roberts Regional North Pty Ltd		50.0	50.0
Roberts Shearwater Pty Ltd		50.0	50.0
Rodwells & Co Pty Ltd	*	100.0	100.0
Ruralco Employee Share Plan Pty Ltd	*	100.0	100.0
Ruralco Employee Share Plan Trust		100.0	100.0
Ruralco Finance Pty Ltd	*	100.0	100.0
Ruralco Insurance Pty Ltd	*	100.0	100.0
Ruralco Water Brokers Pty Ltd		70.0	70.0
Ruralco Wool Pty Ltd	*	100.0	100.0
RuralSmart Pty Ltd		51.0	51.0
Saffin Kerr Bowen Pty Ltd		63.0	63.0
Saffin Kerr Bowen Wilson Pty Ltd		63.0	63.0
Savage Barker & Backhouse Pty Ltd (formerly Queensland Rural Pty Ltd)	*	100.0	100.0
Southern Australian Livestock Pty Ltd		81.7	81.7
Stevens Egan Johnston Pty Ltd		71.0	71.0
Tasmania Farm Equipment Pty Ltd	*	100.0	100.0
Tasmanian Grain Elevators Pty Ltd	*	100.0	100.0
Terra Firma Fertilisers Pty Limited	*	100.0	100.0
Territory Rural McPherson Pty Ltd		51.0	51.0
Territory Rural Pty Ltd		77.0	62.7
The Farm Shop (WA) 1999 Pty Ltd	*	100.0	100.0
Total Eden Holdings Pty Ltd	*	100.0	100.0
Total Eden McCrackens Group Pty Ltd	*	100.0	100.0
Total Eden Pty Ltd	*	100.0	100.0
Total Eden NZ Limited		100.0	100.0
Wex Water Pty Ltd		70.0	-
WMG Agriservices Pty Ltd (formerly Macintyre Rural Pty Ltd)		53.5	61.0

\* denotes that the entities are party to the Deed of Cross Guarantee.

^ denotes companies that have been disposed during the financial year.

Controlled entities are all incorporated in Australia with the exception of Total Eden NZ Limited.

**Ruralco Holdings Limited and Controlled Entities**  
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**Note 19: Group composition (continued)**

**(b) Deed of cross guarantee**

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998 (as amended by individual ASIC Order 08/0062 issued to the Parent on 31 January 2008), the wholly owned subsidiaries of the Parent are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' reports.

It is a condition of the class order and individual ASIC Order 07/0813 issued to the Parent on 12 October 2007 that the Parent and each of the wholly owned subsidiaries enter into a deed of cross guarantee. The effect of the deed is that the Parent guarantees to each creditor payment in full of any debt in the event of the winding up of any of the wholly owned subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Parent will only be liable in the event that after six months any creditor has not been paid in full. The wholly owned subsidiaries have also given similar guarantees in the event that the Parent is wound up.

A deed of cross-guarantee between Ruralco Holdings Limited and its wholly owned subsidiaries was enacted on 29 September 2006. During the year there were no amendments.

Set out below is a summary of the consolidated statement of profit or loss and comprehensive income, and movement in consolidated retained earnings, for the year ended 30 September 2016 and the consolidated statement of financial position as at 30 September 2016 of the Closed Group after eliminating all transactions between members.

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Statement of Profit or Loss and Comprehensive Income</b>		
Revenue	1,324,006	1,295,242
Cost of goods sold	(1,092,385)	(1,072,995)
Depreciation expense	(4,150)	(3,801)
Amortisation expense	(3,823)	(3,084)
Personnel expenses	(143,442)	(128,319)
Property and equipment expenses	(25,992)	(22,510)
Motor vehicle expenses	(13,546)	(13,298)
Marketing and advertising expense	(6,068)	(4,595)
Data and telephony expenses	(3,131)	(3,225)
Other expenses	(23,934)	(24,272)
Finance costs	(8,404)	(8,272)
Share of (loss) / profit of equity accounted for investees	(10)	828
<b>(Loss) / profit before income tax</b>	<b>(879)</b>	<b>11,699</b>
Income tax expense	(335)	(3,882)
<b>(Loss) / profit after tax</b>	<b>(1,214)</b>	<b>7,817</b>
Other comprehensive income after tax	-	(1,415)
<b>Total comprehensive income for the year, net of tax</b>	<b>(1,214)</b>	<b>6,402</b>

**Ruralco Holdings Limited and Controlled Entities**  
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**Note 19: Group composition (continued)**  
**(b) Deed of cross guarantee (continued)**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Statement of Financial Position</b>		
<b>Current assets</b>		
Cash and cash equivalents	(458)	-
Trade and other receivables	341,018	341,367
Inventories	78,096	75,188
Assets classified as held for sale	1,350	2,700
<b>Total current assets</b>	<b>420,006</b>	<b>419,255</b>
<b>Non-current assets</b>		
Trade and other receivables	1,629	-
Investments and other financial assets	32,302	43,763
Property, plant and equipment	36,439	22,493
Deferred tax assets	14,421	11,417
Intangible assets	123,023	110,927
<b>Total non-current assets</b>	<b>207,814</b>	<b>188,600</b>
<b>Total assets</b>	<b>627,820</b>	<b>607,855</b>
<b>Current liabilities</b>		
Trade and other payables	327,867	308,550
Loans and borrowings	3,703	60,490
Current tax liabilities	(1,861)	2,858
Employee benefits	14,532	13,281
Derivative financial instruments	168	1,681
Make good provision	173	-
Restructuring and onerous provisions	3,284	-
Deferred consideration	220	504
<b>Total current liabilities</b>	<b>348,086</b>	<b>387,364</b>
<b>Non-current liabilities</b>		
Loans and borrowings	65,404	461
Deferred tax liability	7,671	8,420
Employee benefits	2,177	2,386
Make good provision	671	792
Deferred consideration	827	942
<b>Total non-current liabilities</b>	<b>76,750</b>	<b>13,001</b>
<b>Total liabilities</b>	<b>424,836</b>	<b>400,365</b>
<b>Net assets</b>	<b>202,984</b>	<b>207,490</b>
<b>Equity</b>		
Share capital	173,261	170,757
Reserves	8,662	12,613
Retained profits	21,061	24,120
<b>Total equity</b>	<b>202,984</b>	<b>207,490</b>
Retained profits at the beginning of the financial year	24,120	29,669
Profit after tax	(1,214)	7,817
Dividends provided for or paid	(3,217)	(8,634)
Transfers (to) / from reserves	4,979	(2,052)
Impact from entrance / (exit) from closed group	(3,607)	(2,680)
<b>Retained profits at the end of the financial year</b>	<b>21,061</b>	<b>24,120</b>

**Ruralco Holdings Limited and Controlled Entities**  
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**Note 19: Group composition (continued)**

**(c) Parent company**

As at, and throughout the financial year ended 30 September 2016 the parent company of the Group was Ruralco Holdings Limited. The results, financial position and specific commitment and contingent liability disclosure is included below.

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Result of the parent entity</b>		
Profit for the period after tax*	(22,047)	502
Other comprehensive income	(3,420)	-
Total comprehensive income for the period	<u>(25,467)</u>	<u>502</u>
<b>Financial position of the parent entity at year end</b>		
Current assets	14,469	50,681
Total assets	177,860	307,344
Current liabilities	75,469	66,744
Total liabilities	78,143	70,211
<b>Total equity of the parent entity comprising of:</b>		
Share capital	152,049	149,532
Retained earnings	(56,293)	(25,075)
Cash flow hedge reserve	-	-
Share based payments reserve	3,961	2,874
Total equity	<u>99,717</u>	<u>127,331</u>

\* In 2015 a dividend distribution occurred from 100% subsidiaries to the Parent company prior to year end. No dividend distribution occurred prior to year end in 2016.

**Parent entity contingencies**

The directors are of the opinion that provisions are not required in respect of the Company's performance guarantees disclosed in note 15.

**Contingent liabilities not considered remote**

The directors are of the opinion that there are no contingent liabilities not considered remote in respect to the Company.

**Parent entity guarantees in respect of debts of its subsidiaries**

As noted in section (b), Ruralco Holdings Limited has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

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**Note 19: Group composition (continued)**

**(d) Equity accounted investments**

Interests are held in the following associates and joint ventures:

Name	Principal activities	Ownership interest		Carrying amount of investment using the equity method	
		2016 %	2015 %	2016 \$'000	2015 \$'000
Joint Ventures					
Western Riverina Fertilisers Pty Ltd	Rural merchandising	50	50	334	417
Agfarm Unit Trust	Grain marketing	50	50	8,472	8,499
				8,806	8,916

Movements during the year in the carrying value of equity accounted investments are as follows:

	2016 \$'000	2015 \$'000
Balance at beginning of the financial year	8,916	8,653
Share of associated company's net (loss) / profit after tax	(10)	828
Dividends received	(100)	(565)
Balance at end of the financial year	<u>8,806</u>	<u>8,916</u>

Summary financial information for equity accounted investees is as follows:

	Ownership interest %	Assets \$'000	Liabilities \$'000	Revenue \$'000	Profit after tax \$'000
<b>2016</b>					
Western Riverina Fertilisers Pty Ltd	50	869	220	2,653	35
Agfarm Unit Trust	50	29,809	28,429	4,781	(55)
		<u>30,678</u>	<u>28,649</u>	<u>7,434</u>	<u>(20)</u>
<b>2015</b>					
Western Riverina Fertilisers Pty Ltd	50	1,427	576	2,919	120
Agfarm Unit Trust	50	4,631	3,443	7,158	1,568
		<u>6,058</u>	<u>4,019</u>	<u>10,077</u>	<u>1,688</u>

All of the associates and joint ventures listed above are incorporated in Australia.

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**Note 19: Group composition (continued)**

**(e) Non controlling interests (NCI)**

Details of each of the Group's subsidiaries that has material non-controlling interests are set out below:

	Frontier International Agri Pty Ltd		BR&C Agents Pty Limited		Platinum Operations Pty Limited	
	2016	2015	2016	2015	2016	2015
<b>NCI percentage</b>	<b>30%</b>	<b>30%</b>	<b>42%</b>	<b>49%</b>	<b>37.4%</b>	<b>37.4%</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current assets	21,194	9,992	11,257	11,388	24,797	16,707
Non current assets	3,395	1,930	1,839	2,072	2,846	1,659
Current liabilities	(30,237)	(13,436)	(9,772)	(9,085)	(24,409)	(15,672)
Non current liabilities	(32)	(76)	(95)	(321)	(387)	(445)
<b>Net assets</b>	<b>(5,680)</b>	<b>(1,590)</b>	<b>3,229</b>	<b>4,054</b>	<b>2,847</b>	<b>2,249</b>
Carrying amount of NCI	(1,704)	(477)	1,356	1,986	1,065	841
Revenue	203,808	187,649	30,891	30,620	131,293	105,312
Profit	(5,522)	(942)	1,781	1,712	2,100	1,606
OCI	456	793	-	-	-	-
<b>Total comprehensive income</b>	<b>(5,066)</b>	<b>(149)</b>	<b>1,781</b>	<b>1,712</b>	<b>2,100</b>	<b>1,606</b>
Profit allocated to NCI	(1,657)	(283)	848	868	786	619
OCI allocated to NCI	137	238	-	-	-	-
Cash flows from operating activities	7,780	(1,302)	3,600	4,771	2,607	(905)
Cash flows from investing activities	(18)	(217)	(24)	(263)	(1,393)	(381)
Cash flows from financing activities	4,733	3,455	(955)	(4,452)	(2,023)	158
<b>Net increase/(decrease) in cash</b>	<b>12,495</b>	<b>1,936</b>	<b>2,621</b>	<b>56</b>	<b>(809)</b>	<b>(1,128)</b>

\*Note that Rawlinson & Brown Pty Limited has been excluded in the current year due to it being 100% owned as at 30 September 2015.

# Ruralco Holdings Limited and Controlled Entities

ABN 40 009 660 879

## Notes to the Consolidated Financial Statements

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### Note 20: Business combinations

#### Accounting policy

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs are expensed as incurred.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance either in profit or loss or as a charge to other comprehensive income.

#### Critical accounting estimates and judgements

The purchase price allocation process involves uncertainty as assumptions are made to identify tangible and intangible assets acquired, liabilities assumed, and their fair values. Quoted market prices or widely accepted valuation techniques are used to determine fair values. These include discounted cash flow analyses and market multiple analyses, based on assumptions about economic conditions, interest rates, industry economic factors, business strategies, and risks specific to the acquired asset or liability.

#### (a) Acquisitions

##### (i) Acquisitions for the full year ended 30 September 2016

The Group obtained control of the following entities and businesses during the prior year by acquiring 100% of the business assets:

Asset acquisition of businesses on the following dates:	Date acquired
Mackay Rural Supplies Pty Ltd	1 October 2015
A&B Rural Supplies Pty Ltd	1 October 2015
DDG Rural Pty Ltd	1 October 2015
Herbert Valley Rural Pty Ltd	1 October 2015
Statewide Irrigation & Rural Supplies Pty Ltd	1 February 2016
KNM General Pty Ltd	15 April 2016
Complete Ag & Seed Supplies	1 May 2016
B & K Walker Pty Ltd	1 July 2016
GA & FJ Fox Pty Ltd	1 August 2016

The acquisition of the above-mentioned entities and businesses is consistent with the Group's strategy of broadening its geographic footprint by Rural Supplies acquiring quality agribusinesses and people.

Acquisition accounting for all business combinations carried out during the current year have been determined provisionally to allow the Group sufficient time to form a view as to the value of any separately identifiable net assets acquired.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Mackay Rural	A&B Rural Supplies	Statewide Irrigation	Complete Ag & Seed	B&K Walker	Other acquisitions*	Total
<b>Consideration transferred</b>							
Cash	1,381	2,482	2,046	1,842	3,765	831	12,347
	1,381	2,482	2,046	1,842	3,765	831	12,347
<b>Identifiable assets acquired and liabilities assumed</b>							
Receivables	1,139	3,323	-	1,269	-	1,013	6,744
Inventories	1,379	1,744	295	872	1,273	437	6,000
Property, plant and equipment	328	361	74	141	371	314	1,589
Other intangibles	155	-	-	43	95	428	721
Payables	(2,668)	(3,305)	-	(1,374)	-	(1,903)	(9,250)
Provisions	(122)	(153)	(70)	(113)	(13)	(156)	(627)
Other payables	-	-	-	(6)	-	(169)	(175)
Deferred revenue	-	-	-	-	-	(202)	(202)
	211	1,970	299	832	1,726	(238)	4,800
<b>Goodwill on acquisition</b>	1,170	512	1,747	1,010	2,039	1,069	7,547

\* All other acquisitions include DDG Rural, Herbert Valley Rural, KNM General and GA & FJ Fox. These acquisitions are not individually material, and are disclosed in aggregate.

Management have provisionally measured the assets and liabilities acquired at fair value with the remainder of the purchase consideration being allocated to goodwill.

#### Mackay Rural

The goodwill is attributable to the knowledge and expertise of the workforce to service the horticulture and sugarcane market and the location of the business acquired in the Burdekin region of Queensland. The goodwill has been allocated to the Mainland Operations CGU.

The results during the post-acquisition period to 30 September 2016 was a contribution of \$13.8 million to revenue and a profit after tax of \$0.2 million.

#### A&B Rural Supplies

The goodwill is attributable to the knowledge and expertise of the workforce to service the horticulture and sugarcane market and the location of the business acquired in the Burdekin region of Queensland. The goodwill has been allocated to the Mainland Operations CGU.

The results during the post-acquisition period to 30 September 2016 was a contribution of \$16.7 million to revenue and a profit after tax of \$0.3 million.

#### Statewide Irrigation

The goodwill is attributable to the knowledge and expertise of the workforce to service the dairy market and the location of the business acquired in Southern Western Victoria. The goodwill has been allocated to the Mainland Operations CGU.

The results during the post-acquisition period to 30 September 2016 was a contribution of \$1.7 million to revenue and a profit after tax of \$0.1 million.

Had the results of this business been included from the beginning of the financial year, a further \$2.6 million in revenue and \$0.1 million of profit after tax would have been recognised as part of the Ruralco Holdings Group results.

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**Note 20: Business combinations (continued)**

**(a) Acquisitions (continued)**

**Complete Ag & Seed Supplies**

The goodwill is attributable to the knowledge and expertise of the workforce to service the horticulture market and the location of the business acquired in Virginia, South Australia. The goodwill has been allocated to the Mainland Operations CGU.

The results during the post-acquisition period to 30 September 2016 was a contribution of \$4.2 million to revenue and a profit after tax of \$0.1 million.

Had the results of this business been included from the beginning of the financial year, a further \$10.1 million in revenue and \$0.1 million of profit after tax would have been recognised as part of the Ruralco Holdings Group results.

**B&K Walker**

The goodwill is attributable to the knowledge and expertise of the workforce to service the dairy market and the location of the business acquired in South Western Victoria. The goodwill has been allocated to the Mainland Operations CGU.

The results during the post-acquisition period to 30 September 2016 was a contribution of \$2.3 million to revenue and a profit after tax of \$0.1 million.

Had the results of this business been included from the beginning of the financial year, a further \$9.2 million in revenue and \$0.1 million of profit after tax would have been recognised as part of the Ruralco Holdings Group results.

**(ii) Acquisitions for the full year ended 30 September 2015**

The Group obtained control of the following entities and businesses during the prior year:

**Acquisition of businesses on the following dates:**

	<b>Date acquired</b>
Landscape Australia Pty Ltd	30 November 2014
Peter Lees Real Estate Pty Ltd	31 May 2015
Peter Ruaro	1 June 2015
First National Keith & Bordertown	1 July 2015
W.H. Bailey & Sons Pty Ltd	1 August 2015
CIAA Pty Ltd	11 September 2015

The acquisition of the above-mentioned entities and businesses is consistent with the Group's strategy of broadening its geographic footprint by acquiring

	<b>Landscape Australia</b>	<b>Peter Lees Real Estate</b>	<b>Peter Ruaro</b>	<b>Other acquisitions*</b>	<b>Total</b>
<b>Consideration transferred</b>					
Cash	9,182	1,530	468	1,534	12,714
Deferred consideration	-	-	1,670	-	1,670
	<u>9,182</u>	<u>1,530</u>	<u>2,138</u>	<u>1,534</u>	<u>14,384</u>
<b>Identifiable assets acquired and liabilities</b>					
Receivables	5,696	-	-	-	5,696
Inventories	50	-	-	478	528
Property, plant and equipment	810	-	5	122	937
Other intangibles	249	1,070	213	316	1,848
Other assets	28	-	-	-	28
Payables	(3,193)	-	-	-	(3,193)
Provisions	(243)	(25)	-	(19)	(287)
	<u>3,397</u>	<u>1,045</u>	<u>218</u>	<u>897</u>	<u>5,557</u>
<b>Goodwill on acquisition</b>	<u>5,785</u>	<u>485</u>	<u>1,920</u>	<u>637</u>	<u>8,827</u>

The goodwill is attributable to the knowledge and expertise of the workforce and the location of the business acquired.

**(b) New business established:**

**2016**

**Business name**

	<b>Date established</b>
CIAA Pty Ltd	23 March 2016
Wex Water Pty Ltd	13 September 2016
Moora Rural Supplies Pty Ltd	13 September 2016

**2015**

**Business name**

	<b>Date established</b>
Relyon (Australia) Pty Ltd	14 July 2015
Ag Concepts Advisory Pty Ltd	7 August 2015
BGA Agriservices North Queensland Pty Ltd	20 August 2015



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**Note 20: Business combinations (continued)**

**(c) Disposal of operations**

**2016**

**(i) Disposal of Roberts Don Mac Pty Ltd**

On 1 December 2015, the Group disposed of its 50% interest in Roberts Don Mac Pty Ltd. \$526,159 of proceeds were received for the interest in the business resulting in a \$392,995 profit impact on disposal.

**2015**

**(i) Disposal of Sureseason Australia Pty Ltd**

On 25 February 2015, the group disposed of Sureseason Australia Pty Ltd. Nil proceeds were received for the business and no profit impact from the disposal.

**(ii) Disposal of North Western Rural Pty Ltd**

On 10 June 2015, the group deregistered North Western Rural Pty Ltd.

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**Note 21: Related party transactions**

**Accounting policy**

All undertakings with related parties are on an arm's length basis and recognised in line with accounting standards.

The related parties identified by the Directors include joint ventures, associated undertakings, director related entities and minority shareholders.

**(a) Transactions with related parties**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
The following transactions occurred with related parties in the year:		
Purchase of goods from subsidiaries by associates	392,889	906,143
Purchase of goods from subsidiaries by directors and their related entities	6,447	264,405
Interest paid by subsidiaries to their related entities	58,893	76,673
Interest paid to subsidiaries by their related entities	42,471	-
Interest received by parent from joint ventures and associates	-	40,144

**(b) Outstanding balances at reporting date**

The amounts owed by and to these related parties at the year end were:

Current receivables		
- Other related parties	486,670	683,451
Non-current receivables		
- Other related parties	3,549	3,768
Loans and borrowings		
- Other payable to related parties	1,002,030	1,737,113
Receivable from joint ventures and associates	93,343	270,467

Amounts repaid to related parties in relation to related party loans was \$999,831.

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect to bad or doubtful debts due from related parties.

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**Note 22: Financial risk management**

The Group has exposure to financial risks relating to its use of financial instruments and working capital. Risk management is carried out by a central finance (Group Finance) and credit risk department (National Credit) under policies approved by the Board of Directors. The Board has established the Audit, Risk and Corporate Governance Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board on its activities and oversees how the Group monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Committee is assisted in its oversight role by internal audit. Internal audit undertakes reviews of risk management controls and procedures, the results of which are reported to the Committee.

The financial risks managed by the Group are as follows:

<b>Risk</b>	<b>Exposure arising from</b>	<b>Management</b>	<b>Balances exposed</b>
Credit risk	The risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to trade receivables, seasonal finance and meat processor customers, including outstanding receivables and committed transactions.	Credit approval and monitoring practices; counterparty credit policies and limits; provision of security; trade indemnity insurance for certain debtors.	Cash and cash equivalents (Note 17) Trade and other receivables (Note 6)
Liquidity risk	The risk that the Group will not be able to meet its financial obligations as they fall due.	Preparing and monitoring detailed forecasts of cash flows; cash management policies including centralisation of surplus cash balances; maintenance of at call access to funds in the form of cash balances or committed, available revolving credit facilities; regular review of the adequacy of banking arrangements.	Financial liabilities (Note 11) Cash and cash equivalents (Note 17)
Currency risk	Transaction risk, that is the risk that currency fluctuations will have a negative effect on the value of the Group's trading cash flows in various currencies, primarily the US Dollar and Euro.	Use of derivative instruments (such as forward foreign exchange contracts) to hedge exposure in accordance with the policy approved by the Board.	Derivative financial instruments (Note 11)
Interest risk	Risk arising from significant changes in market interest rates from the Group advancing seasonal finance loans to customers, holding cash at bank and borrowings to finance activities.	Preparing and monitoring interest rate analyses of interest sensitive assets and liabilities; review of rates charged by borrowers. The Group does not hedge its interest rate position.	Trade and other receivables (Note 6) Cash and cash equivalents (Note 17) Financial liabilities (Note 11)
Commodity price risk	Buy/sell price risk from physical transactions of livestock for periods up to 12 months.	Physical forward positions with livestock.	Biological assets (Note 8)

Further disclosures required by the accounting standards relating to the various financial risks are detailed below or in the respective notes.

**(a) Credit risk**

The Group's maximum exposure to credit risk is represented by the carrying amounts of trade receivables (Note 6) and cash and cash equivalents (Note 17).

The Group provides goods and services to substantially all its customers on credit terms. Credit sales are on 7 to 30 day terms except where supplier agreements provide for extended terms or seasonal facilities are approved, which extend from 32 to 365 days. Interest is charged on overdue accounts, seasonal facilities and client advances at rates determined by the Group from time to time.

National Credit assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the Board. If the limit required is greater than that delegated, the limit is referred to the Board for approval. Compliance with credit limits is regularly monitored by management. Customers requiring seasonal finance are usually required to provide security for the debt, while livestock customers have credit limits approved by the insurer.

Security is taken over livestock, wool and plant and equipment or a charge over the proceeds of cropping or dairy activities.

Trade indemnity insurance is arranged over Farmworks, Total Eden, select Frontier customers and meat processors. The insurance amounts are those that are considered prudent for the level of activities and the exposure to individual debts. Excluding wholly owned subsidiaries and joint venture party receivables, 33.0% (2015: 30.7%) of the total exposure to trade receivables is insured.

The Group is also exposed to credit risk through its seasonal finance facility arrangements with an external financier. This seasonal finance facility contains a put option that allows the external financier to legally transfer debts meeting certain criteria. The put option is in place for those loans of an amount equal to or greater than the expected defaults of these loans and accordingly, the Group retains substantially all the risks and rewards of ownership of the seasonal finance debtors funded by the external financier and therefore recognises the seasonal finance debtors as a receivable with an equal amount payable to the external financier. Included in trade receivables past due 90 days is \$7,453,226 (2015: \$8,080,436) classified as seasonal finance.

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**Note 22: Financial risk management (continued)**

**(b) Liquidity risk**

The Group's maximum exposure to liquidity risk is represented by the carrying amounts of financial liabilities (Note 11).

***Maturities of financial liabilities***

The Group is required to disclose the expected timings of cash outflows for each of its financial liabilities. The amounts disclosed in the table below are the contractual undiscounted cash flows (including interest), so will not always reconcile with the amount disclosed in the statement of financial position and Note 11.

**2016**

	Contracted cash flows								
	Carrying amount	Total amount	At call	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 years	Over 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Derivative financial liabilities</b>									
Derivative financial instruments	168	168	-	168	-	-	-	-	-
<b>Non-derivative financial liabilities</b>									
Bank loans	65,112	68,972	-	23	68,851	98	-	-	-
Trade and other payables	294,179	294,179	-	294,179	-	-	-	-	-
Loans from related parties	1,002	1,002	1,002	-	-	-	-	-	-
Finance lease liabilities	3,819	4,062	-	3,463	291	172	97	39	-
<b>Total financial liabilities</b>	<b>364,280</b>	<b>368,383</b>	<b>1,002</b>	<b>297,833</b>	<b>69,142</b>	<b>270</b>	<b>97</b>	<b>39</b>	<b>-</b>

**2015**

<b>Derivative financial liabilities</b>									
Derivative financial instruments	1,681	1,681	-	1,681	-	-	-	-	-
<b>Non-derivative financial liabilities</b>									
Bank overdraft	1,869	1,924	1,924	-	-	-	-	-	-
Bank loans	52,000	53,138	-	53,138	-	-	-	-	-
Other loans	2,104	2,122	-	2,122	-	-	-	-	-
Trade and other payables	267,626	267,626	-	267,626	-	-	-	-	-
Loans from related parties	1,737	1,737	1,737	-	-	-	-	-	-
Finance lease liabilities	2,079	2,147	-	1,128	606	175	178	60	-
<b>Total financial liabilities</b>	<b>329,096</b>	<b>330,375</b>	<b>3,661</b>	<b>325,695</b>	<b>606</b>	<b>175</b>	<b>178</b>	<b>60</b>	<b>-</b>

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**Note 22: Financial risk management (continued)**

**(c) Currency risk**

The Group has a direct exposure to foreign exchange risk through its forward foreign exchange contracts used to hedge foreign currency denominated sales and purchases.

**Sensitivity analysis - Foreign exchange rate exposures**

The following sensitivity analysis is based on the foreign exchange rate risk exposures in existence at the balance sheet date. At 30 September 2016, if foreign exchange rates had moved as illustrated in the table below, with all other variables held constant, the impact on the financial statements would be as follows:

	<b>2016</b>		<b>2015</b>	
	<b>Post tax profit \$'000</b>	<b>Equity \$'000</b>	<b>Post tax profit \$'000</b>	<b>Equity \$'000</b>
AUD/USD +10%	-	1,002	-	4,027
AUD/USD -10%	-	(819)	-	(4,027)

**(d) Interest rate risk**

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate as at the reporting date by class of financial asset or liability.

<b>Interest rate repricing</b>									
<b>2016</b>	<b>Interest rate</b>	<b>Floating interest rate \$'000</b>	<b>1 year or less \$'000</b>	<b>Over 1 to 2 years \$'000</b>	<b>Over 2 to 3 years \$'000</b>	<b>Over 3 to 4 years \$'000</b>	<b>Over 4 to 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>									
Cash	1.45%	5,417	-	-	-	-	-	-	5,417
Trade receivables (interest bearing)	6.87%	6,460	52,784	-	-	-	-	-	59,244
Loans to related parties	3.73%	30	2,539	-	-	-	-	-	2,569
Total financial assets		11,907	55,323	-	-	-	-	-	67,230
<b>Financial liabilities</b>									
Bank loans	2.92%		22	65,000	90	-	-	-	65,112
Loans from related parties	3.92%	1,002	-	-	-	-	-	-	1,002
Finance lease liability	5.67%	-	3,277	275	154	82	31	-	3,819
Total financial liabilities		1,002	3,299	65,275	244	82	31	-	69,933
		10,905	52,024	(65,275)	(244)	(82)	(31)	-	(2,703)

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**Note 22: Financial risk management (continued)**

**(d) Interest rate risk (continued)**

2015

	Interest rate repricing								Total \$'000
	Interest rate	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>									
Cash	2.35%	677	-	-	-	-	-	-	677
Trade receivables (interest bearing)	4.82%	5,689	48,980	-	-	-	-	-	54,669
Loans to related parties	4.12%	60	1,252	-	-	-	-	-	1,312
Total financial assets		6,426	50,232	-	-	-	-	-	56,658
<b>Financial liabilities</b>									
Bank overdraft	2.94%	1,869	-	-	-	-	-	-	1,869
Bank loans	2.19%	-	52,000	-	-	-	-	-	52,000
Other loans	0.85%	-	2,104	-	-	-	-	-	2,104
Loans from related parties	2.59%	1,737	-	-	-	-	-	-	1,737
Finance lease liability	5.63%	-	1,128	574	157	151	23	46	2,079
Total financial liabilities		3,606	55,232	574	157	151	23	46	59,789
Net exposure to interest rate risk		2,820	(5,000)	(574)	(157)	(151)	(23)	(46)	(3,131)

**Sensitivity analysis - Interest rate exposures**

The following sensitivity analysis is based on the net interest rate risk exposures in existence at the balance sheet date. At 30 September 2016, if interest rates had moved as illustrated in the table below, with all other variables held constant, profit after income tax and equity would have been affected as follows:

	2016		2015	
	Post tax profit \$'000	Equity \$'000	Post tax profit \$'000	Equity \$'000
+ 100 basis points	(836)	-	(59)	-
- 100 basis points	836	-	59	-

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**Note 23: Events after the balance sheet date**

**(a) Business combinations**

The Group has entered into an agreement to acquire the entities listed below. These transactions are deemed to be business combinations through the acquisition of assets and will be accounted as such in the 2017 financial year. The residual value on acquisition will be provisionally captured as goodwill and other intangibles. The amounts have been determined provisionally to allow the Group sufficient time to form a view as to the value of any separately identifiable net assets acquired. The goodwill will be allocated to the Mainland Operations and Water Services CGU's.

<b>Asset acquisition of businesses on the following dates:</b>	<b>Date acquired</b>
Great Northern Pty Ltd	1 October 2016
Hunter Irrigation Pty Ltd	1 November 2016
Riverland Irrigation Pty Ltd	1 November 2016

	<b>Hunter Irrigation</b>	<b>Riverland Irrigation</b>	<b>Total</b>
<b>Consideration transferred</b>			
Cash	814	2,131	2,945
Deferred consideration	9	-	9
	<u>823</u>	<u>2,131</u>	<u>2,954</u>
<b>Identifiable assets acquired and liabilities assumed</b>			
Receivables	-	-	-
Inventories	361	630	991
Property, plant and equipment	368	390	758
WIP	17	-	-
Payables	-	-	-
Provisions	(45)	(137)	(182)
Deferred revenue	-	(46)	(46)
	<u>701</u>	<u>837</u>	<u>1,538</u>
<b>Goodwill on acquisition</b>	<u>122</u>	<u>1,294</u>	<u>1,416</u>

The goodwill is attributable to the knowledge and expertise of the workforce and the location of the business acquired.

On 1 October 2016, the Group acquired 60% of Great Northern Rural, a company based in Geraldton Western Australia, which provide agriculture, horticultural, animal health and irrigation products and advice, for cash consideration of \$2.4m.

The Group has executed an agreement for the purchase of the assets of TP Jones with completion subject to shareholder approval in February 2017.

**(b) Change in covenants**

To support the Group's strategic priorities, Management and the Group's financiers have agreed to amend the Group's financial covenants to allow for greater flexibility in funding acquisitions and to better reflect our seasonal working capital cycle. This is reflected in increased thresholds for permitted acquisitions and updated reportable covenants that include a de minimus total shareholder equity threshold, interest cover ratio and leverage ratio maximum that is different at March and September reflecting the differing working capital (and therefore debt) positions of the Group at these two points in time.

**(c) Sale of property**

On 4 November 2016, the Group has entered into an agreement to sell the Old Bridgewater Sale Yards - Crooked Billet Drive, Bridgewater for a sale price of \$1,376,035.

**(d) Disposal of business**

The group is currently underway in its disposal of Tasmania Farm Equipment Pty Ltd. Final transaction terms are still being negotiated.

**(e) New joint venture arrangement**

Execution of a joint venture arrangement with Ausure Group expected to complete in December 2016.

Excluding the transaction above, there are no matters or circumstances that have arisen since 30 September 2016 which are not otherwise dealt with in this report or in the consolidated financial statements, that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the subsequent financial periods.

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**Note 24: Auditors' remuneration**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Audit services</b>		
Audit and review of financial statements - KPMG	483,800	418,000
Other regulatory audit services - KPMG	33,200	32,000
	<u>517,000</u>	<u>450,000</u>
 Audit and review of financial statements - Other auditors	 -	 28,785
 <b>Other services</b>		
Tax compliance services - KPMG	133,890	158,380
Other non-assurance services - KPMG	196,100	75,350
	<u>329,990</u>	<u>233,730</u>