

# Annual Report 2016



*Ruralco*

**WE'RE HERE FOR AUSTRALIAN FARMERS™**





*Ruralco Annual Report*

# WELCOME

2016

*Our purpose is “We’re here for Australian farmers” and our vision is to champion Australian agriculture locally and globally, be known for innovation, flexibility and service, and to deliver profitable outcomes for all stakeholders, notably our customers, suppliers and shareholders.*

The Financial Report contained in this Annual Report covers the Group consisting of Ruralco Holdings Limited (the Company) and its subsidiaries. The Financial Report is presented in Australian currency. Ruralco Holdings Limited is a public company limited by shares, incorporated and domiciled in Australia.

Its registered office is: Level 5, Building A, 26 Talavera Road, Macquarie Park NSW 2113.

A description of the nature of the Group’s operations and its principal activities is included in the Major Activities on pages 6-7.

The Financial Report was authorised for issue by the Directors on 16 December 2016.

The Company has the power to amend and reissue the Financial Report. Corporate reporting is timely, complete and available globally at minimal cost to the Company through the use of the internet.

All media releases, financial reports and other information can be found on the Ruralco website under the ‘Investor Information’ menu [www.ruralco.com.au](http://www.ruralco.com.au).



*Travis Dillon*  
CEO & MANAGING DIRECTOR, RURALCO



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## FINANCIAL HIGHLIGHTS

**\$1.8BN**

SALES REVENUE

▲ UP  
**10%**

FY15 \$1.6BN

**\$118M**

RURAL SUPPLIES  
GROSS PROFIT

▲ UP  
**16%**

FY15 \$102M

**\$105M**

AGENCY  
GROSS PROFIT

▲ UP  
**3%**

FY15 \$102M

**\$90.5M**

WORKING CAPITAL

IMPROVED  
**24%**

FY15 \$118.9M

**\$38.1M**

OPERATING  
CASH FLOW

▲ UP  
**112%**

FY15 \$17.9M







*Fred Lyon*  
PRIMARIES CRT, BIBRA LAKE WA





*Sugar Cane Crop*  
Ingham QLD

### **RURAL SUPPLIES**

Ruralco's geographically diverse rural supplies businesses include a number of iconic brands including CRT, Australia's largest group of independent rural retailers.

These businesses cater to Australia's primary industry sector and provide a comprehensive range of animal health and crop protection products, fertilisers, general rural merchandise; and are supported by professional agronomists offering production and cropping advice.

Ruralco's rural supplies branches have local interests at heart, with expert staff and intimate knowledge of local conditions and markets.

Having built strong relationships with Australia's leading agricultural supply companies, Ruralco can offer products that meet the highest standards for quality, reliability and competitiveness.

### **LIVESTOCK AGENCY**

The national livestock agency network provides independent and experienced livestock specialist marketing services: for sheep, dairy and beef cattle which are offered through prime, store, private, over the hooks selling, and stud conducted on-farm sales.

This activity is conducted through public auctions (both physical and on-line through AuctionsPlus) and direct to livestock exporters.

### **REAL ESTATE AGENCY**

Ruralco Property agents are supported by a national network of locally branded real estate agencies who deliver property management services including: marketing and sales of commercial and residential real estate, nationally.

The strength of the footprint enables sales staff to access buyers from local markets, interstate and internationally.

### **WOOL AGENCY**

The wool agency business provides services such as; access to wool pools, Wooltrade electronic sales, forward marketing advice, direct selling options, full interlotting and bulk classing services, shearing advances, sheep classing and ram selection.

The Group's wool brokering services span Western Australia Tasmania, Victoria, New South Wales and Queensland; and are recognised as industry leaders for their experience, expertise and client focus.





### **WATER SERVICES**

The water business operates primarily under the Total Eden brand, and works hand in-hand with water infrastructure operators and on-farm irrigators to deliver practical and workable water solutions including: irrigation services, design and planning; products, supply and installation.

Continually striving to be a leader in providing environmentally sustainable water solutions, Ruralco partners with key suppliers and innovators to ensure its customers have access to the latest technologies and products.

Total Eden is complemented by the largest network of water brokers in Australia, Ruralco Water, who facilitate all types of water trading requirements.

### **LIVE EXPORT**

Frontier International Agri is a Ruralco joint venture partnership focused on short-haul live export.

The business mission is to be the supply partner of choice to customers who demand high quality and performance, delivering outstanding beef feeder, breeding stock and breeding sheep to customers in selected world markets.

The business focuses on expert management services in nutrition, animal husbandry and welfare, through the entire supply chain: from on-farm services in the country of origin, through to processing in the country of destination.

### **FINANCIAL SERVICES**

Ruralco offers a wide range of financing and insurance products to its rural and regional customers: agricultural and commercial business finance, lending and insurance.

Access to an extensive panel of Lenders allows Ruralco finance representatives to source and tailor financial solutions to best suit the customer's circumstances, and to support farmers in growing their businesses.

The range of products include: home or term loans, lines of credit, seasonal finance, overdraft facilities, equipment finance and insurance.

Ruralco's specialist agricultural advisory, Ag Concepts, delivers high quality proactive risk analysis and management services. The business provides in-depth analysis of the livestock, wool and grain markets with information widely distributed through subscription and the Mecardo website.



### MESSAGE FROM THE CHAIRMAN

Rick Lee

It gives me great pleasure to introduce Ruralco's Annual Report for 2016, my first since joining the Board as Chairman on 5 September 2016.

The 2016 financial year saw our people make steady progress in executing on Ruralco's Future Farming Strategy but operationally and financially it was a year of mixed results.

Underlying profit after tax attributable to shareholders fell 28% to \$13.4million. After accounting for the impact of restructuring activities, statutory net profit was \$4.3million, within the range of guidance provided to the market on 15 August 2016.

Highlights this year included record sales in our core traditional Rural Supplies and Agency businesses, strengthened governance and risk management processes, the completion of important restructuring activities and strategic acquisitions and a pleasing 25% improvement in safety metrics with Lost Time Injury Frequency Rate (LTIFR) reducing to 3.2% for the financial year.

#### DIVIDENDS AND CAPITAL MANAGEMENT

The Board announced a final year, fully franked dividend of 2 cents per share, bringing the dividend for the full year to 10 cents per share. This represents a 59% underlying dividend payout ratio in line with the Board's capital management policy outlined to shareholders in May with the half year results.

#### RISK MANAGEMENT

The year saw major enhancements to the Group's policies, processes and procedures to identify and minimise risk. This followed from a detailed risk analysis of the 47 diverse businesses that comprise the Ruralco Group, with a particular focus on compliance and cyber security. Given the Group's acquisition strategy, the Investment Review Committee also upgraded its risk assessment processes to ensure that acquisitions are strategically appropriate, value accretive, and are subject to comprehensive integration planning.

#### GOVERNANCE

The Board also oversaw a thorough review of Ruralco's governance processes. As a result, new charters were approved for the Board and its Committees and corporate governance processes were streamlined and simplified across the Group's subsidiaries and joint venture partners.

To strengthen compliance with Listing Rules, the Board introduced an enhanced Trading Policy, which replaces "blackout periods" with permitted trading windows. This is being supported by training focused on compliance, insider trading and continuous disclosure.

#### SKILLS MATRIX REVIEW

During the year, the Board commissioned an external skills matrix review to identify the skills, knowledge and experience required to govern Ruralco effectively. This provided the Board with an opportunity to reflect on its evolution and performance, and will guide the selection of future Directors.

#### DIVERSITY

The Board supports Ruralco's goal of becoming an employer of choice in the agriculture industry, and I am pleased to see progress towards this goal. For example, a number of diversity initiatives to attract and retain women were introduced during the year. These included a paid maternity leave scheme launched in July 2016 – an industry first – and a partnership with Macquarie University's Women in MBA initiative.

#### WE'RE HERE FOR AUSTRALIAN FARMERS

In November 2016 the Ruralco Lifeline partnership marked its first anniversary. The partnership commits an annual donation to Lifeline to assist the charity in fulfilling its aim to answer all calls for help from those in crisis.

Suicide is a national emergency, claiming 8 lives a day – more than the national road toll. In rural and regional areas the suicide rate can be up to three times higher than in urban areas. We



**\$1.8BN**

SALES REVENUE

**\$118M**RURAL SUPPLIES  
GROSS PROFIT**\$105M**AGENCY  
GROSS PROFIT

are not only losing our farmers but also the next generation of farmers. We believe that we can help prevent suicide through improving the quality and increasing the coverage of services and by raising awareness of the signs of crisis and by reducing the stigma of mental health issues. A key aim of this partnership is providing tools and training to our people to help them respond constructively to those in need of support and refer customers, family and friends in crisis, to make them more resilient, and in turn help keep our rural and regional communities suicide safe.

Our people are right behind this Lifeline partnership, raising funds and awareness and being trained to identify the signs of crisis early. They have raised over \$50,000 during the year to support the cause, and CEO Travis Dillon has recently donated his bonus to Lifeline to show leadership in our endeavours to support the cause. These actions speak volumes about the culture we are building in Ruralco, and our purpose - We're here for Australian farmers.

### BOARD AND MANAGEMENT CHANGES

During the year, the Executive team was further strengthened with the appointment of Peter Weaver as the Executive General Manager of the combined Water businesses and the appointment of a new General Counsel and Company Secretary, Ilona Alsters. Both Ilona and the newly appointed General Manager for Risk & Compliance, David Gunn, have worked closely with the Board to strengthen governance and risk management.

Effective 1 October 2016, Rick Maybury stepped down as Executive General Manager Rural Supplies with responsibility for procurement and supply chain now reporting through Greg O'Neil.

In February 2016, Ross Burney retired from the Board due to his growing commitments as CEO of Hume Partners as well as his other Non-Executive responsibilities.

On 15 November 2016, John Tuskin retired from the Board to take up a senior management position running our Tasmanian operations following the acquisition of the rural services business and CRT

member, TP Jones & Co. The transaction is still subject to shareholder approval, which will be sought at the AGM in February 2017, due to Mr Tuskin's connections with that business and his past role as a Director of the Company.

On 5 September 2016, Richard England retired as Director and Chairman of the Board after 14 years' service as Non-Executive Chairman. At the time, the Board recorded its thanks to Mr England for his contribution to the development and growth of the Company during his tenure. I wish also to record here my thanks to Richard, particularly for his leadership through a period of renewal of both the Executive team and the Board and in refreshing the leadership and governance of the Group.

### THANK YOU TO OUR TEAM

Our capable Executive team, led by Travis Dillon, and the wider Ruralco network have responded to challenging events in the second half of the year. They have improved working capital efficiency and maintained the strength of the balance sheet to support the continued execution of our strategy. They have ensured the business is primed for reliable and consistent performance and growth. The Board is pleased with the progress being made and looks forward to the 2016-17 fiscal year demonstrating the value to shareholders of the work being done.

In closing, I would like to thank the Board and Executive team for their warm welcome to me as incoming Chairman, and for their collaborative leadership of Ruralco. I am honoured to serve as Chairman, and I look forward to the year ahead as an opportunity to acquaint myself better with the Ruralco business and to engage with all stakeholders.



**Richard (Rick) Lee**  
Chairman, Ruralco Holdings Limited



### MESSAGE FROM THE CEO

Travis Dillon

This year the Group achieved underlying EBITDA of \$42.3million and reported NPAT of \$4.2million, both within the guidance range we provided to the market on 15 August 2016.

Despite strong organic growth achieved in our core, traditional businesses, this was not enough to offset the effect of restructuring activities and the impact of several isolated events during the second half of the year. These events included the late breaking rains that literally washed out trading in many parts of the business, and the closure of Frontier International Agri's southern live export business.

My Executive team responded swiftly and decisively to these events making the decision to close underperforming and non-core businesses and to undertake restructuring activity with a total cost of \$14million. With the changes we've made I'm confident that the business is in a much better position to take advantage of changing market conditions.

Since being appointed as Ruralco's CEO and Managing Director in November 2015, I am pleased to report that we have made great progress in executing on the strategy we set out to shareholders last year.

We continued to invest in accretive acquisitions in target markets for Rural Supplies and Water Services during the year, adding 19 points of presence. We successfully launched a private label product portfolio to compete profitably in highly commoditised product lines within our key Rural Supplies sales categories. We have made a step-change partnership in our insurance business and have pursued targeted innovation partnerships to support our integration strategy.

#### INNOVATION AND INTEGRATION

To be a leading partner in connecting our customers to the latest in agricultural and water technology and investing in innovation remains integral to our Future Farming Strategy and we have entered into some key partnerships this year.

Our venture with US-based drone and data analytics provider PrecisionHawk is the first of these opportunities. The drone and data packages that will be available through our retail network will provide our customers with state-of-the-art, advanced technology and agronomic services that will enable them to discover better, faster information about their farms using safe drone technology.

Our position as a cornerstone investor with SproutX, Australia's leading AgTech accelerator program, is anticipated to provide

us with first mover advantage, positioning us as the path to market for new agricultural innovations.

Growth is also expected from our recently announced joint venture with Ausure Consolidated Brokers (a Steadfast Group Limited company). The merging of the assets of our Ruralco Insurance business with Ausure extends the regional presence of both insurance books, leverages synergies, and better positions the business for future acquisitions in this space, providing a platform to grow rapidly in local rural markets.

#### INVESTMENT AND PORTFOLIO MANAGEMENT

Through investment and portfolio management we are aiming to continue our role as an industry consolidator while at the same time continuing to focus on organically growing the business.

This year the Group acquired a number of earnings accretive Rural Supplies operations in target markets including the acquisition and integration into our Rodwells business of Fox Ag, Traralgon Stock Supplies and Statewide Irrigation & Rural Supplies in Victoria and the acquisition of Complete Ag & Seed in Virginia, South Australia, which increases our market presence in the horticulture market in that region. Subsequent to year end we also announced our acquisitions of CRT members Great Northern Rural Supplies in Geraldton, Western Australia and TP Jones & Co in Tasmania.

We also built on our market-leading water footprint with the recent acquisitions of Hunter Irrigation in New South Wales and Riverland Irrigation in the Murray Darling basin in South Australia.

The focus of the reset water business is to leverage the water and wider Ruralco retail network to continue to generate leads and build water services capability, particularly on the East Coast. These efforts have already lead to some key project wins with Total Eden being awarded the contract to deliver various parts of the \$90million publicly funded Swan Valley Irrigation Scheme in Tasmania, a project that commenced in Q3 of this year.

We continue our focus on portfolio management with the acquisition of increased equity stakes in four of our joint venture businesses and the closure of a small number of underperforming branches to ensure our platform is reset for growth.

At the release of our full year results, we announced that we had decided to divest our non-core farm machinery operations. Whilst this business has long been part of our Tasmanian footprint, the provision of small farm machinery services to the market does not align with Ruralco's well-articulated strategy.



**\$90.5M****WORKING CAPITAL****\$38.1M****OPERATING  
CASH FLOW****19****NEW POINTS OF  
PRESENCE**

*“This is the greatest organisation-wide improvement in employee understanding and support of ‘Long-Term Direction’ and ‘Senior Leadership’ that I have seen in recent years”*

*- Sandene Chetwynd, Insync Surveys, on the increase in Ruralco employee engagement survey results.*

In January 2016, we launched our simplified, more transparent CRT trading model. The new model has proved successful, increasing engagement with the existing member base – enabling us to capture leakage – and attracting interest with twelve new members joining the group.

#### PEOPLE AND CULTURE

The safety of our people continues to be a focus for us. Increased investment in safety training, particularly in livestock and manual handling, and the roll out of a new Health Safety & Environment (HSE) Management system including on-line tools, has pleasingly resulted in a 25% improvement in LTIFR on the previous year, which has decreased to 3.2%.

Our focus on building a winning culture has also borne fruit, with our 2016 employee engagement survey revealing a 6% improvement in staff engagement on the previous year. This result is a testament to the focus on increasing communication throughout the Group on our vision, values and strategy.

We have also made progress towards our goal of attracting, retaining and developing the best team in the industry. New initiatives have included: increased investment in training; the establishment of a formal graduate program and of a national traineeship program; and, the roll out of an industry first paid maternity leave scheme.

#### SCALEABLE BACK OFFICE

Management and the Board recognise that along with a focus on our three strategic pillars: Investment, Innovation and Integration, cost control and working capital efficiency are critical to ensuring growth in earnings per share and total shareholder returns.

The actions undertaken this year to right size parts of the business are an important step in controlling costs but continued investment in building a scaleable back office is required to drive operating leverage. In September 2016, the Board approved ‘Program Elevate’, a two year, \$14million program of various projects that will support Ruralco’s growth and innovation strategies and is focused on providing a reliable back office foundation integrated with a scaleable e-commerce platform for our customers.

It is pleasing that the focus of our business on working capital efficiency and debt management has resulted in producing a strong balance sheet at year end. Average working capital as a % of sales has improved from 8.8% to 7.9% and operating cash flows have increased by 112% to \$38.1million. We have also extended the maturity of our funding and renegotiated our financial covenants to allow for greater flexibility in funding acquisitions and to better reflect our seasonal working capital cycle.

#### MARKET CONDITIONS AND OUTLOOK

Ruralco enters financial year 2017 well positioned for growth and to improve on our performance metrics. There is also a healthy pipeline of acquisitions, particularly in Water Services, to ensure we continue to successfully execute on our Future Farming Strategy.

In rural merchandise and fertiliser, sales growth this year was supported by more favourable seasonal conditions, particularly in Western Australia. We are cautiously optimistic for positive Q1 trading conditions in rural supplies given the size of the summer crop and the increase in water availability and allocations.

In livestock, dry conditions in the first half of this year kept cattle prices high, leading to strong selling in both our Livestock Agency and Live Export businesses. Prices for the coming year continue to look positive (although not at the record highs achieved over the last two years), with lower supply volumes expected to persist over the next 12-18 months as producers rebuild the national herd.

The dry first half of the year also saw strong demand for water entitlements. We go into the next financial year with water catchments back to long-term averages. Although this can depress the price of temporary water entitlements, irrigators are expected to be more active, leading to increased demand for water projects. Ruralco also remains well placed to take advantage of the increase in government investment in water infrastructure.

Sourcing remains key to the Live Export business model and our decision to pursue backgrounding and finishing operations in Northern Australia with a re-focused northern Live Export business is expected to support growth and is a key step in maximising value along the protein supply chain. Despite the market challenges this year, we continue to see the strategic benefit in growing the Live Export business as it provides another channel to market for our livestock customers and integrates the operations of our Agency network.

Finally, I would like to thank our people for their continued hard work and dedication to supporting our customers. Many of our business units delivering record results and our people continue to be the foundation of the business, ensuring that we deliver on our vision to champion Australian agriculture locally and globally.



**Travis Dillon**

CEO & Managing Director, Ruralco Holdings Limited

*Our vision is to champion Australian agriculture locally and globally, be known for our innovation, flexibility and service, and to deliver profitable outcomes for our stakeholders*

Our purpose is “We’re here for Australian farmers” and our vision is to champion Australian agriculture locally and globally, be known for innovation, flexibility and service, and to deliver profitable outcomes for all stakeholders, notably our customers, suppliers and shareholders.

The foundation of Ruralco’s business is its people. Investment in people will continue to be a priority alongside continuing development of a Ruralco culture in line with our values of accountability, integrity, loyalty, aiming high, leadership and common sense. Ruralco also has an ongoing focus on embedding safety in everything we do as we strive for our goal of zero harm.

Ruralco acknowledges the macro trends affecting Australian agriculture:

- The structural shift in the industry with small farm consolidation;
- The need for agricultural productivity increases and the growing Asian middle class; and
- The investment being made by the government in regional water infrastructure.

Through Ruralco’s unique business model and diversified portfolio of businesses it is well placed to take advantage of the opportunities that these trends provide. As an agribusiness Ruralco is differentiated through its investment in agriculture’s fundamental farming input: water.

The Future Farming Strategy positions Ruralco as a leader in the future of Australian farming and is focused on three key pillars to drive growth:

- Continuing investment in our chosen agribusiness sectors;
- Embracing innovation to disrupt the traditional business model and being an industry leader in connecting our customers to the latest in agricultural technology (AgTech); and
- Generating value through vertical integration across the agricultural value chain through our national points of presence.

Focused strategy execution, cost control and balance sheet management is critical to ensuring growth in earnings and total shareholder returns and building a scaleable back office is an important step in driving operating leverage.

## OUR VALUES

### COMMON SENSE

*Decisions based on sound reasoning*

### ACCOUNTABILITY

*We own and take responsibility for our actions*

### AIM HIGH

*We challenge ourselves to exceed expectations*

### INTEGRITY

*We’re honest, transparent and principled*

### LEADERSHIP

*Everyone leads by example*

### LOYALTY

*To our people, partners and local communities*



# FUTURE FARMING STRATEGY

*We're here for Australian farmers™*

*Strategy Execution + Improved Operating Leverage = NPAT & EPS Growth*

## INVESTMENT

-  *Leading consolidator in water retail and services sectors*
-  *Fill remaining gaps in the retail network*
-  *Grow the high yielding agency business*

## INNOVATION

-  *Commercialise the 'next wave' of AgTech*
-  *Be a leader in the future of farming*
-  *Invest in digital transformation*
-  *Empower our employees and customers with the latest in innovation*

## INTEGRATION

-  *Bringing world class technology to the water industry*
-  *Step change in Financial Services*
-  *Strategic investments along the rural supplies value chain*
-  *Maximise market share along the entire protein supply chain*

**SCALEABLE BACK OFFICE**

**PEOPLE & CULTURE**

# REVIEW OF FINANCIAL PERFORMANCE

## YEAR IN REVIEW

Management recognise that to grow earnings per share and total shareholder returns, execution of Ruralco's strategy must be balanced by:

FINANCIAL DISCIPLINE	PORTFOLIO MANAGEMENT	CASHFLOW GENERATION	BALANCE SHEET STRENGTH
Strong internal focus on disciplined cost control and efficiency to drive positive operating leverage	Acting decisively in restructuring operations, divesting non-core operations and increasing equity interests in subsidiaries	Continuous pursuit of working capital efficiency and disciplined capital expenditure and investment decisions	Maintaining the strength of the Group's balance sheet and funding flexibility underpins the ability of Ruralco to fund its growth
Measured through opex as % of gross profit	Measured through Return on Capital Employed targets by business, financial performance vs budget	Measured through working capital targets by business, average working capital as % of sales	Measured through gearing ratio and other optimal capital structure metrics

This financial review should be read in conjunction with the financial statements, which are presented on pages 58 - 111 of this annual report.

## EARNINGS

The Group achieved reported NPAT of \$4.3million and reported EBITDA of \$28.3million for the 2016 financial year. This result included \$14million (\$9.1million net) of costs arising from portfolio management activities undertaken during the year including the restructure of the Water and Live Export businesses and a wider review of the Group's cost base, which included the closure of certain underperforming branches and the decision to exit from non-core operations, such as the Group's farm machinery business.

Excluding these significant items, the Group achieved underlying EBITDA of \$42.3million, which is within the guidance range provided to the market on 15 August 2016. Strong, and in some cases, record performance across a number of core traditional Rural Supplies and Agency businesses this year was offset by challenging market conditions in Live Export and lower retail sales in Water Services driven particularly from the Queensland and Western Australian water retail markets. Further detail on the financial performance of each of the Group's activities are set out on pages 18-21.

Underlying opex as a percentage of gross profit has increased to 86% (2015: 83%) and the underperformance in Water Services and Live Export during the year has negatively impacted operating leverage. Management believe that the actions taken to right size these businesses and the continued focus on portfolio management will provide a strong platform for future earnings growth.

A reconciliation of underlying to reported earnings is set out below:

YEAR ENDED 30 SEPTEMBER	UNDERLYING <sup>1</sup> 2016 \$000	SIGNIFICANT ITEMS 2016 \$000	REPORTED 2016 \$000	REPORTED 2015 \$000	CHANGE \$000	CHANGE %
Revenue	1,756,376	-	1,756,376	1,599,862	156,514	10%
Gross profit <sup>2</sup>	304,850	(5,870)	298,980	297,251	1,729	1%
EBITDA	42,312	(14,016)	28,296	45,363	(17,067)	(38%)
Depreciation and amortisation expense	(9,405)	-	(9,405)	(8,297)	(1,108)	13%
Net finance costs	(6,245)	-	(6,245)	(9,084)	2,839	(31%)
<b>Profit before tax</b>	<b>26,662</b>	<b>(14,016)</b>	<b>12,646</b>	<b>27,982</b>	<b>(15,336)</b>	<b>(55%)</b>
Tax	(9,662)	5,887	(3,776)	(9,160)	5,384	(59%)
Non-controlling interest	(3,596)	(977)	(4,574)	(4,765)	191	(4%)
<b>NPAT attributable to shareholders</b>	<b>13,404</b>	<b>(9,107)</b>	<b>4,296</b>	<b>14,057</b>	<b>(9,761)</b>	<b>(69%)</b>
<b>Return on equity (ROE)<sup>3</sup></b>	<b>6.1%</b>		<b>1.9%</b>	<b>6.6%</b>		
<b>Opex as % of gross profit</b>	<b>86%</b>		<b>91%</b>	<b>85%</b>		
<b>Earnings per share (EPS) (cents)</b>	<b>16.96</b>		<b>5.44</b>	<b>18.03</b>		

<sup>1</sup>"Underlying" measures of profitability provide more useful information. Underlying Earnings before interest, tax, depreciation & amortisation (EBITDA) means reported earnings before interest, tax, depreciation and amortisation including share of profits from associates adjusted to remove the impact of significant items (pre-tax). Underlying NPAT means reported net profit attributable to equity holders of the Company adjusted to remove the impact of significant items (post-tax and related NCI)

<sup>2</sup>Gross profit includes the commissions paid to employee agents as these costs are considered to be akin to a cost of sale in the agency business. The comparative period has been restated to reflect this change in classification (as previously included within opex)

<sup>3</sup>Return on equity (underlying) = Underlying NPAT/Average shareholders' equity



## CASH FLOW GENERATION

The Group ended the year with cash on hand of \$5.4million reflecting a late USD denominated customer receipt. Ruralco's aim is to minimise cash on hand and ensure cash generated from operations is used to pay down borrowings, fund capital expenditure and bolt-on acquisitions and ultimately return dividends to shareholders.

Operating cash inflows of \$38.7million were \$20.8million or 116% above last year. Higher operating cash flows mainly reflect improved working capital management and savings in finance costs with cash realisation<sup>4</sup> (excluding significant items) increasing to 92% (2015: 35%). This helped to mitigate the decline in the operating result and increased tax paid.

Net investing cash outflows were \$1.1million or 4% above last year primarily reflecting cash paid to purchase treasury shares on market to satisfy LTI performance rights that vested during the year.

The Group retains strong discipline with respect to investment capital expenditure. Potential acquisitions must be aligned with strategy, be earnings accretive and exceed internal Return on Investment (ROI) and Return on Capital Employed (ROCE) thresholds. Current year investment spend includes \$12.5million for bolt-on acquisitions (to build scale in Water and increase the Rural Supplies retail footprint) and \$1.9million for the acquisition of increased shareholdings in certain subsidiaries (2015: \$12.7 million cash consideration for acquisitions and \$5.7million for the purchase of additional interests in certain subsidiaries).

Management recognise that a scaleable back office is required to drive operating leverage and therefore investment continues on the Group's IT and digital platforms. Capital expenditure in the current year included maintenance capex of \$5.2million for plant and equipment and leasehold improvements, maintenance IT capex of \$2.2million and investment IT capex of \$5.7million (SAP and point of sale upgrades and migrations and other IT investment).

Net financing cash outflows were \$15.6million or 74% below last year as the prior year included the repayment of the final balance of the deposit book of \$7.3million. In addition, there has been a net draw down of borrowings this year. These funds have primarily been used to fund bolt-on acquisitions. The increase in dividends paid arises from the higher profits generated in the prior year.

ABRIDGED CASH FLOW FOR THE YEAR ENDED 30 SEPTEMBER <sup>4</sup>	2016 \$000	2015 \$000	CHANGE \$000	CHANGE %
Reported EBITDA	28,296	45,362	(17,066)	(38%)
Net change in working capital	24,513	(18,440)	42,953	(234%)
Net finance costs	(388)	(1,993)	1,605	(81%)
Tax paid	(14,332)	(7,037)	(7,295)	104%
<b>Operating cash flows</b>	<b>38,089</b>	<b>17,892</b>	20,197	113%
Acquisitions & subsidiary investments	(13,811)	(18,437)	4,626	(25%)
Capital expenditure	(13,083)	(8,234)	(4,849)	59%
Treasury share purchases <sup>5</sup>	(2,144)	(369)	(1,775)	481%
Divestments	745	372	373	100%
Sale of assets and other	2,391	1,853	538	29%
<b>Investing cash flows</b>	<b>(25,902)</b>	<b>(24,815)</b>	(1,087)	4%
Dividends paid	(15,171)	(12,398)	(2,773)	22%
Net draw down/(repayment) of borrowings	9,593	(8,761)	18,355	(210%)
<b>Financing cash flows</b>	<b>(5,578)</b>	<b>(21,159)</b>	15,582	(74%)
<b>Change in cash held</b>	<b>6,609</b>	<b>(28,082)</b>	34,692	(124%)

<sup>4</sup>Cash realisation = Operating cash flows/Underlying EBITDA

<sup>5</sup>Purchase of ordinary shares on market in order to satisfy vesting of LTI schemes for KMP and Senior Management

## REVIEW OF FINANCIAL PERFORMANCE

### BALANCE SHEET STRENGTH

A strong balance sheet and a disciplined focus on working capital management continues to underpin the execution of Ruralco's strategy.

Working capital at the end of the year declined \$28.4million or 24% to \$90.5million, despite growth in the underlying size and footprint of the business during the year. The Group's working capital efficiency also improved with average working capital as a % of sales decreasing to 7.9% (2015: 8.8%) for the year. Partially offsetting this improvement in working capital is a \$7million increase in livestock reflecting the Group's cattle backgrounding and finishing operations in Northern Australia undertaken to secure top quality supply in tightening market conditions.

Total capital employed at the end of the year declined \$7.4million or 3% to \$273.5million primarily reflecting the decrease in working capital noted above and partially offset by an increase in intangibles of \$13.1million from the impact of bolt-on acquisitions and increased investment in IT (software purchases and capitalised IT development costs).

Net tax items finished higher, primarily due to a \$4.5million increase in net deferred tax assets reflecting movements in provisions for restructuring and the recognition of tax losses in the Live Export business. Tax payable was lower by \$6.1million due to the higher level of tax instalments paid during the year.

The \$4.5million increase in net other items primarily relates to provisions associated with the restructuring activity undertaken in the second half of the year.

The decline in operating result from the underperformance in Water Services and Live Export is the primary cause of the decline in underlying ROCE to 13.6%. The actions taken to right size these businesses and close underperforming and non-core operations are expected to improve performance going forward.

ABRIDGED BALANCE SHEET AS AT 30 SEPTEMBER <sup>6</sup>	2016 \$000	2015 \$000	CHANGE \$000	CHANGE %
Trade and other receivables (incl. prepayments) <sup>7</sup>	364,210	375,481	(11,271)	(3%)
Inventories (incl. biological assets)	129,666	119,878	9,788	8%
Trade and other payables (incl. derivative financial instruments)	(403,415)	(376,543)	(26,872)	7%
<b>Working capital</b>	<b>90,461</b>	<b>118,816</b>	<b>(28,355)</b>	<b>(24%)</b>
Property, plant and equipment	40,875	39,864	1,011	3%
Intangibles	147,305	134,224	13,082	10%
Investments in equity accounted investees	8,805	8,916	(111)	(1%)
Net tax items	11,839	402	11,437	2845%
Other items	(25,781)	(21,327)	(4,454)	21%
<b>Total capital employed</b>	<b>273,504</b>	<b>280,895</b>	<b>(7,391)</b>	<b>(3%)</b>
<b>Average working capital % of sales<sup>8</sup></b>	<b>7.9%</b>	<b>8.8%</b>		<b>(0.9 ppts)</b>
<b>Return on capital employed (ROCE) (underlying)<sup>9</sup></b>	<b>13.6%</b>	<b>17.0%</b>		<b>(3.4 ppts)</b>



*Debbie Steinke*  
BGA AGRISERVICES, KINGAROY QLD

*Bruce Drysdale*  
MACKAY RURAL SUPPLIES, MACKAY QLD

<sup>6</sup>Balances reflect the management balance sheet presentation, which is based on different classification and groupings than the Statement of Financial Position in the financial statements

<sup>7</sup>Excludes related party and shareholder loans classified within net debt

<sup>8</sup>Average working capital % of sales = Average working capital for 12 months/revenue for the year

<sup>9</sup>Return on capital employed (underlying) = Underlying EBITDA/ 12 month average total capital employed



## DEBT MANAGEMENT AND FINANCING

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

Significant headroom exists for the Group to continue to fund accretive acquisitions in line with our strategic priorities. At 30 September 2016, the Group had drawn down \$65million of the \$150million Debtor Securitisation Facility. Nil drawdowns were made of the \$60million Multi Option Facility at year end.

The Group has complied with all financial obligations under these facilities throughout the year. To support Ruralco's strategic priorities, Management and the Group's financiers have agreed to amend the financial covenants to allow for greater flexibility in funding acquisitions and to better reflect Ruralco'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.

Net debt has increased by \$4.0million or 7% to \$62.4million and gearing has increased to 22.8% primarily reflecting the use of debt to fund bolt-on acquisitions and IT capex.

NET DEBT AS AT 30 SEPTEMBER	2016 \$'000	2015 \$'000	CHANGE \$'000	CHANGE %
Cash and cash equivalents	5,417	677	4,740	700%
Bank overdraft	-	(1,869)	1,869	(100%)
Gross drawn debt	(65,000)	(52,000)	(13,000)	25%
Other loans	(1,137)	(3,328)	2,191	(66%)
Finance lease liabilities	(1,664)	(1,904)	240	(13%)
<b>Net debt</b>	<b>(62,384)</b>	<b>(58,424)</b>	<b>(3,960)</b>	<b>7%</b>
Total shareholders' equity	(211,121)	(222,473)	11,352	(5%)
<b>Gearing ratio<sup>10</sup></b>	<b>22.8%</b>	<b>20.8%</b>		<b>2 ppts</b>

## LONG TERM SHAREHOLDER RETURNS

Ruralco endeavours to optimise total shareholder returns through its dividend policy, its approach to capital management and disciplined portfolio management.

Ruralco'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 Ruralco'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 through the cycle.

The Board declared a fully franked final ordinary dividend of 2 cents per share taking the full year ordinary dividend to 10 cents per share. The final dividend will be paid on 19 December 2016 to shareholders on the Company's register on 28 November 2016, the record date for the final dividend. The Dividend Reinvestment Plan continues to operate in respect of the final dividend at a discount of 2.5%.

<sup>10</sup>Gearing ratio = Net debt / (Net debt + Shareholders' equity)



### RURAL SUPPLIES

**\$118M**

RURAL SUPPLIES  
GROSS PROFIT

▲ UP  
**16%**

FY15 \$102M



### AGENCY

**\$105M**

AGENCY  
GROSS PROFIT

▲ UP  
**3%**

FY15 \$102M



### WATER

**\$2.9M**

WATER BROKING  
RESULTS

▲ UP  
**44%**



### LIVE EXPORT

**127,000**

HEAD OF CATTLE  
SHIPPED

AIR FREIGHT

**150**

CATTLE TO  
CHINA



### FINANCIAL SERVICES

**\$15.5M**

FINANCIAL SERVICES  
GROSS PROFIT

▲ UP  
**5%**

FY15 \$14.8M



*Josh Heck*

SAVAGE, BARKER & BACKHOUSE, GRACEMERE SALES

Sponsored by Elders





## RURAL SUPPLIES

### ACTIVITY PERFORMANCE

Rural Supplies gross profit increased 16% in the year reflecting top line and margin growth, both organic and acquired. Pleasingly the underlying business has grown 8% as a result of: disciplined focus on inventory and margin control; strong sales in crop protection chemicals in Western Australia following the favourable seasonal conditions; and higher animal health products sales in the eastern states reflecting the restocking in the livestock market.

### ACTIVITY HIGHLIGHTS

The focus on filling gaps in the footprint across key markets continued throughout the year with strategic investments in Mackay Rural Group in October 2015, in the Burdekin region of Queensland, and Complete Ag & Seed in May 2016, in Virginia, South Australia.

Subsequent to year end the Group acquired a controlling interest in CRT member, Great Northern Rural Supplies, in Geraldton, Western Australia, and announced the acquisition of the TP Jones & Co in Tasmania, subject to shareholder approval in February 2017.

Other smaller acquisitions were undertaken by the Rodwells business in Victoria targeting the dairy and fertiliser spreading markets.

Portfolio management has also been a focus during the year with the closure and restructure of a small number of underperforming stores and the acquisition of additional shareholdings in certain joint venture businesses to increase the profit attributable to Ruralco shareholders.

Following the early success in private label agricultural chemicals with the Relyon range of products, the business is now expanding into animal health under the Covine brand. Continuing to expand Ruralco's private label volumes is a key initiative of the Group's *Integration* strategy, allowing the business to compete profitably in these highly commoditised product lines.

As announced at the half year results, Ruralco is a co-investor and premier partner in SproutX, an innovation hub dedicated to AgTech providing the business with first mover advantage to invest in and market new agricultural innovations to benefit customers.

The SproutX pre-accelerator has accepted 100 applicants from across Australia to nurture and commercialise the best ideas in food, fibre and agribusiness.



## AGENCY SERVICES

### ACTIVITY PERFORMANCE

Agency gross profit increased 3% in the year driven by underlying performance in real estate and livestock agency businesses.

### LIVESTOCK

Livestock agency gross profit increased 2%, with good rains in key beef growing areas continuing to encourage restocking in the second half. In line with expectation, volumes handled by the network declined following the high levels of turnoff seen in 2015, but the impact was mitigated by sustained higher than average cattle and sheep prices and the development and recruitment of key agency staff and the leveraging of network relationships.

### REAL ESTATE

Real Estate gross profit increased 14% reflecting an increase in volumes sold and properties managed, and an increase in average sale prices. The elevated sales activity and rising values is being driven by: increased domestic and international demand in the rural property segment; the positive economic outlook for the soft commodities sector; and irrigation infrastructure schemes currently underway, such as the Swan Valley project in Tasmania, boosting investor confidence in regional economies.

### WOOL

Wool gross profit decreased 9% mirroring the decrease in the national wool clip. Adverse seasonal conditions in Victoria and Tasmania (dry in the first half and extremely wet in the second half of the year) impacted on wool receivals and sales. Volumes remained steady in the West Australian market.

### ACTIVITY HIGHLIGHTS

New additions to the agency footprint over the past two years have allowed the business to take advantage of positive market conditions, particularly with regard to price. Further activity to grow the high yielding agency business through acquisition and recruitment this year has been balanced with Management's focus on pursuing acquisitions with attractive multiples given that valuations of livestock agency businesses in particular are currently at the top of the cycle.

Portfolio management activities have been undertaken in the year to deliver efficiencies in the existing business. These have included increasing Ruralco's shareholding in select agency businesses and more recently the merger of the Primaries agency and rural supplies businesses in Western Australia to reduce back office duplication and streamline brand presence in that market.



### WATER SERVICES

#### ACTIVITY PERFORMANCE

Water gross profit decreased 7% in the year driven primarily by a decline in water retail sales, particularly in the Queensland and Western Australian markets, and a reduction in water services activity in the Victorian market.

#### WATER RETAIL

Water retail gross profit decreased by 10% driven by a decline in sales, with the lateness in the season in the first quarter compounded by a significantly wet spring this year. This lower than expected result and the change in leadership and focus of the water business following the appointment of Peter Weaver as the Executive General Manager Water during the year, has led to a review of the water retail business in particular.

#### WATER SERVICES

Water services gross profit declined 5% with recovery in the West Australian market and growth in the East Coast mitigated by underperformance in Victoria following the slowdown in government spending on water infrastructure schemes in the state. Following restructuring activities undertaken in the West Australian business in 2015, the reduction in headcount and increase in overhead recoveries has resulted in an improved cost base for this business and improved EBITDA.

#### WATER BROKING SERVICES

Water broking gross profit increased 44% off the back of both volume and price increases in the year, particularly in permanent water entitlements.

#### ACTIVITY HIGHLIGHTS

The Group continues to leverage upon its market leading position as an industry consolidator in the water sector. This has included the acquisition of Statewide Irrigation & Rural Supplies in Bendigo in February and the recently announced acquisitions of Hunter Irrigation and Riverland Irrigation — key water infrastructure and irrigation markets in the Hunter Region and Murray Darling basin, providing the business with five new points of presence on the East Coast.

Management's focus is on leveraging the water and wider Ruralco retail network to build water services capability through lead generation and the building of strong relationships with corporate farms and government departments in order to be involved more in the design phase of water infrastructure projects. Initial infrastructure contract wins this year include the contract to deliver parts of the \$90million publicly funded Swan Valley irrigation project in Tasmania, which commenced in the third quarter of the year.

Under the guidance of Peter Weaver, a restructure of the Total Eden business has been undertaken in 2016, with the aim of improving overall retail performance. The restructure has involved: headcount reductions in middle management in order to better empower branch staff; a program of investment in the capability of branch staff; focus on working capital management including increased use of consignment stock, and review of product lines stocked; and closure of four underperforming branches in both New South Wales and Western Australia. Costs of \$4.5million are included in non-recurring items associated with these actions.



### LIVE EXPORT

#### ACTIVITY PERFORMANCE

Live Export gross profit of \$1.3million has been negatively impacted by the margin pressure experienced in the market from excess shipping capacity and high Australian cattle prices — unmatched to customer price expectations.

Despite the significant headwinds in this sector during the year, the business secured and delivered shipments to customers in Indonesia, Vietnam, China and Cambodia, shipping over 127,000 head of cattle.

Sourcing is key to the business model and Frontier International Agri has begun a program of cattle backgrounding and finishing in Northern Australia to secure top quality supply in tightening market conditions to support its customers. Financially, such activity results in an increase in working capital investment over the period the cattle are held: \$7million increase in livestock inventory at September compared to the prior year; and approximately \$1million of holding costs are reflected in the gross profit for the year.

#### ACTIVITY HIGHLIGHTS

The Greyman Express was delivered to Darwin in April 2016 to carry its inaugural shipment to Indonesia. To ensure the business maintains cost flexibility, from December 2016 only one vessel will be leased with the remainder of the shipping capacity coming from spot shipping in the near term.

The business pioneered Australia's first live export shipment of 2,500 Brahman steers to Cambodia in June 2016, successfully opening this new market for future industry trade. The business has been providing technical support, education and training to local importers in this market for over 12 months as they build new infrastructure and implement systems that satisfy the requirements of the Australian Government's Exporter Supply Chain Assurance Systems (ESCAS).

In August 2016 the business undertook a trial air freight of 150 cattle to China. The Chinese market are particularly focused on securing inland supply of premium product, and air freight of cattle to these regions is currently the only option. The potential for China to expand its commitment to live cattle is an opportunity that the business is focused on capitalising upon when the market becomes more commercially viable.

As announced in August 2016, the closure of the Group's long-haul business, Frontier International Southern, incurred costs of \$3.9million. Frontier's customer relationships were tested during this period of upheaval but emerged stronger, indicating that the "premium partner of choice" business model, particularly in the northern business, is firmly established and valued, leading to repeat business.

Management's decision to remain in the live export sector reflects the view that the activities strategically support the livestock agency business, providing a steady pipeline of sales for livestock agents across the network.





## FINANCIAL SERVICES

### ACTIVITY PERFORMANCE

Financial Services gross profit increased 5% in the year driven by strong performance in the insurance business (both acquired and organic growth) and a positive contribution from the new Rabo Seasonal Finance product that was launched at the end of last year.

Insurance gross profit increased 6% reflecting an uplift in gross written premium and the impact of building scale in the general insurance book. This was achieved through the recruitment of additional brokers and the acquisition of KNM Insurance to support the BGA AgriServices network in Queensland.

Finance gross profit increased 5% despite underlying asset and livestock financing products remaining flat.

### ACTIVITY HIGHLIGHTS

There is significant market opportunity to deliver innovative finance offerings to customers, particularly in the wake of high beef prices and encouraging export opportunities. Management has worked to consolidate acquisitions that leverage these for the Group to better utilise Ruralco financial services products.

With the recently announced transaction to acquire 50% of Ausure Consolidated Brokers (ACB), one of the largest regional networks of insurance brokers in Australia, the business has significantly expanded the scale of the Group's insurance points of representation.

The access to a potential future pipeline of insurance acquisition opportunities through ACB's association with Steadfast Group Limited is promising. The business will also work together with ACB to develop leading policies and products for the rural insurance market.

*Pursuit of geographic and business diversification has led to a doubling in revenues since 2010*

### GROUP SALES REVENUE





**Sarah Long**  
BR&C AGENTS, BARHAM NSW

## PEOPLE

As one of the largest employers in Australian agribusiness, Ruralco directly employs approximately 2,000 people across Australia. The footprint of the Group's 47 business units is significant; these local, regional employers are a vital part of the diversity and economic livelihood of Australia's outlying communities. The Group's talented workforce is comprised of professional, trade and industry-educated individuals who take pride in supporting Australia's vital primary industries. In 2016, as part of the strategic focus on people and culture, the Group increased investment in training and development, introduced new employee benefits and improved recruitment and remuneration practices to ensure Ruralco attracts, retains and develops the best team in the industry.

### INCREASED INVESTMENT IN TRAINING AND DEVELOPMENT

During the year, Ruralco introduced a national training calendar and launched an Education Assistance policy. By year end, 26 training programs had been run across the Group.

In February 2016, Ruralco's first Graduate Program was launched aimed at identifying future leaders and preparing them for leadership positions in the agriculture sector commenced, with four candidates joining the business. Graduate Program participants: will be rotated through a variety of roles; may be eligible to receive a relocation allowance; and will be supported with a designated mentor to assist in their development – particularly throughout the first 12 months of the program.

This year, Ruralco also became a recognised partner of Macquarie University's WIMBA (Women in MBA) program and has agreed to financially sponsor four female employees in to this program over the next four years.

Ruralco also launched and entered into a National Traineeship arrangement with MEGT – a not-for-profit Australian apprenticeship network provider – creating a pipeline to consistently bring young talent into and through the Group.

### ENHANCED RECRUITMENT AND REMUNERATION

During the year, Management reviewed and updated the Group's remuneration practices to ensure they remain competitive and improved Ruralco's recruitment processes. This has included developing a new LinkedIn careers page and the launch of an on-line recruitment platform as part of the Group's new HR system, which was implemented in October 2016. Numerous recruitment workshops have also been conducted with a move to more strategic sourcing, rather than reactionary recruitment.

### NEW EMPLOYEE BENEFITS

As part of Ruralco's drive to be considered an employer of choice in agriculture, a Maternity Leave Policy was introduced in July 2016. The policy, which provides for 12 weeks of paid leave, was a result of feedback given at the previous year's Leadership Conference. Ruralco has also introduced discounted health insurance and travel, salary packaging arrangements and an Employee Assistance Program, offering confidential counselling to all employees.

### IMPROVED EMPLOYEE ENGAGEMENT

The benefits of Ruralco's initiatives were evident in the results of the second group-wide employee engagement survey. The survey, which this year was expanded to included employees in joint venture companies, demonstrated a 6% increase in engagement and a 6% increase in alignment with Group values and its strategy.

In the coming year, Ruralco will focus on implementing a new HR system incorporating payroll, on-line recruitment, improved performance management processes, a learning management system and manager dashboards.

 **~2,000**  
*Employees*

 **47**  
*Business units*

## HEALTH, SAFETY & ENVIRONMENT

At Ruralco, the health and safety of everyone is vital to the success of the business.

Ruralco is committed to achieving the Company goal of “Zero Harm” through the application of risk management principles aligned to the Group’s various business risks, the continuous improvement of the Group’s workplace Health, Safety & Environmental (HSE) Management system, in consultation with employees and other stakeholders; and through active participation and support from all levels of management, employees and contractors.

### WE RESPECT THE ENVIRONMENT AND ACCEPT OUR RESPONSIBILITY TO CONDUCT OUR ACTIVITIES WITH DUE CONCERN TO THE ENVIRONMENT

Ruralco’s HSE Management system is designed, developed and accredited to Australian Standard 14001. Ruralco is committed to continuing to provide its customers with high quality products and services that meet their needs whilst complying with all relevant environmental laws and regulations.

To achieve this, the Group endeavours to:

- Comply with all applicable environmental laws and regulations in the locations and communities in which we operate;
- Maintain systems that identify, monitor and control environmental risks and performance and facilitate sharing of information and knowledge across the business;
- Act as an environmentally responsible neighbour;
- Ensure that supervisors and managers are responsible for environmental performance, management and compliance in their area; and to
- Ensure that employees and contractors are aware of this policy.

Ruralco expects all employees, contractors, suppliers and all visitors to the Group’s worksites to:

- Share responsibility and take all reasonable care to prevent environmental damage in the course of their work; and to
- Take an active role in the management of environmental processes and issues.

### IN FINANCIAL YEAR 2016, RURALCO ACHIEVED THE FOLLOWING:

- Accreditation to AS/NZ 4801 (Safety Systems), OHSAS 18001 (Safety Systems – Global), ISO 14001 (Environmental Systems), ISO 9001 (Quality Systems), AGSAFE (Agvet Chemicals & Dangerous Goods) and OFSC (Federal Government Safety Certification);
- Redesigned and implemented Ruralco’s HSE Management system, providing all Ruralco employees practical and efficient ways to reduce injuries and incidents in the workplace;
- Developed and delivered internal HSE inductions, HSE training for managers and supervisors (including risk management), manual handling training and livestock handling workshops;
- Developed HSE key performance indicators based on business risk profiles for all major areas of Ruralco; and
- Reduced the Lost Time Injury Frequency Rate (LTIFR) to 3.2%, a 25% improvement on the previous year and better than the current industry standard.

**4.3% = INDUSTRY STANDARD LOST TIME INJURY FREQUENCY RATE**



**3.2%**

*Lost Time Injury  
Frequency Rate  
(LTIFR) 2016*

**25%**

*Improvement on  
previous year*



*Nicki Renden*  
RODWELLS, LEONGATHA VIC



### COMMUNITY

After the announcement of its corporate partnership with crisis support and suicide prevention charity, Lifeline Australia in November 2015, Ruralco has wholeheartedly embraced the cause. In rural and regional areas the suicide rate can be up to three times as high as in urban locations, highlighting the vulnerability in the isolation from people and services. Ruralco is committed to improving these statistics.

Lifeline relies heavily upon funding to sustain its services. Ruralco's initial partnership pledge has been able to facilitate the answering of over 2,500 phone calls from Australian's in crisis and has trained approximately 400 of Ruralco's employees across the network, to be suicide aware.

In addition to Ruralco's direct sponsorship, over \$30,000 was raised at the official launch of the partnership at the CRT annual conference, to increase the number of crisis calls that could be answered.

Beyond this, Ruralco has also been able to instigate mental health training for its staff across all of its businesses, including head office personnel. This specialist training allows staff to be more aware of how to react and respond when customers initiate conversations on mental health, equipping them with skills to ensure greater suicide prevention and resilience, with a positive flow on effect to the community.



*Head Office Staff*  
RURALCO, MACQUARIE PARK NSW



As a direct result of the relationships formed with regional Ruralco branches, and their feedback to Lifeline trainers, Lifeline has developed a specific initiative called Farm Help. Farm Help is now available as a resource for Lifeline counsellors at regional Lifeline branches nationally and in on-line training modules, to better understand the needs of farming communities.

In May, the financial hardships facing many dairy farming communities across southern New South Wales, Victoria and Tasmania reached crisis point. The Ruralco network in these states reached out to Lifeline to provided specialist training, and counselling to communities through an emergency appeal, reaching over 200 people who had been directly affected.

Ruralco helped Lifeline place help seeker awareness advertisements, calling out Lifeline's support services. The campaign appeared as full page advertisements in the rural press newspapers and on-line; an initiative embraced by the media who supported the campaign with extra broadcasting through its radio and television channels.

Throughout the year businesses across the network unequivocally supported the partnership with Lifeline, but also continued to engage in independent local fundraising aligned with the charities with whom they have ongoing local relationships.

Moving into the second year of the partnership, Ruralco will play a crucial role in the development plans to digitise Lifeline's capabilities through 'Crisis Text'; helping Ruralco and Lifeline to strengthen their partnership and resolve to reach out to more of rural and regional Australia.



Proudly supporting  
 **Lifeline**

**Australian**

**\$140K**

**PERSONAL  
BONUS DONATION**  
*By CEO & MD Travis Dillon*

 **400+**

**EMPLOYEES TRAINED**

*By Lifeline in 'Read the Signs'*

## RISKS AND UNCERTAINTIES

The appropriate management of risks and uncertainties is critical to Ruralco successfully achieving its strategic objectives. As part of the commitment to managing risk, Ruralco has established a robust risk management framework. Ruralco's material risks are aligned to its vision and strategic priorities and therefore if these risks are managed effectively, the likelihood of success is improved.

Ruralco has a formal risk management process to support the identification and effective management of risks across the Group. It is regularly reviewed and adapted as the business, industry and macro-environment evolves. The policies and governance over risk management are contained in the Corporate Governance Statement located on the Group's website at:

[www.ruralco.com.au/corporate/corporate-governance](http://www.ruralco.com.au/corporate/corporate-governance).

Set out below are the material business risks faced by Ruralco, how these risks interact with the Group's key strategic priorities, the movement in the level of risk in the year and a selection of mitigation activities in place or underway to manage the risks within the desired risk appetite. The list is not exhaustive and is in no particular order. Many of these risks are inherent to any business and others are as a result of the market segments within which the Group operates. All of the risks set out below are monitored as part of the risk management process and are reviewed and reported to the Board on a monthly basis.

### STRATEGIC PRIORITIES



### RISK OVERSIGHT

#### BOARD

*Ultimate accountability for risk management and risk oversight. Monthly Risk Dashboard in place*

#### AUDIT RISK & CORPORATE COMMITTEE

*Oversight of the risk framework and controls on behalf of the board. Regular risk reporting and updates received*

#### CEO AND EXECUTIVE TEAM

*Overall accountability for the control and management of material business risk. Monthly risk reporting and review in place*

#### FUNCTIONS AND BUSINESS UNITS

*Risk assessment, review and reporting in place over key risks*



MATERIAL BUSINESS RISK	RISK MOVEMENT	KEY CONTROLS AND MITIGATING FACTORS
<b>Workplace Health &amp; Safety</b> Risk of there being a major health and safety incident that results in a significant loss of human life or injury. <p>1 2 3 4 5</p>	Workplace Health & Safety is a key priority for all employees but especially in the areas of livestock handling, construction activities, machinery, manual handling and chemical handling, meaning this will always remain an area of focus and priority. <p>↓</p>	<ul style="list-style-type: none"> <li>HSE Management System in place</li> <li>Dedicated HSE team with regular advice, training and reviews provided</li> <li>AgSafe accreditation in place</li> <li>Regular HSE reporting and review by the Board, Executive Team and wider business</li> <li>Partnership with Lifeline to ensure the HSE focus extends beyond direct employees and focuses on mental health and wellbeing as well as the more traditional HSE risks</li> </ul>
<b>People</b> Failure to attract, motivate and retain talented employees and develop the required culture, leadership and behaviours resulting in an inability to achieve business objectives. <p>1 2 3 4 5</p>	People are Ruralco's most valuable asset. Continued focus on employee engagement and improving processes and systems. Additional training courses and opportunities have been provided to employees over the last 12 months. <p>↓</p>	<ul style="list-style-type: none"> <li>People and Culture Team in place to provide support to the business</li> <li>Performance reviews and personal development plans are core component of Manager responsibilities</li> <li>New systems and technology being implemented to support the Human Resource processes</li> <li>Additional on-line training modules planned to be offered to all employees</li> <li>Recruitment policies and processes in place</li> <li>Launched new intranet site with continued focus on communication to all employees</li> </ul>
<b>Strategy</b> Execution risk in delivering on strategic objectives. <p>1 2 3 4 5</p>	A workshop was undertaken during the year in conjunction with an independent 3rd party expert to review and formally sign off on the strategy, which has been communicated across the business. <p>↔</p>	<ul style="list-style-type: none"> <li>The Future Farming Strategy is well known, articulated and formally approved with regular reporting and updates</li> </ul>
<b>Finance Risks</b> Risk that Ruralco fails to effectively manage working capital and the debt position leading to reduced access to funding and inability to execute on the strategy. <p>1 2 3 4 5</p>	Management have had a strong focus in this area and several projects and initiatives have been completed or are in progress to further improve management of finance related risks. An extension of Ruralco's debt maturity has been agreed with the Group's financiers. <p>↓</p>	<ul style="list-style-type: none"> <li>Monthly reporting of financial metrics to the Board and Executive Team</li> <li>Business Unit performance reviews and monitoring of performance against targets</li> <li>Regular reporting to banks on covenant compliance</li> <li>Quarterly reforecasting of optimal capital structure</li> <li>Debt or securitisation in place as effective funding for working capital</li> </ul>
<b>Changing Marketplace</b> Failure to identify, understand and respond to changes in industry, marketplace and customer demands leading to loss of market share and adverse impact on financial results. <p>1 2 3 4 5</p>	Regular monitoring of internal and external trends and indicators in place. Strategic focus on innovation. <p>↓</p>	<ul style="list-style-type: none"> <li>Review and challenge of Future Farming Strategy including third party review and assessment</li> <li>Regular review of market trends performed by individual businesses and the Executive Team</li> <li>Indicators and trend analysis undertaken including review of external sources to provide insights</li> </ul>
<b>Information Technology</b> Failure to manage IT infrastructure, systems and security (including cyber threats) and ensure our IT environment is able to support our business in the short and long term. <p>1 2 3 4 5</p>	Ruralco has invested in IT capability from a resourcing, process and technology perspective and will continue to ensure IT platforms remain fit for purpose. <p>↔</p>	<ul style="list-style-type: none"> <li>Governance process in place to manage projects and all IT change requests</li> <li>Standardising systems and business processes to ensure and improved operational integrity</li> <li>Investing in new leading-edge technologies focused on improving end-to-end supply chain and enhancing customer experience</li> <li>Focus on IT Security (including cyber threats) and Business Continuity</li> <li>Program Elevate approved by the Board</li> </ul>

## RISKS AND UNCERTAINTIES

MATERIAL BUSINESS RISK	RISK MOVEMENT	KEY CONTROLS AND MITIGATING FACTORS
<b>Change Risks</b> Risk that we fail to manage change risks linked to key projects, new services and products. 	We have focused on enhancing project management methodologies and capabilities 	<ul style="list-style-type: none"> <li>Project methodology in place for key projects including Program Elevate</li> <li>Project Management Office in place with Enterprise Project Management Office being established to enable better use of resources and to co-ordinate projects and change</li> </ul>
<b>Acquisitions</b> Risk that the processes used to identify, undertake due diligence and integrate new businesses are not robust leading to negative operational and financial outcomes, missed synergies or new businesses not being aligned to strategy. 	Ruralco has executed several acquisitions with many opportunities continuing to be explored. Managing the risks linked to acquisitions therefore remains a priority. Management have conducted a post integration review of the Total Eden acquisition to capture lessons learned. 	<ul style="list-style-type: none"> <li>Dedicated Business Development team in place</li> <li>Clear Business Development process in place including formal business case and approval processes</li> <li>Pre and Post Acquisition Project Management in place with continuous improvement of processes ongoing</li> </ul>
<b>Live Export</b> Risk that Ruralco fails to manage the dynamic and varied business risks linked to live animal export including regulatory, foreign exchange, political and sovereign risk. 	Animal welfare is a key priority and systems are in place to minimise the chances of adverse animal welfare outcomes. Frontier has faced challenges around regulatory and political risks over the last 12 months but has worked extensively with regulators to put in place enhanced processes and management oversight in this business. 	<ul style="list-style-type: none"> <li>Regular engagement with industry stakeholders</li> <li>Customer and market due diligence processes in place</li> <li>Regular in-market audit and reviews conducted</li> <li>Regular forward reporting on sovereign risks and issues</li> <li>Monthly Compliance Committee in place to provide oversight to compliance activities and to drive continuous improvement in compliance culture through entire supply chain</li> </ul>
<b>Seasonality</b> Seasonal weather conditions and natural events such as drought, flood and fire can reduce the purchasing confidence and production prospects of our customers and therefore result in varied revenue outcomes for businesses. 	Weather is to some extent uncontrollable so focus has been and continues to be on how Ruralco can diversify its revenue streams. This risk can also have an upside with certain conditions driving increased demand for our products and services. 	<ul style="list-style-type: none"> <li>Ruralco operates a geographically diverse network of businesses and points of presence to reduce the risk of adverse weather conditions and other naturally occurring events</li> <li>Regular monitoring of trends using internal and external data</li> <li>Ruralco maintains a comprehensive insurance program to protect against significant physical damage to any of its operations</li> </ul>
<b>Back Office</b> Risk that Ruralco fails to establish efficient and effective back office support functions resulting in excessive costs and adverse impacts on operations. 	Management continue to focus on automation and efficiencies in the back office functions. Several projects have been completed and others will continue over the coming year. 	<ul style="list-style-type: none"> <li>Automation and efficiency focus in process improvement projects</li> <li>Centralised procurement and supply chain functions</li> <li>Regular management reviews of performance against KPIs</li> <li>Implementation of a new HR and payroll system underway</li> <li>Various IT projects aimed at reducing manual intervention</li> <li>Investment in talent</li> </ul>
<b>Regulatory</b> Failure to comply with legal and regulatory requirements relating to our business activities resulting in reputational damage, fines or other adverse consequences. 	The regulatory and legal landscape continues to evolve both for existing business activities and in relation to new products and services. Controls are in place, however further actions are underway to enhance oversight of all Ruralco's compliance programs. Particular focus being given to ASEL and ESCAS obligations for the Group's Live Export activities. 	<ul style="list-style-type: none"> <li>Ruralco has in place a Code of Conduct that all employees are expected to operate under</li> <li>The Board Committees receive regular updates on legal and regulatory actions and incidents</li> <li>A stocktake of the Group's compliance obligations was completed and will be continually reviewed</li> <li>Online and face to face compliance training provided for key regulatory areas</li> </ul>





*Shamala Riggs and Tom Hansen*  
RURALCO, MACQUARIE PARK NSW







*DYLAN WALSH*  
TOTAL EDEN, SWAN VALLEY TAS



## BOARD OF DIRECTORS

*Core skills: Agribusiness, Retail, Executive Leadership, M&A and Integration*



**TRAVIS DILLON**

*Adv Dip RBM, MAICD  
Managing Director & CEO*

Travis has more than 20 years' experience in the agribusiness industry and extensive operational knowledge across all of the Group's activities, having joined Ruralco in 2007. His previous roles in the business have included General Manager of Rural Retail and Mainland Operations, overseeing the Company's broad mix of rural operations from livestock, live export and wool merchandising to real estate agency services.

*Core skills: Accounting & Finance, Public Company Governance, Executive Leadership, M&A and Integration, Committee Qualifications*



**RICHARD (RICK) LEE**

*BEng (Chemical) (Hons), MA (Econ) (Oxon), FAICD  
Non-Executive Chair, Member of the Investment Review Committee,  
Member of the Audit, Risk & Corporate Governance Committee,  
Member of the Nomination & Remuneration Committee*

Rick is an experienced company Director and Board Chairman having served on a range of boards since 2001, when he retired as Chief Executive of NM Rothschild Australia Group. He is currently a Non-Executive Director and Chairman at Oil Search Limited and Non-Executive Director of Newcrest Mining Limited. Rick has broad exposure to agribusiness both personally and through his board experience as Director and Deputy Chairman of stock feed business, Ridley Corporation Limited, Director of CSR Limited and board level roles at GrainCorp and Wesfarmers General Insurance. He served as Director of the National Board of the Australian Institute of Company Directors and Chairman from 2009-2012.

*Core skills: Accounting & Finance, Business Strategy, Retail, Executive Leadership, Committee Qualifications, People, HR, Succession*



**TRUDY VONHOFF**

*MBA, BBus (Hons), GAICD, SF Fin*

*Non-Executive Director, Chair of the Nomination & Remuneration Committee, Member of the Audit, Risk & Corporate Governance Committee*

Trudy brings a strong financial and risk management background to the Group having held senior Executive positions with Westpac and AMP, including leading the national Commercial Banking and Agribusiness unit and Regional & Agribusiness Banking operations. She is currently a Director of AMP Bank Limited, Cabcharge Australia Limited and Tennis NSW. Trudy chairs the Audit Committee for AMP Bank Limited, and the Audit and Risk Committee for Tennis NSW.

*Core skills: Accounting & Finance, Business Strategy, Agribusiness, Supply Chain*



**JOHN TUSKIN**

*MAICD*

*Non-Executive Director, Member of the Investment Committee,  
Member of the Nomination & Remuneration Committee*

*Retired: 15 November 2016*

John is the Managing Director of TP Jones & Co, the CRT member in Tasmania. John is also a Non-Executive Director of XLD Grain Pty Ltd, an independent grain trading business based in Tasmania. He previously served as Chairman of the CRT National Council. John is involved at state level with various agricultural-based steering committees.



*Core skills: Agribusiness, Public Company Governance, M&A and Integration, People, HR, Succession*



**MICHAEL MILLNER**

*MAICD*

*Non-Executive Director, Chair of the Investment Committee, Member of the Audit, Risk & Corporate Governance Committee*

Michael was first appointed to the Board in 2003, but stepped down for a year in 2006 before being re-appointed. Michael is a Director and Deputy Chairman of Brickworks Limited and, until 1 October 2012, was a Director and Deputy Chairman of Washington H Soul Pattinson and Company Limited. Michael has extensive experience in the investment industry. He is also a Councillor of the Royal Agricultural Society of New South Wales and Chairman of the Royal Agricultural Society of New South Wales (RAS) Foundation.

*Core skills: Public Company Governance, Legal, Risk & Compliance, Committee Qualifications*



**ELIZABETH JOHNSTONE**

*LLB, MA(Hons), BA(Hons), FAICD*

*Non-Executive Director, Chair of the Audit, Risk & Corporate Governance Committee, Member of the Nomination & Remuneration Committee*

Elizabeth is currently a Director of ASX Compliance Pty Ltd, the KinCare Group of Companies (Chair), Macquarie University Hospital Operations Ltd (member of the Audit & Risk Committee) and the Royal Flying Doctor Service, South East Section (Chair of Audit & Risk Committee) and the Sydney Writers' Festival. Elizabeth was previously a corporate partner and practice head for company law and governance at a top-tier legal firm. Elizabeth served for many years as a member of the Auditing and Assurance Standards Board and as a member of the Australian Press Council. She is a former Business and Professional Women's Association/QANTAS Business Woman of the Year.



**RICHARD ENGLAND**

*FCA, MAICD*

*Non-Executive Chair*

*Retired: 5 September 2016*



**ROSS BURNEY**

*B.Ec*

*Non-Executive Director*

*Retired: 25 February 2016*

## EXECUTIVE TEAM



**TRAVIS DILLON**

*Adv Dip RBM, MAICD*  
*Managing Director & CEO*

Travis has more than 20 years' experience in the agribusiness industry and extensive operational knowledge across all of the Group's activities, having joined Ruralco in 2007. His previous roles in the business have included General Manager of Rural Retail and Mainland Operations, overseeing the Company's broad mix of rural operations from livestock, live export and wool merchandising to real estate agency services.



**ADRIAN GRATWICKE**

*CA, Exec MBA, BA (Hons), GAICD*  
*Chief Financial Officer*

Adrian brings almost 30 years' experience in finance and accountancy, spanning professional advisory and assurance with Price Waterhouse in London through to a number of Top 100 ASX Listed organisations within the resources and FMCG retail/wholesale sectors. He was previously CFO at Metcash Limited for five years, after holding several senior roles with the company, and National Accounting Manager at David's Ltd. His experience within the resources sector included senior positions at RGC Limited (now Iluka Limited) and Ampolex, the oil explorer and producer acquired by Mobil.



**ILONA ALSTERS**

*LLM, LLB, GradDipLegPrac, GIA(Cert), MAICD*  
*General Counsel and Company Secretary*

Ilona brings the Group more than 20 years' experience in general legal affairs, corporate governance, global supply and sales/distribution throughout the Asia Pacific and Middle East regions. For six years prior to joining Ruralco, Ilona held the position of Vice President and General Counsel Asia Pacific at ResMed Limited. Her previous roles included various senior leadership positions across a diverse range of industries, including at 3M, Medtronic and Computer Associates.



**ELIZABETH HARDAKER**

*Adv Dip Man, MAHRI, MAICD*  
*Executive General Manager - People & Culture*

Elizabeth is a commercially focused human resources professional with particular expertise in: organisation development and capability, business restructuring, business acquisition and integration, learning and development, and workplace health and safety. Her more than 15 years' experience was gained in various industries, including FMCG, Steel, Retail, Distribution, Services and Medical Devices. She was previously HR Director, Global Innovation and Operations for ResMed. Prior to this, her roles included Divisional HR Manager and Group ER Manager for RCR Infrastructure and a National HR Management position with OneSteel.

**GREG O'NEIL**

*Executive General Manager - Rural Supplies,  
Marketing & Communication*

Greg comes from a family farming background and has more than 30 years' experience with CRT. Starting in customer service he has held various senior positions in procurement, sales and marketing and product management, he was State Manager for WA and NSW before moving into a general management role for CRT in 1996. Greg was appointed General Manager of CRT and Group Marketing and Communications in 2011. Greg has a sound knowledge of the key drivers of the business and a good understanding of the market having worked in New South Wales, Queensland and Western Australia.

**MATT PEDERSEN**

*MAICD  
Executive General Manager - Rural Operations*

Matt has more than 27 years' experience in the Australian agriculture industry with a career extending across sales, marketing, management experience in wool, exporting, livestock, real estate, merchandise, finance, insurance, grain trading and water. He has held various senior positions within Ruralco including Managing Director of Primaries of WA, and Southern Regional Manager for Ruralco - Western Australia, South Australia and Victoria.

**IAN PERRY**

*Grad Dip FSM, MAICD  
Executive General Manager - Financial Services*

Ian joined Ruralco after a 35-year career with ANZ Banking Group Limited, during which time he was the Group's banker for eight years. He has experience across all levels of banking and finance, with a specialisation in Corporate and Institutional Agribusiness, including pre-farm gate, large-scale farming enterprise and global agricultural commodity trading. Prior to his current appointment, he consulted in areas of Agribusiness Finance and Insurance, specialising in cotton and protein.

**PETER WEAVER**

*Adv Dip Man, Adv Dip FSM, GAICD  
Executive General Manager - Total Eden and Rodwells*

Peter has a deep understanding of commodity trading, procurement, sales, finance, multiple site operations, supply chain logistics and talent management. He joined Ruralco in 2012 as General Manager of Rodwells, one of Victoria's largest rural services and supplies businesses. His significant experience within agribusiness extends across several industries and senior management positions, including CEO of Ridley AgriProducts, General Manager Operations of Cheetham Salt and Operations Manager for ABB Grain.



## SCORING MEASURES

Set out below is a summary of the mix of skills and experience of the Board and the extent to which they are represented on the Board and its Committees following a profile assessment process undertaken during the year. Each set of skills and experiences have been qualified by the following scoring measures:

### TECHNICAL QUALIFICATION IN THIS FIELD

- Proven and successful career experience in relevant roles exercising this discipline with specific expertise and accountability over multiple years
- Exposure to multiple environments and situations in application of this capability

### ASSOCIATED QUALIFICATION IN THIS ROLE

- Board experience and exposure to such domains
- Has operated in commercial decision environments that have been exposed to this capability and experienced in decision making involving this capability over at least two years

### LIMITED EXPOSURE TO AND EXPERIENCE IN THIS CAPABILITY

- Limited experience in environments where this capability is a success factor
- Little or no hands-on experience of relevance in this factor

### ACCOUNTING & FINANCE



### BUSINESS STRATEGY



### AGRI-BUSINESS



### RETAIL



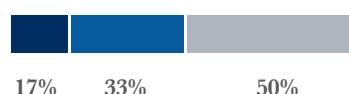
### SUPPLY CHAIN



### PUBLIC COMPANY GOVERNANCE



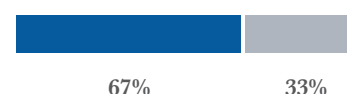
### LEGAL, RISK & COMPLIANCE



### EXECUTIVE LEADERSHIP



### STRATEGIC MARKETING, BRANDING



### TECHNOLOGY & DIGITAL STRATEGY/IMPLEMENTATION



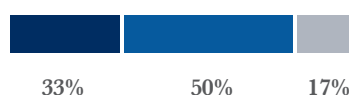
### MERGER & ACQUISITIONS AND INTEGRATION



### COMMITTEE QUALIFICATIONS



### PEOPLE, HR, SUCCESSION



The Ruralco Board skills matrix and Performance Profile was assessed as at July 2016.

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# BOARD

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The following Directors participated in the Board skills matrix and performance profile assessment during the year:

**TRAVIS DILLON**

**MICHAEL MILLNER**

**TRUDY VONHOFF**

**ELIZABETH JOHNSTONE**

**RICHARD ENGLAND** *(RETIRED 5 SEPTEMBER 2016)*

**JOHN TUSKIN** *(RETIRED 15 NOVEMBER 2016)*

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## WE ARE MONITORING THE FOLLOWING TO ENSURE WE ARE AN EFFECTIVE BOARD

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### DIVERSITY HEALTH

Diversity of age, geography, gender, ethnicity, mindset, beliefs and personality demonstrated, encouraged and utilised.

### RENEWAL AND SUCCESSION HEALTH

A staged and paced timeframe of coordinated selection and retirement planning against the emerging future needs of the organisation and Board.

### ZERO CONFLICTS

No member has direct or indirect involvement with entities that could be seen to compromise Ruralco or risk disclosure or advantage to another party or competitor.

### DEVELOPING THE COMPETENCE OF GOVERNANCE

Above our business and functional experience and capability, we are investing in understanding and developing best practice in governance.

### BOARD POLICY, PROCESS, PROTOCOLS AND COMPLIANCE

We have in place the required regulatory processes, documents, systems and disciplines to ensure our compliance responsibilities as a Board. We seek and act on opportunities to improve and ensure update of Board processes.





## DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the consolidated entity consisting of Ruralco Holdings Limited (the Company) and the entities it controlled (the Group) at the end of and during the year ended 30 September 2016. The comparatives presented are for the year ended 30 September 2015.

### DIRECTORS AND COMPANY OFFICERS

Information regarding the Directors who served during the financial year can be found on pages 32 and 33.

Details of the Executive Team, which includes the CEO and the Company Secretary, can be found on pages 34 and 35.

### PRINCIPAL ACTIVITIES

Throughout the year, the Group's principal activities were the sale and marketing of rural merchandise, fertiliser and financial services products to rural and related customers, the provision of agency services in relation to the sale of livestock, wool and real estate, and the live export of cattle and sheep.

### DIVIDENDS

Dividends paid to members during the year were as follows:

	\$'000
Final dividend for year ended 30 September 2015: 7 cents	5,477
Interim dividend for year ended 30 September 2016: 8 cents	6,302
<b>Total</b>	<b>11,779</b>

Subsequent to year end, the Board declared a fully franked final ordinary dividend of 2 cents per share taking the full year ordinary dividend to 10 cents per share. The final dividend will be paid on 19 December 2016 to shareholders on the Company's register on 28 November 2016, the record date for the final dividend. The Dividend Reinvestment Plan continues to operate in respect of the final dividend at a discount of 2.5%.

### REVIEW OF OPERATIONS

The Group reported a profit for the year after tax of \$4.3million (2015: \$18.8million). Information on the operations and financials of the Group and its business strategies and prospects is set out on pages 12-21 of this Annual Report.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Travis Dillon was appointed to the position of CEO & Managing Director on 16 November 2015.

Richard England retired as a Director and Chairman of the Board and Richard Lee was appointed to the Board as Chairman on 5 September 2016.

During the year, the Group acquired a number of businesses with complementary activities. More details can be found in the Review of Operations on pages 18-21.

No other significant changes occurred during the year other than those described elsewhere in this Annual Report.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on the development of the Group is included in the CEO & Managing Director's Report and Review of Operations sections of this annual report. The Directors believe that to include further information on strategic matters, including acquisitions, and expected results of the Group would likely result in unreasonable prejudice. Accordingly, no further information has been disclosed.

### EVENTS SUBSEQUENT TO THE YEAR END

The Group undertook the following acquisition transactions subsequent to year end:

- On 1 October 2016, the Group acquired a 60% equity interest in Great Northern Pty Ltd for a cash consideration of \$2.4million.
- On 1 November 2016, the Group acquired the assets of Hunter Irrigation Pty Ltd and Riverland Irrigation Pty Ltd for a cash consideration of \$0.8million and \$2.1million respectively.
- On 2 November 2016, the Group entered into an agreement with Steadfast Group Limited to acquire 50% of Ausure Consolidated Brokers Pty Ltd for a cash consideration of \$7.2million.
- On 18 November 2016, the Group entered into a transaction to acquire the remaining shares in Territory Rural Pty Ltd for consideration of \$655,595. This results in a 23% increase in shares held by the Group bringing the total to 100%.

On 4 November 2016, the Group has entered into an agreement to sell its Bridgewater land and buildings for a sale price of \$1,376,035. This transaction resulted in nil profit on sale.

On 15 November 2016, John Tuskin retired from the Board to take up a senior management position leading the Group's Tasmanian operations following the acquisition of his rural services business, TP Jones & Co. The transaction is still subject to shareholder approval, which will be sought at the Group's AGM in February 2017.

### INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the year the Company paid a premium to insure current and former Directors, Secretaries and Executive Officers of the Company, its controlled entities and related bodies corporate. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

The Company indemnifies Directors and Secretaries (and may indemnify Executive Officers) against any liability incurred in that capacity in defending any proceedings, whether civil or criminal, in which judgment is given in their favour or where they are acquitted or in connection with any relief granted for proceedings under the Corporations Act 2001.

The Company has not entered into any agreement to indemnify its auditor or paid any insurance premiums in respect of its auditor.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

### DIRECTORS' INTERESTS AND SHARE OPTIONS

No Director holds, and no contracts confer a right for a Director to receive, any interest or rights or options in debentures issued by the Company or its controlled entities, or in interests in a registered scheme offered by the Company or its controlled entities.

## MEETINGS OF DIRECTORS

The number of meetings of the Board and of Board Committees held during the year, and each Director's attendance at those meetings that they were eligible to attend, is set out here:

	BOARD		AUDIT, RISK & CORPORATE GOVERNANCE COMMITTEE		NOMINATION & REMUNERATION COMMITTEE		INVESTMENT COMMITTEE	
	<i>Eligible to attend</i>	<i>Attended</i>	<i>Eligible to attend</i>	<i>Attended</i>	<i>Eligible to attend</i>	<i>Attended</i>	<i>Eligible to attend</i>	<i>Attended</i>
<b>Richard England*^</b>	12	12	6	6	6	6	3	3
<b>Michael Millner^</b>	12	10	1	4	-	3	4	4
<b>John Tuskin#</b>	12	12	5	6	3	3	4	4
<b>Ross Burney**</b>	3	2	-	1	3	3	-	-
<b>Elizabeth Johnstone^</b>	12	12	6	6	6	6	-	-
<b>Trudy Vonhoff^</b>	12	12	6	6	6	6	-	-
<b>Richard (Rick) Lee***</b>	-	1	-	1	-	1	1	1
<b>Travis Dillon****</b>	12	12	6	6	6	6	4	4

\* Chair of the Board until his retirement on 5 September 2016

\*\* Retired on 25 February 2016

# Retired on 15 November 2016

\*\*\* Chair of Board from 5 September 2016

\*\*\*\* Managing Director

^ Chair of Board/Committee

## NON-AUDIT SERVICES

The Group may engage the external auditor, KPMG, on assignments or projects in addition to its statutory audit duties where its expertise and experience with the Group are of benefit. Information on the amounts paid to the auditor for such services in the year are set out in Note 24 of the financial report.

The Board, in accordance with recommendations from the Audit, Risk & Corporate Governance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence imposed by the Corporations Act 2001. The Directors are satisfied that the services did not compromise the independence of the auditor as all non-audit services have been reviewed by the Audit, Risk & Corporate Governance Committee to ensure they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements and this report. Amounts in the financial statements and this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.



**Richard (Rick) Lee**  
*Chairman, Ruralco Holdings Limited*

Dated at Sydney on the 16th day of December 2016

## ENVIRONMENTAL REGULATION

The Group's operations are subject to a range of Australian, state and territory environmental legislation and regulation which cover matters including:

- Storage, handling and transportation of dangerous goods such as agricultural and veterinary chemicals and fertilisers
- Effluent management, dust and noise management at sales yards
- Sourcing, preparation, management and transportation of livestock through the supply chain to the point of slaughter in the destination country for livestock export.

The Directors are not aware of any material breaches of applicable environmental regulations during the year and to the date of this report.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is set out on page 57.

This Directors' Report, including the Remuneration Report on the following pages, is made in accordance with a resolution of Directors.

## ANNUAL STATEMENT TO SHAREHOLDERS

The Nomination & Remuneration Committee ('the Committee') presents the Remuneration Report for the year ended 30 September 2016. This report is presented in the following sections:

1. Who are defined as Key Management Personnel (KMP) for this report
2. The Remuneration Policy and the framework for remuneration of Directors and Executives including details on how the various elements of KMP remuneration have been determined for the year
3. The link between performance and the remuneration outcome for 2016
4. The remuneration expense recognised for KMP in 2016
5. Details on contractual arrangements with KMP
6. Additional statutory disclosures required by section 300A of the Corporations Act 2001 and Corporations Act Regulation 2M.3.03.

## CHANGES TO KMP

The following changes in KMP occurred in the year ended 30 September 2016:

- Travis Dillon was formally appointed Managing Director & CEO on 16 November 2015, having acted in the position since 4 May 2015;
- Ian Perry joined the Group as Executive General Manager, Financial Services on 26 October 2015;
- Matthew Pedersen was promoted to Executive General Manager, Rural Operations on 1 December 2015;
- Peter Weaver was promoted to Executive General Manager, Total Eden & Rodwells on 15 February 2016;
- Ilona Alsters joined the Group as General Counsel & Company Secretary on 15 February 2016;
- Angie Somann-Crawford, General Counsel & Company Secretary, ceased employment with the Group on 31 March 2016;
- Steve Williams, General Manager – Water Supplies ceased employment with the Group on 31 March 2016; and
- Rick Maybury, Executive General Manager, Rural Supplies, ceased employment with the Group on 30 September 2016.

## PERFORMANCE IN 2016 AND IMPACT ON REMUNERATION OUTCOMES

We believe that our remuneration framework remains aligned with the strategy of the business and is linked to our Key Performance Indicators (KPIs), which are set out on pages 43-47. In addition, with the changes made to the LTI scheme during the year, we are satisfied that our remuneration framework promotes long-term alignment with shareholders.

In a challenging environment, the Group continued to pursue its strategic priorities in 2016. The remuneration paid to Executives reflects both the 'business' operating environment and the Company's financial outcomes.

This has resulted in most Executives receiving no increase in fixed remuneration for 2017, short-term incentives paying out on non-financial performance only and no vesting of Performance Rights granted on 1 October 2013.

In the Annual General Meeting held in February 2016, approval was given to increase the Non-Executive Director maximum fee pool to \$850,000, having not been increased since 2006. Non-Executive Director fee rates (including base and committee fees) were increased during the year. This was the result of a review

against companies of similar complexity and size to Ruralco. These fees remain within the approved cap, and allow room for the appointment of an additional Director, if this is required in the future.

## ACTIVITIES UNDERTAKEN IN 2016

The Committee undertook the following activities in the year:

### REWARD FRAMEWORK

- Reviewed the Company's Long-Term Incentive (LTI) plan, and agreed to a change in performance measure from Total Shareholder Return (TSR) to cumulative underlying Earnings Per Share (EPS) for the 1 October 2015 grant onwards. Details are set out on page 43;
- Agreed the remuneration packages for new appointments to the Executive team and the arrangements for any leavers from this group;
- Reviewed KMP employment contracts to ensure they accurately reflect current remuneration and were consistent;
- Agreed the revised FY17 Ruralco Short-Term Incentive (STI) scheme;

### SETTING TARGETS

- Set the business and personal targets for the CEO & KMP for FY16;
- Set the LTI performance targets that would apply for the 1 October 2015 Performance Rights grant;

### REVIEWING OUTCOMES

- Reviewed and agreed the FY15 STI and LTI outcomes for KMP.

### GOVERNANCE

- Agreed the Remuneration Report for 2015 prior to its approval by the Board, and approval by shareholders at the AGM in February 2016;
- Undertook a CEO and KMP Talent and Succession Planning process;
- Approved the Ruralco Paid Maternity Leave scheme;
- Reviewed the Nomination & Remuneration Committee Charter and updated it in accordance with the ASX Corporate Governance Council Principles and Recommendations (3rd Edition);
- Reviewed and updated the Group's Equal Employment Opportunity (EEO) and Diversity strategy;
- With the assistance of an external consultant (L&S Advisory), conducted an independent Board evaluation and agreed the Board skills matrix; and
- Completed a successful search for a new Chairman of the Board. Mr Rick Lee was appointed and commenced with Ruralco in September 2016.



**Trudy Vonhoff**  
*Chair, Nomination & Remuneration Committee*



**SECTION 1:**
**KEY MANAGEMENT PERSONNEL (KMP)**
**1.1 KMP COVERED IN THIS REPORT AND CHANGES IN THE YEAR**

KMP are persons having the authority and responsibility for planning, directing and controlling activities of the Group, whether directly or indirectly. For the purposes of this report, the Group defines these personnel as the Board of Directors and the members of the Executive Management Team. Set out below are those KMP covered by this report for the current and prior year disclosures:

NAME	POSITION	STATUS CHANGE DURING YEAR
<b>DIRECTORS</b>		
Richard (Rick) J Lee	Chairman	Commenced as Chairman from 5 September 2016
Michael Millner	Non-Executive Director	
Trudy Vonhoff	Non-Executive Director	
Elizabeth Johnstone	Non-Executive Director	
Ross Burney	Non-Executive Director	Ceased to be a Director on 24 February 2016
Richard England	Chairman	Ceased to be Chairman on 5 September 2016
John Tuskin	Non-Executive Director	Ceased to be a Director on 15 November 2016, after the end of the financial year
<b>EXECUTIVE MANAGEMENT TEAM</b>		
Travis Dillon	Managing Director & Chief Executive Officer	Appointed as MD & CEO on 16 November 2015
Adrian Gratwicke	Chief Financial Officer	
Greg O'Neil	Executive General Manager – Rural Supplies, Group Marketing & Communication	
Elizabeth Hardaker	Executive General Manager – People & Culture	
Ian Perry	Executive General Manager – Financial Services	Commenced as KMP from 26 October 2015
Matthew Pedersen	Executive General Manager – Rural Operations	Commenced as KMP from 1 December 2015
Peter Weaver	Executive General Manager – Total Eden & Rodwells	Commenced as KMP from 15 February 2016
Ilona Alsters	General Counsel & Company Secretary	Commenced as KMP from 15 February 2016
Angie Somann-Crawford	General Counsel & Company Secretary	Ceased to be a KMP from 31 March 2016
Steve Williams	General Manager – Water Supplies	Ceased to be a KMP from 31 March 2016
Rick Maybury	Executive General Manager – Rural Supplies	Ceased to be a KMP from 30 September 2016

Included in the comparative KMP expense disclosures are the following Directors and Executives that ceased to be KMP during the prior year:

NAME	POSITION	STATUS CHANGE IN FY15
John Maher	Managing Director and CEO	Ceased to be a KMP from 4 May 2015
Ruth Martin	Chief Financial Officer	Ceased to be a KMP from 10 July 2015

## SECTION 2:

## REMUNERATION POLICY

Our Nomination & Remuneration Committee is made up of independent Non-Executive Directors. The Committee reviews and determines our remuneration policy and structure annually to ensure it remains aligned to business needs, and meets our remuneration principles. The key principles of the Remuneration Policy for Executives are:

- Remuneration must reflect the market in which the Group operates;
- The achievement of Group results will be supported through the use of key performance indicators in remuneration structures; and
- Remuneration is to be linked to the creation of value to shareholders and rewards both financial and non-financial performance.

### 2.1 REMUNERATION FRAMEWORK - NON-EXECUTIVE DIRECTORS

The Non-Executive Directors receive fees (including statutory superannuation) and are entitled to be reimbursed for reasonable expenses. Fees are structured as a base fee with additional fees payable for membership and/or chairing a committee. The Chairman does not receive additional fees for participating in or chairing committees.

Fees are generally reviewed annually by the Committee and the Board, having regard to companies of similar complexity and size. The maximum annual aggregate Directors' fee limit was increased to \$850,000 during the year. This was approved by shareholders at the annual general meeting on 19 February 2016. The purpose of this increase was to accommodate the addition of another Director (if required in the future) and incremental fee increases (the fee pool had last been increased in 2006).

The current base fees were reviewed with effect from 1 July 2016. Those fees applicable for the current and prior financial year are set out below:

FEE TYPE	FROM 1 JULY 2016	1 APRIL 2015 TO 30 JUNE 2016	1 APRIL 2014 TO 31 MARCH 2015
<b>BASE FEES</b>			
Chair <sup>1</sup>	225,000	180,000	180,000
Other Non-Executive Directors	90,000	81,500	66,306
<b>COMMITTEE FEES</b>			
Audit, Risk & Corporate Governance - Chair	25,000	24,090	24,090
Audit, Risk & Corporate Governance - Member	8,000	6,022	6,022
Nomination & Remuneration Committee - Chair	25,000	12,045	12,045
Nomination & Remuneration Committee - Member	8,000	6,022	6,022
Investment Committee - Chair	20,000	12,045	12,045
Investment Committee - Member	8,000	6,022	6,022

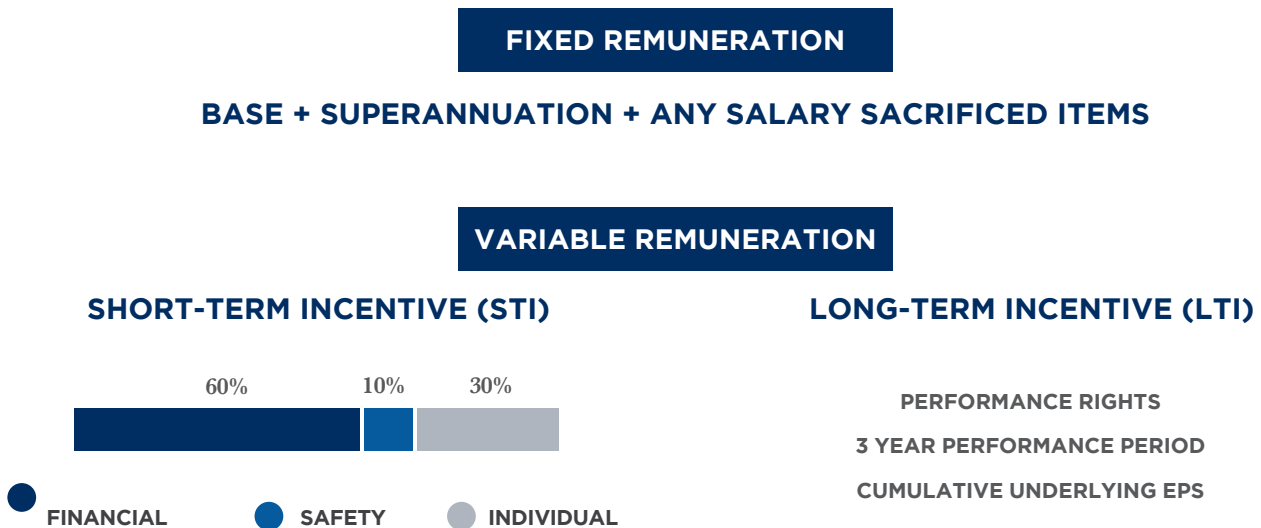
From time to time the Committee may recommend to the Board certain extraordinary fees to Non-Executive Directors as remuneration for performing additional duties above and beyond committee memberships. Approval of such fees are made with regard to the aggregate fee pool noted above.

Non-Executive Directors have no entitlement to performance-based pay or to participate in any share-based incentive schemes. This does not prevent Directors holding shares in Ruralco, subject to the Securities Trading Policy available at [www.ruralco.com.au](http://www.ruralco.com.au).

<sup>1</sup>The Chairman does not receive additional fees for participating in or chairing committees.

## 2.2 REMUNERATION FRAMEWORK – EXECUTIVE KEY MANAGEMENT PERSONNEL

The chart below provides an overview of Executive Remuneration during the year:



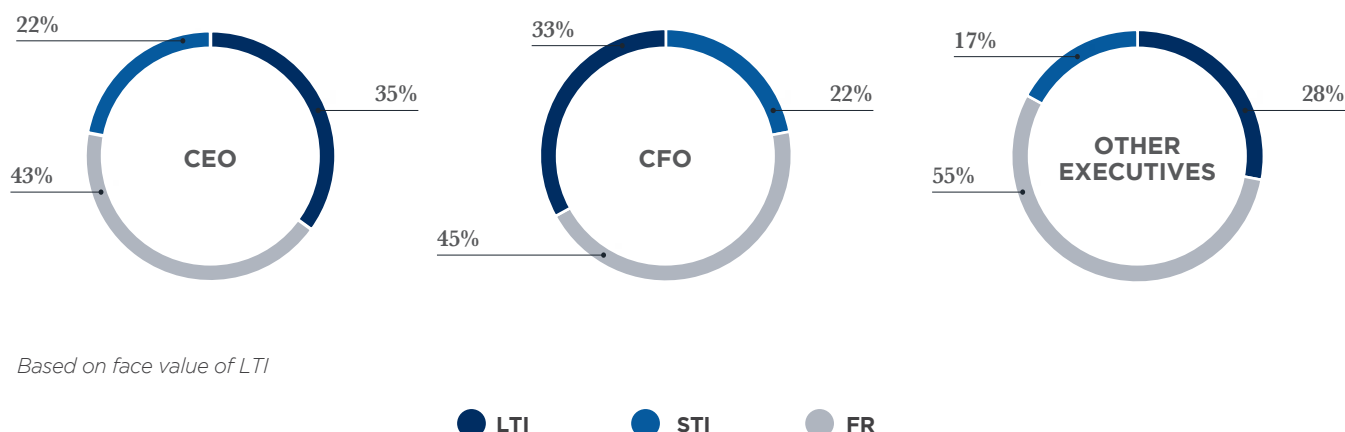
ELEMENT	PURPOSE	PERFORMANCE METRICS	POTENTIAL VALUE	CHANGES
<b>FIXED REMUNERATION (FR)</b>	Provide competitive market salary including superannuation and non-monetary benefits	Continued employment and adherence to Group's policies and procedures. Non-monetary benefits commensurate to the position	Positioned relative to the market median, considering the employee's skills and experience	
<b>STI</b>	Reward for in-year performance	<b>FINANCIAL:</b> <ul style="list-style-type: none"> <li>Return on capital employed (ROCE)</li> <li>Underlying EBITDA (uEBITDA)</li> </ul> <b>NON-FINANCIAL:</b> <ul style="list-style-type: none"> <li>Safety based on lost time injury frequency rates (LTIFR)</li> <li>Individual performance metrics appropriate to role</li> </ul>	CEO : 80% of FR CFO: 50% of FR Other Executives: 30% of FR	50% reduction in any STI payments if Group does not exceed an uEBITDA threshold
<b>LTI</b>	Alignment to long-term shareholder value	Cumulative underlying Earnings Per Share (EPS) Assessed over a 3 year period	CEO: 80% of FR <sup>2</sup> CFO: 75% of FR Other Executives: 50% of FR	Performance measure changed from Total Shareholder Return (TSR) to cumulative underlying EPS

<sup>2</sup>The CEO is eligible for LTI of 80% of Fixed Remuneration from FY17. For the FY16 grant, his LTI was 50% of Fixed Remuneration.



## BALANCING SHORT-TERM AND LONG-TERM PERFORMANCE

Remuneration levels and mix are reviewed annually and upon change of position with individual remuneration determined by reference to the Group's remuneration mix policy, available market data and consideration of individual factors. The 2016 remuneration mix is outlined below:



## ASSESSING PERFORMANCE

The Committee is responsible for assessing performance against KPIs and determining the STI and LTI to be paid. To assist in this assessment, the Committee receives reports on performance from management, which are based on independently verifiable data such as financial measures and data from independently run surveys.

### 2.2.1 FIXED REMUNERATION (FR)

Fixed remuneration may be received as cash and/or cash with non-monetary benefits such as salary sacrifice arrangements for motor vehicles and additional superannuation. Each Executive received a base salary during the year ended 30 September 2016.

The total salary increase for the Executive Management Team from 2016 to 2017 was 1.8%.

### 2.2.2 VARIABLE REMUNERATION - STI

The STI is a cash bonus incentive based on performance outcomes measured over a single financial year. The structure of the STI for Executives during the year was as follows:

FEATURE	DESCRIPTION				
<b>MAX OPPORTUNITY</b>	CEO: 80% of fixed remuneration CFO: 50% of fixed remuneration Other Executives: 30% of fixed remuneration. Pro-rated for days employed in the performance period.				
<b>PERFORMANCE METRICS</b>	The STI metrics align with our three pillar Future Farming Strategy supported by our foundations of a Scaleable Back Office and our People & Culture.				
	<b>METRIC</b>	<b>TARGET</b>	<b>STRETCH TARGET</b>	<b>WEIGHTING</b>	<b>REASON FOR SELECTION</b>
	Safety	Achievement of Safety KPIs and LTIFR less than pre-set threshold	Improve LTIFR by 10% on previous year, 100% compliance to Group's safety policies and procedures	10%	Goal of Zero Harm across the Group
	Underlying EBITDA <sup>3</sup>	Exceed Group budget uEBITDA	Exceed 110% of Group budget uEBITDA	30%	Support the business to achieve Group stretch budgeted financials
	Underlying ROCE <sup>4</sup>	Exceed Group budget ROCE	Exceed 120% of Group budget ROCE	30%	Measures efficiency of capital usage of the Group and/or division
	Individual performance metrics	Specific to individuals but include business unit financials, employee performance management, staff engagement and strategy execution		30%	Targeted metrics critical to individual roles and aligned to strategy

<sup>3</sup>Underlying EBITDA means reported earnings before interest, tax, depreciation and amortisation including share of profits from equity accounted investees, adjusted to remove the impact of non-recurring significant items (pre-tax)

<sup>4</sup>Return on capital employed (ROCE) (underlying) = Underlying EBITDA / Average 12 month total capital employed

The structure of the STI for Executives during the year was as follows: (Continued)

FEATURE	DESCRIPTION
<b>DELIVERY OF STI</b>	<p>CEO: 50% of any STI award will be paid in cash by 31 December 2016 following the end of the performance period, and the remaining 50% will be deferred for 12 months from the date of the initial payment, and then paid in cash.</p> <p>Other Executives: Award will be paid in cash by 31 December following the end of the performance period.</p> <p>All Executives: In the event of a capital event, bonuses will be paid within 3 months of the capital event provided they are still employed on the payment date.</p>
<b>BOARD DISCRETION</b>	<p>The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing to zero if appropriate.</p> <p>Any payment to the CEO is subject to clawback where the Board becomes aware of a material financial misstatement or dishonest or fraudulent conduct by Mr Dillon that would have impacted the Board's determination of the STI award.</p>

## 2.2.3 VARIABLE REMUNERATION - LTI

The Ruralco Holdings Limited Long-Term Incentive Plan (the Incentive Plan) was established to provide Long-Term Incentives (LTIs) for Executives. Under the Incentive Plan, participants are granted Performance Rights to acquire one ordinary fully paid Ruralco Holdings Limited share, at no cost, that only vests if certain time based and performance based vesting conditions are met.

The number of Performance Rights granted is calculated as the opportunity for the individual divided by the market value of each Ruralco share (calculated as the volume weighted average price of each Ruralco share on the ASX over the 5 trading days up to the date of grant).

Executives (including the CEO) were granted tranches under the Incentive Plan in the current and prior years that each have 3 year performance periods. Those that impact the year ended 30 September 2016 include:

- 1 October 2013 tranche – Tested on 30 September 2016 at the end of the 3 year performance period; and
- 1 October 2015 tranche – granted in the year.

A summary of the features of the 1 October 2013, 1 October 2014 and 6 July 2015<sup>5</sup> tranches is set out below:

FEATURE	DESCRIPTION								
<b>MAX OPPORTUNITY</b>	50% of fixed remuneration (for October 2013 and October 2014 tranches)								
<b>PERFORMANCE HURDLE</b>	<p>TSR measure based on comparison to the S&amp;P/ASX Small Ordinaries Accumulation Index is used with vesting as per the below:</p> <table> <tr> <th>COMPANY TSR PERFORMANCE</th><th>VESTING %</th></tr> <tr> <td>Less than the index return</td><td>0%</td></tr> <tr> <td>Matches the index return</td><td>50%</td></tr> <tr> <td>Exceeds the index return plus an additional 24.23% over the performance period (equivalent to the index return plus an additional compound average annual return of 7.5% over the 3 years)</td><td>100%</td></tr> </table> <p>Pro-rata vesting occurs where Ruralco's TSR performance over the 3 years is between the index return and the level at which full vesting will apply.</p>	COMPANY TSR PERFORMANCE	VESTING %	Less than the index return	0%	Matches the index return	50%	Exceeds the index return plus an additional 24.23% over the performance period (equivalent to the index return plus an additional compound average annual return of 7.5% over the 3 years)	100%
COMPANY TSR PERFORMANCE	VESTING %								
Less than the index return	0%								
Matches the index return	50%								
Exceeds the index return plus an additional 24.23% over the performance period (equivalent to the index return plus an additional compound average annual return of 7.5% over the 3 years)	100%								
<b>FORFEITURE AND TERMINATION</b>	Performance Rights will lapse if performance conditions are not met. Any Performance Rights not vested before the Executive leaves the employment of Ruralco will automatically be forfeited. Exception is, if they are a 'good leaver' then the rights are tested in the normal manner as at the employment termination date and vest pro-rata.								
<b>RESTRICTIONS</b>	Upon vesting, any disposal of shares held under the Plan is subject to Board approval while they remain in employment with the Company. Shares can only be disposed of during agreed trading windows, in accordance with the Company's Share Trading Policy.								

<sup>5</sup>The 6 July 2015 grant was a sign-on grant of 50,000 Performance Rights to Adrian Gratwicke.

## REMUNERATION REPORT

For the 1 October 2015 tranche, the LTI performance measure has been changed to cumulative underlying EPS. This measure was considered more appropriate as a performance hurdle for LTI as it more closely aligns Executive pay with achievement of the Group's growth strategy (both organic and strategic) via its three pillar Future Farming Strategy.

A summary of the features of the 1 October 2015 tranche is set out below:

FEATURE	DESCRIPTION								
LINK TO STRATEGY	EPS is considered an appropriate performance measure to align the interests of KMP and shareholders as execution of the Group’s strategy plus a focus on improving operating leverage and cost efficiency (measured internally as Operating Expense as a percentage of gross profit) should lead to NPAT/EPS growth. Underlying EPS was chosen as it does not act as a barrier for KMP to pursue activities that will support the Group’s Investment, Integration and Innovation strategies as, for example, it will exclude costs associated with completing acquisitions or restructuring operations in order to achieve cost efficiencies.								
MAX OPPORTUNITY	CEO: 50% of fixed remuneration CFO: 75% of fixed remuneration Other Executives: 50% of fixed remuneration								
PERFORMANCE MEASURE	The LTI performance measure is cumulative underlying EPS = Underlying NPAT/weighted average number of shares in the period. The performance period for this grant is 3 years. At vesting on 1 October 2018, cumulative underlying EPS will be calculated as: Underlying EPS FY16 + Underlying EPS FY17 + Underlying EPS FY18								
PERFORMANCE HURDLE	Vesting of the Performance Rights will occur as follows:								
	<table><tr><th>CUMULATIVE UNDERLYING EPS</th><th>VESTING %</th></tr><tr><td>At consensus</td><td>30%</td></tr><tr><td>Between consensus and stretch</td><td>Straight line between 30% and 100%</td></tr><tr><td>Stretch or above</td><td>100%</td></tr></table>	CUMULATIVE UNDERLYING EPS	VESTING %	At consensus	30%	Between consensus and stretch	Straight line between 30% and 100%	Stretch or above	100%
	CUMULATIVE UNDERLYING EPS	VESTING %							
	At consensus	30%							
	Between consensus and stretch	Straight line between 30% and 100%							
	Stretch or above	100%							
The threshold for vesting of the October 2015 grant is based on expected cumulative underlying EPS calculated with reference to various analysts’ forecasts for the performance period. No LTI will vest if cumulative underlying EPS is below consensus expectations.									
For full vesting of the LTI, cumulative underlying EPS must be at a level equivalent to the Group achieving a stretch target of strong organic growth plus targeted strategic acquisitions. While this figure is not disclosed due to commercial considerations, the Board is satisfied that stretch LTI vesting will only arise if exceptional EPS outcomes are achieved.									
FORFEITURE AND TERMINATION	Performance Rights will lapse if performance conditions are not met. Any Performance Rights not vested before the Executive leaves the employment of Ruralco will automatically be forfeited. Exception is, if they are a ‘good leaver’, then the rights are tested in the normal manner as at the employment termination date and vest on a pro-rata basis.								
RESTRICTIONS	Upon vesting, any disposal of shares held under the Plan is subject to Board approval while they remain in employment with the Company. Shares can only be disposed of during agreed trading windows, in accordance with the Company’s Share Trading Policy.								
DISCRETION	The Board retains the discretion to adjust the LTI targets or vesting outcomes in the event of significant corporate events such as a capital raising, divestment, rights issue etc. The Board has developed principles and determined pre-agreed scenarios in which discretion may be exercised to maintain the integrity of the LTI framework. If this discretion was applied in any year, it will be clearly disclosed and explained.								

<sup>6</sup>For the CEO, the LTI is to increase to 80% of Fixed Remuneration from the October 2016 grant in line with his contractual arrangements.



**SECTION 3:**
**LINK BETWEEN REMUNERATION AND PERFORMANCE IN FY16**
**3.1 STATUTORY PERFORMANCE INDICATORS – BEING PREPARED**

We aim to align our Executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the Corporations Act 2001.

YEAR ENDED 30 SEPTEMBER	2016	2015	2014	2013	2012
Profit for the year attributable to owners of Ruralco Holdings Limited (\$'000)	4,296	14,057	10,565	5,738	13,849
Basic earnings per share (cents)	5.44	18.03	15.27	10.49	25.46
Dividends paid (\$'000)	11,779	13,192	11,654	10,912	10,418
Closing share price (\$)	3.17	3.60	3.41	3.35	3.40

As these statutory measures are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMP (see section 2.2.2 and 2.2.3), there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded. The table below shows these adjusted performance measures over the last 5 years. Commentary on the results for the current year is included in the Financial and Performance Review on pages 14-17.

YEAR ENDED 30 SEPTEMBER	2016	2015	2014	2013	2012
Underlying EBITDA (\$'000)	42,312	51,166	43,469	31,687	44,728
Underlying Return on capital employed (ROCE) (%)	13.6	17.0	15.2	12.4	17.9
Underlying Return on equity (ROE) (%)	6.1	8.7	7.8	5.7	10.0
Underlying EPS (cents)	16.96	23.90	22.40	15.97	28.83

**3.2 PERFORMANCE AGAINST KEY MEASURES AND IMPACT ON VARIABLE REMUNERATION IN FY16:**
**STI**

Executives were awarded STI amounts between 22% and 60% of their maximum STI opportunity, equating to payments of between 5% and 32% of Fixed Remuneration.

**LTI**

The TSR performance test applicable to the 1 October 2013 grants of Performance Rights under the Long Term Incentive Plan resulted in no Performance Rights vesting.

**FORMER EXECUTIVES**

Former Executives Angie Somann-Crawford, Steve Williams and Rick Maybury had unvested Performance Rights on the dates they ceased employment with the Company (31 March 2016 for Ms Somann-Crawford and Mr Williams, 30 September 2016 for Mr Maybury). These rights were tested for vesting on their leaving dates in line with the "Good Leaver" rules of the Plan. Under this test:

- 27,192 shares were allocated to Angie Somann-Crawford under the 1 October 2013 grant (being approx. 60% of rights granted);
- The early testing of the rights granted under the 1 October 2014 grant for all three former Executives resulted in no vesting; and
- The rights granted to Mr Maybury in 2015 did not vest as his employment ceased in the first year of the performance period.



# REMUNERATION REPORT

The performance against key measures and the impact on variable remuneration for Executives is set out below:

METRIC	PERFORMANCE V TARGET	IMPACT ON INCENTIVE AWARD
<b>STI</b>		
<b>SAFETY</b>	Met	Target
<b>UNDERLYING EBITDA</b>	Not met	Not achieved
<b>UNDERLYING ROCE</b>	Not met	Not achieved
<b>INDIVIDUAL PERFORMANCE METRICS</b>	Met or partially met	Target
<b>LTI</b>		
<b>TSR PERFORMANCE</b> - for 2013 grant tested on 30 September	RHL 10.8% vs Index 22.7% Not Met	No vesting

Based on the results above, the amount of performance based remuneration granted and forfeited to KMPs for 2016 performance is as follows:

	TOTAL STI BONUS			LTI PERFORMANCE RIGHTS		
	TOTAL OPPORTUNITY \$	AWARDED %	FORFEITED %	VALUE GRANTED* \$	VALUE VESTED* \$	VALUE LAPSED* \$
<b>Travis Dillon</b>	632,000	40%	60%	241,532	-	144,463
<b>Adrian Gratwicke</b>	315,000	26%	74%	411,488	-	-
<b>Greg O'Neil</b>	103,103	30%	70%	152,033	-	108,742
<b>Elizabeth Hardaker</b>	96,908	34%	66%	140,656	-	-
<b>Matthew Pedersen</b>	105,120	35%	65%	152,575	-	-
<b>Peter Weaver</b>	114,975	60% <sup>7</sup>	40%	166,881	-	-
<b>Ian Perry</b>	92,026	22%	78%	143,392	-	-
<b>Ilona Alsters</b>	63,586	26%	74%	147,747	-	-
<b>Angie Somann-Crawford</b>	94,720	0%	100%	-	65,533	132,117
<b>Steve Williams</b>	96,908	0%	100%	-	-	71,751
<b>Rick Maybury</b>	108,405	0%	100%	157,343	-	336,517

\*Value of Performance Rights granted/vested/lapsed calculated in accordance with AASB 2 *Share-based payments* at date of grant fair value, see section 6.2.

<sup>7</sup>Peter Weaver was promoted to KMP in February 2016, and his STI includes an amount for time in his previous role in the first part of the year. The STI awarded for the period of the year that he was KMP was 34% of total STI opportunity.



## SECTION 4:

## REMUNERATION EXPENSE FOR KMP

### 4.1 REMUNERATION EXPENSE FOR KMP

The following table details the remuneration expense recognised in profit or loss for the Group's Non-Executive Directors and Executive Management Team for the current and prior year. Amounts disclosed are measured in accordance with the requirements of accounting standards and disclosed in accordance with the requirements of Section 300A of the Corporations Act 2001 and Regulation 2M.3.03.

	FIXED REMUNERATION						VARIABLE REMUNERATION		
		CASH SALARY/ FEES	NON- MONETARY BENEFITS	OTHER LONG-TERM BENEFITS	POST- EMPLOYMENT BENEFITS		CASH BONUSES (STI)	SHARE BASED PAYMENTS (LTI) <sup>8</sup>	
NAME	YEAR					OTHER			TOTAL
Richard Lee	2016	16,596	-	-	1,577	-	-	-	18,173
	2015	-	-	-	-	-	-	-	-
Michael Millner	2016	91,028	-	-	8,648	-	-	-	99,676
	2015	77,913	-	-	7,632	-	-	-	85,545
Trudy Vonhoff	2016	96,279	-	-	9,147	-	-	-	105,426
	2015	83,414	-	-	7,979	-	-	-	91,393
Elizabeth Johnstone	2016	104,529	-	-	9,931	-	-	-	114,460
	2015	94,414	-	-	9,024	-	-	-	103,438
Ross Burney	2016	35,596	-	-	3,382	-	-	-	38,978
	2015	77,913	-	-	7,457	-	-	-	85,370
Richard England	2016	162,952	-	-	15,480	-	-	-	178,432
	2015	164,773	-	-	15,655	-	-	-	180,428
John Tuskin	2016	89,877	-	-	8,539	-	-	-	98,416
	2015	77,913	-	-	7,457	-	-	-	85,370
TOTAL NON-EXECUTIVE DIRECTORS	2016	596,857	-	-	56,704	-	-	-	653,561
	2015	576,340	-	-	55,204	-	-	-	631,544
Travis Dillon	2016	725,086	14,773	-	30,000	-	250,000 <sup>9</sup>	186,521	1,206,380
	2015	447,898 <sup>10</sup>	22,369	-	28,510	-	130,000	117,852	746,629
Adrian Gratwicke	2016	609,879	-	-	20,121	-	81,900	177,163	889,063
	2015	146,019	-	-	4,827	-	38,000	10,000	198,846
Greg O'Neil	2016	327,640	-	-	40,779	-	30,931	130,045	529,395
	2015	279,968	21,175	-	35,322	-	50,000	89,434	475,899
Elizabeth Hardaker	2016	286,247	-	-	27,194	-	32,949	46,885	393,275
	2015	97,496	-	-	9,262	-	23,000	-	129,758
Matthew Pedersen	2016	312,998	22,502	-	34,073	-	37,048	63,358	469,979
	2015	258,490	-	-	24,557	-	46,622	-	329,669
Peter Weaver	2016	331,437	18,336	-	31,487	-	69,046	68,127	518,433
	2015	280,655	-	-	26,662	-	88,695	-	396,012
Ian Perry	2016	281,462	-	-	26,189	-	20,246	47,797	375,694
	2015	-	-	-	-	-	-	-	-
Ilona Alsters	2016	198,146	-	-	12,145	-	16,532	49,249	276,072
	2015	-	-	-	-	-	-	-	-
Angie Somann-Crawford	2016	144,165	-	-	13,590	253,920	-	113,448	525,123
	2015	219,680	-	-	22,920	-	45,000	86,882	374,482
Steve Williams	2016	71,481	-	-	11,834	169,582	-	-	252,897
	2015	271,210	-	-	18,785	-	57,000	17,938	364,933
Rick Maybury	2016	364,400	53	-	31,350	339,263	-	104,160	839,226
	2015	322,591	15,310	-	30,646	-	72,000	77,980	518,527
John Maher	2016	-	-	-	-	-	-	-	-
	2015	799,000	19,144	-	25,009	617,896	171,800	244,313	1,877,162
Ruth Martin	2016	-	-	-	-	-	-	-	-
	2015	330,604	-	-	14,790	125,754	-	155,134	626,282
TOTAL EXECUTIVES	2016	3,652,941	55,664	-	278,762	762,765	538,652	986,753	6,275,538
	2015	3,453,611	77,998	-	241,290	743,650	722,117	799,533	6,038,199
TOTAL KMP	2016	4,249,798	55,664	-	335,466	762,765	538,652	986,753	6,929,098
	2015	4,029,951	77,998	-	296,494	743,650	722,117	799,533	6,669,743

<sup>8</sup>Amount disclosed for share based payment expense is the current year expense recognised in profit or loss for Performance Rights granted in the current and prior years that have not yet vested. This also includes adjustments for those that have forfeited during the year (i.e. on resignation).

<sup>9</sup>The Board has exercised discretion with \$110,000 of the \$250,000 STI payment being deferred for 12 months. This is less than the 50% described in Section 2.2.2 on page 45. The deferred amount of \$110,000 will be paid in December 2017 subject to continued employment with Ruralco.

<sup>10</sup>Upon appointment as Acting CEO on 4 May 2015, Travis Dillon received a higher duties allowance of \$129,688.



## OTHER FIXED REMUNERATION

Included in "Other" remuneration in the current year are amounts paid to former Executives when they left the Company. Details of these payments are set out below.

### ANGIE SOMANN-CRAWFORD

Ms Somann-Crawford's employment ended on 31 March 2016 and the Company made a termination payment of \$203,332 in April 2016. The final payment to Ms Somann-Crawford for her accrued annual leave and long service leave was \$50,588.

### STEVE WILLIAMS

Mr Williams' employment ended on 31 March 2016 and the Company made a termination payment of \$147,500 in March 2016. The final payment to Mr Williams for his accrued annual leave was \$22,082.

### RICK MAYBURY

Mr Maybury's employment ended on 30 September 2016 and the Company made a termination payment in lieu of the balance of his notice period of \$208,175 in September 2016. The final payment to Mr Maybury for his accrued annual leave and long service leave was \$131,088.

Refer to the 2015 Annual Report for details regarding payments to Ruth Martin and John Maher in the prior year.

## 4.2 RELATIVE PROPORTIONS OF FIXED VS VARIABLE REMUNERATION EXPENSE

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the table above.

NAME	FIXED REMUNERATION		STI		LTI	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Travis Dillon	64%	67%	21%	17%	15%	16%
Adrian Gratwicke	71%	76%	9%	19%	20%	5%
Greg O'Neil	70%	70%	6%	11%	24%	19%
Elizabeth Hardaker	80%	82%	8%	18%	12%	-
Matthew Pedersen	79%	-	8%	-	13%	-
Peter Weaver	74%	-	13%	-	13%	-
Ian Perry	82%	-	5%	-	13%	-
Ilona Alsters	76%	-	6%	-	18%	-
Angie Somann-Crawford	78%	65%	-	12%	22%	23%
Steve Williams	100%	79%	-	16%	-	5%
Rick Maybury	88%	71%	-	14%	12%	15%
John Maher	-	78%	-	9%	-	13%
Ruth Martin	-	75%	-	-	-	25% <sup>10</sup>

<sup>10</sup>No performance rights were granted to Ruth Martin during the prior year. The share based payment expense is an accounting outcome of the recognition of expense under AASB 2 given her early exit from the incentive scheme.

**SECTION 5:**
**CONTRACTUAL ARRANGEMENTS WITH KMP**
**NON-EXECUTIVE DIRECTORS**

All Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board's policies and terms, including remuneration, relevant to the office of Director.

**EXECUTIVES**

In accordance with Board policy, the service contracts for the Executive Management Team have no fixed term. The contracts outline the remuneration to be paid at the commencement of the contract and how remuneration levels are to be reviewed from year to year.

Contract terms are reviewed periodically and revised if required. Specific details of the service contracts are set out in the table below:

COMPONENT	CEO		OTHER EXECUTIVES	
Contract Duration	Ongoing contract			
Notice Initiated By The Individual/Company	6 months/12 months		3 months/6 months	
Termination of employment (without cause)	STI	Entitlement to pro-rata STI for the year		
	LTI	The Board has the discretion to allow the vesting of LTI Performance Rights upon ceasing employment		
Termination of employment (with cause) or by the individual	STI	STI is not awarded, and all unvested LTI will lapse	STI is not awarded, and all unvested LTI will lapse	
	LTI	No LTI Performance Rights will vest where the Executive ceases employment due to termination by the Company for breach, misconduct/neglect or a criminal offence, does not satisfy the performance hurdles or has acted fraudulently or dishonestly or has brought the Company into disrepute		
Change Of Control	STI	Pro-rata portion of STI for that performance period (calculated as no. of days between start of performance period and capital event divided by no. of days in performance period) at the discretion of the Board		
	LTI	Any LTI Performance Rights in respect of the period, which had been granted but not yet vested, will all vest (subject to the relevant performance conditions)	Any LTI Performance Rights in respect of the period, which had been granted but not yet vested, will vest on a pro-rata basis subject to Board discretion.	

Additional contractual terms apply to Adrian Gratwicke, who received a sign-on offer of 50,000 Performance Rights as at 6 July 2015 with a testing date of 30 September 2018. If a capital event occurs all of his LTI Performance Rights granted will vest.

## SECTION 6:

## ADDITIONAL STATUTORY INFORMATION

### 6.1 RECONCILIATION OF PERFORMANCE RIGHTS HELD BY KMP

The table below shows how many Performance Rights were granted, vested and lapsed in the year:

NAME & GRANT DATE	BALANCE AT START OF YEAR	GRANTED	VESTED		LAPSED		BALANCE AT END OF YEAR	MAX VALUE YET TO VEST*
	No.	No.	No.	%	No.	%	No.	\$
<b>Travis Dillon</b>								
1-Oct-13	60,018	-	-	-	(60,018)	100%	-	-
1-Oct-14	59,588	-	-	-	-	-	59,588	\$ 44,021
1-Oct-15	-	76,193	-	-	-	-	76,193	\$ 161,021
	<b>119,606</b>	<b>76,193</b>	-	-	<b>(60,018)</b>	-	<b>135,781</b>	<b>\$ 205,042</b>
<b>Adrian Gratwicke</b>								
6-Jul-15	50,000	-	-	-	-	-	50,000	\$ 40,000
1-Oct-15	-	129,807	-	-	-	-	129,807	\$ 274,325
	50,000	129,807	-	-	-	-	179,807	\$ 314,325
<b>Greg O'Neil</b>								
1-Oct-13	45,121	-	-	-	(45,121)	100%	-	-
1-Oct-14	44,351	-	-	-	-	-	44,351	\$ 32,764
1-Oct-15	-	47,960	-	-	-	-	47,960	\$ 101,355
	<b>89,472</b>	<b>47,960</b>	-	-	<b>(45,121)</b>	-	<b>92,311</b>	<b>\$ 134,119</b>
<b>Elizabeth Hardaker</b>								
1-Oct-15	-	44,371	-	-	-	-	44,371	\$ 93,771
<b>Matthew Pedersen</b>								
1-Oct-15	-	48,131	-	-	-	-	48,131	\$ 101,717
<b>Peter Weaver</b>								
1-Oct-15	-	52,644	-	-	-	-	52,644	\$ 111,254
<b>Ian Perry</b>								
1-Oct-15	-	45,234	-	-	-	-	45,234	\$ 95,595
<b>Ilona Alsters</b>								
1-Oct-15	-	46,608	-	-	-	-	46,608	\$ 98,498
<b>Angie Somann-Crawford</b>								
1-Oct-13	44,910	-	(27,192)	61%	(17,718)	39%	-	-
1-Oct-14	45,389	-	-	-	(45,389)	100%	-	-
	<b>90,299</b>	-	<b>(27,192)</b>	-	<b>(63,107)</b>	-	-	-
<b>Steve Williams</b>								
1-Oct-14	36,422	-	-	-	(36,422)	100%	-	-
<b>Rick Maybury</b>								
1-Oct-13	39,011	-	-	-	(39,011)	100%	-	-
1-Oct-14	43,227	-	-	-	(43,227)	100%	-	-
1-Oct-15	-	49,635	-	-	(49,635)	100%	-	-
	<b>82,238</b>	<b>49,635</b>	-	-	<b>(131,873)</b>	-	-	-

\*Calculated as the amount of grant date fair value of the shares that are yet to be expensed.

The 1 October 2013 tranche was tested on 30 September 2016 and no vesting occurred.





## 6.2 TERMS AND CONDITIONS OF PERFORMANCE RIGHTS GRANTED IN THE CURRENT AND PRIOR YEARS

Set out below are the terms and conditions of the Performance Rights granted in the year that will affect compensation in this or future reporting periods:

GRANT DATE	VESTING PERIOD	TESTING DATE	VESTING CONDITIONS	FAIR VALUE PER SHARE* \$
1 Oct 15	3 years	30 Sept 18	Consistent with those noted at 2.2.3	<b>\$3.17</b>

The terms and conditions of grants made in prior years are as follows:

GRANT DATE	VESTING PERIOD	VESTING DATE	VESTING CONDITIONS	FAIR VALUE PER SHARE* \$
1 Oct 13	3 years	30 Sept 16	Consistent with those noted at 2.2.3	<b>2.41</b>
1 Oct 14	3 years	30 Sept 17		<b>1.97</b>
6 Jul 15	3 years 3 months	30 Sept 18		<b>1.80</b>

\*Inputs into fair value calculation of rights granted set out in note 18(c) of the financial statements.

## 6.3 USE OF EXTERNAL REMUNERATION CONSULTANTS

The Committee approved the engagement of both Guerdon Associates and KPMG to provide remuneration information regarding:

- Long-term Incentive market practice, particularly the prevalence and use of various LTI performance measures;
- Total Shareholder Return measurement for LTI; and
- Market practice with respect to Non-Executive Director fees.

The information provided did not constitute remuneration advice, as no recommendations were provided by either Guerdon Associates or KPMG.

Fees paid to Guerdon Associates for remuneration information during the year were \$26,542, and fees paid to KPMG for remuneration information were \$5,386.

## 6.4 VOTING OF SHAREHOLDERS AT THE LAST ANNUAL GENERAL MEETING

Ruralco Holdings Limited received a “yes” vote on more than 94% of votes cast on its remuneration report for the 2015 financial year. Being mindful of the focus on Executive remuneration, the Company has continued to review its remuneration practices.



## 6.5 SHAREHOLDINGS

Set out below are the details of the number of Ruralco Holdings Limited shares held directly, indirectly or beneficially by KMP during the year and the movements in shareholdings.

NAME	1 OCTOBER 2015	RECEIVED ON VESTING OF LTI	OTHER CHANGES	30 SEPTEMBER 2016
<b>NON- EXECUTIVE DIRECTORS</b>				
<b>Richard Lee</b>	-	-	-	-
<b>Michael Millner</b>	26,978	-	-	26,978
<b>Trudy Vonhoff</b>	-	-	18,000	18,000
<b>Elizabeth Johnstone</b>	-	-	12,000	12,000
<b>Ross Burney</b>	185,054	-	(106,622)	78,432
<b>Richard England</b>	92,132	-	10,000	102,132
<b>John Tuskin</b>	21,830	-	-	21,830
<b>EXECUTIVES</b>				
<b>Travis Dillon</b>	67,525	-	-	67,525
<b>Adrian Gratwicke</b>	-	-	-	-
<b>Greg O'Neil</b>	31,519	-	-	31,519
<b>Elizabeth Hardaker</b>	-	-	-	-
<b>Matthew Pedersen</b>	1,440	-	2,897	4,337
<b>Peter Weaver</b>	1,440	-	6,373	7,813
<b>Ian Perry</b>	-	-	-	-
<b>Ilona Alsters</b>	-	-	-	-
<b>Angie Somann-Crawford</b>	27,790	27,912	-	54,982
<b>Steve Williams</b>	-	-	-	-
<b>Rick Maybury</b>	25,619	-	-	25,619

Subsequent to the end of the financial year and up to 30 November 2016, the following transactions have been undertaken by key management personnel to increase/decrease their shareholdings:

- Richard Lee purchased 25,000 shares to bring his holding to 25,000;
- Trudy Vonhoff purchased 17,663 shares to bring her holding to 35,663;
- Elizabeth Johnstone purchased 15,000 shares to bring her holding to 27,000; and
- Richard England disposed of 51,470 shares to reduce his holding to 50,662.

## 6.6 OTHER TRANSACTIONS WITH KMP

There are no loans to KMP outstanding in the current or prior year.

Sales and purchases occur during the year between subsidiaries of the Group and entities that certain Directors of the Company have direct or indirect control over. These transactions are conducted under normal customer or supplier relationships on an arm's length basis. On this basis details regarding these transactions are not included in this report but are instead disclosed in Note 21 of the financial statements in the Related Parties note.









The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council (the ASX Principles).

The 2016 Corporate Governance Statement is dated as at 30 September 2016 and reflects the corporate governance practices in place throughout the 2016 financial year. The 2016 Corporate Governance Statement was approved by the Board on 16 December 2016.

A description of the Group's current corporate governance practices is set out in the Corporate Governance Statement which can be viewed at: [www.ruralco.com.au/corporate/corporate-governance](http://www.ruralco.com.au/corporate/corporate-governance).



### LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: The Directors of Ruralco Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2016 there have been:

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

A handwritten signature in black ink, appearing to read 'Anthony Travers'.

**Anthony Travers**  
Partner

The KPMG logo, consisting of the letters 'KPMG' in a stylized, handwritten font.

**KPMG**  
Sydney

Dated at Sydney on the 16th day of December 2016



# FINANCIAL REPORT

## **FINANCIAL STATEMENTS**

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

	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 profits 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)
<b>TOTAL ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS</b>		<b>(3,575)</b>	<b>(1,464)</b>
<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>
<b>Earnings per share (cents per share)</b>			
- Basic	5	5.44	18.03
- Diluted	5	5.44	18.03

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

	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.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY													
	Notes	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
OCTOBER 2014													
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD													
Profit for the period													
Other comprehensive income													
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD													
TRANSACTIONS WITH OWNERS OF THE COMPANY RECORDED DIRECTLY IN EQUITY													
Dividends to owners of the Company													
Issue of ordinary shares													
Performance rights													
Shares purchased and held in trust													
Own shares held in trust allocated													
Change in non-controlling interest													
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY													
30 SEPTEMBER 2015													
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD													
Early adoption of AASB 9 Financial instruments <sup>1</sup>													
Profit for the period													
Other comprehensive income													
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD													
TRANSACTIONS WITH OWNERS OF THE COMPANY RECORDED DIRECTLY IN EQUITY													
Dividends to owners of the Company													
Issue of ordinary shares													
Performance rights													
Shares purchased and held in trust													
Own shares held in trust allocated													
Transfer to / from													
Change in non-controlling interest													
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY													
30 SEPTEMBER 2016													

(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.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

	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)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>17</b>	<b>38,089</b>	<b>17,892</b>
<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)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(25,902)</b>	<b>(24,815)</b>
<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>		<b>(5,578)</b>	<b>(21,159)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>6,609</b>	<b>(28,082)</b>
Cash and cash equivalents at beginning of year		(1,192)	26,890
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>17</b>	<b>5,417</b>	<b>(1,192)</b>

The accompanying notes form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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 sale and marketing of rural merchandise, fertiliser and financial service products to rural and related customers, the provision of agency services in relation to the sale of livestock, wool, grain marketing and real estate and the live export of cattle and sheep.

## 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.

### (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)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## (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.

### (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.

### (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.

STANDARDS AND INTERPRETATIONS NOT YET ADOPTED	EFFECTIVE DATE	KEY REQUIREMENTS AND LIKELY IMPACT
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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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:

	2016 \$'000	2015 \$'000
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
	1,756,376	1,599,862

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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 as follows:

	2016 \$'000	2015 \$'000
<b>CURRENT TAX EXPENSE</b>		
Current period	7,678	9,508
Adjustments for prior years	(242)	54
	<b>7,436</b>	<b>9,562</b>
<b>DEFERRED TAX EXPENSE</b>		
Origination and reversal of temporary differences	(3,660)	(402)
<b>INCOME TAX EXPENSE</b>	<b>3,776</b>	<b>9,160</b>
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.		
<b>RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE</b>		
Profit for the period before tax	12,646	27,982
Prima facie tax at 30% (2015: 30%)	3,794	8,395
<b>ADJUSTED FOR:</b>		
Non-controlling interest share of trust profit	(101)	184
Other	83	581
	<b>3,776</b>	<b>9,160</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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
	<b>15,468</b>	<b>4,475</b>	<b>57</b>	<b>20,000</b>
<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)
	<b>(8,518)</b>	<b>815</b>	<b>-</b>	<b>(7,703)</b>
<b>TOTAL</b>	<b>6,950</b>	<b>5,290</b>	<b>57</b>	<b>12,297</b>
<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
	<b>13,289</b>	<b>1,478</b>	<b>701</b>	<b>15,468</b>
<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)
	<b>(7,890)</b>	<b>(1,076)</b>	<b>448</b>	<b>(8,518)</b>
<b>TOTAL</b>	<b>5,399</b>	<b>402</b>	<b>1,149</b>	<b>6,950</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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.

	2016 \$'000	2015 \$'000
<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)
<b>EARNINGS USED TO CALCULATE BASIC AND DILUTED EPS</b>	<b>4,296</b>	<b>14,057</b>
	<b>No.</b>	<b>No.</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES USED AS A DENOMINATOR</b>		
<b>WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES IN ISSUE</b>	<b>79,041,780</b>	<b>77,949,356</b>
<b>DILUTED EARNINGS PER SHARE</b>		
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.		
<b>EARNINGS PER SHARE (CENTS PER SHARE)</b>		
- Basic	5.44	18.03
- Diluted	5.44	18.03

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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:

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

#### (b) Trade receivables ageing

	GROSS 2016 \$'000	IMPAIRMENT* 2016 \$'000	GROSS 2015 \$'000	IMPAIRMENT 2015 \$'000
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)
	<b>348,561</b>	<b>(9,026)</b>	<b>360,930</b>	<b>(6,861)</b>

\* 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:

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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 able to sell stock held on hand.

	2016 \$'000	2015 \$'000
Finished goods	114,000	111,015
<b>INVENTORY WRITE DOWNS</b>		
Inventory write downs included in cost of goods sold	3,353	957

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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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).

The fair value of livestock recognised at year end is as follows:

	2016 \$'000	2015 \$'000
Livestock	15,666	8,863
<b>RECONCILIATION OF CARRYING AMOUNT</b>		
<b>Balance at the beginning of the year</b>	<b>8,863</b>	<b>7,526</b>
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)
<b>BALANCE AT THE END OF YEAR</b>	<b>15,666</b>	<b>8,863</b>

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

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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 \$'000	BUILDINGS \$'000	LEASEHOLD IMPROVEMENTS \$'000	PLANT AND EQUIPMENT \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
<b>COST OR FAIR VALUE</b>						
<b>1 OCTOBER 2014</b>	<b>7,921</b>	<b>16,008</b>	<b>6,338</b>	<b>39,565</b>	<b>99</b>	<b>69,931</b>
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>	<b>-</b>	<b>(747)</b>	<b>(3,588)</b>	<b>(22,781)</b>	<b>-</b>	<b>(27,116)</b>
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>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## NOTE 10: INTANGIBLE ASSETS (CONTINUED)

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (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 \$'000	Brand Names \$'000	Customer Relationships \$'000	IT Development & Software \$'000	Other* \$'000	Capital Work In Progress \$'000	Total \$'000
<b>COST</b>							
<b>1 OCTOBER 2014</b>	<b>98,076</b>	<b>15,049</b>	<b>5,490</b>	<b>16,680</b>	<b>112</b>	<b>489</b>	<b>135,896</b>
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>1,412</b>	<b>2,816</b>	<b>151,412</b>
Additions	-	-	-	3,500	694	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>2,602</b>	<b>4,350</b>	<b>168,560</b>
<b>AMORTISATION</b>							
<b>1 OCTOBER 2014</b>	<b>(1,255)</b>	<b>-</b>	<b>(2,177)</b>	<b>(10,472)</b>	<b>(14)</b>	<b>-</b>	<b>(13,918)</b>
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>(19)</b>	<b>-</b>	<b>(17,188)</b>
Amortisation charge	-	-	(884)	(3,069)	(114)	-	(4,067)
<b>30 SEPTEMBER 2016</b>	<b>(1,255)</b>	<b>-</b>	<b>(3,930)</b>	<b>(15,937)</b>	<b>(133)</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>1,393</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>2,469</b>	<b>4,350</b>	<b>147,305</b>

\*Other includes Patents & Licences, Rent Rolls and Insurance Books.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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
	<b>113,102</b>	<b>105,535</b>
<b>BRAND NAMES</b>		
Combined Rural Traders (CRT)	14,400	14,400
Mainland Operations	314	-
Water Services	898	898
	<b>15,612</b>	<b>15,298</b>

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. The 2015 goodwill included in the table above has been rebated to reflect this change.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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:

	NOTES	2016 \$'000	2015 \$'000
<b>CURRENT</b>			
<b>TRADE AND OTHER PAYABLES:</b>			
Trade payables		294,179	267,626
Sundry payables and accrued expenses		107,141	107,236
		<b>401,320</b>	<b>374,862</b>
<b>DERIVATIVE FINANCIAL LIABILITIES</b>		168	1,681
<b>LOANS AND BORROWINGS:</b>			
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
		<b>4,300</b>	<b>58,739</b>
		<b>405,788</b>	<b>435,282</b>
<b>NON-CURRENT</b>			
<b>LOANS AND BORROWINGS:</b>			
Bank loans		65,091	-
Finance lease liabilities	14(b)	542	1,050
		<b>65,633</b>	<b>1,050</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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

FACILITY	MATURITY	FACILITY LIMIT \$'000	UTILISED \$'000
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 \$150million Debtor Securitisation Facility extended to 13 months and the \$60million 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

FACILITY	MATURITY	FACILITY LIMIT \$'000	UTILISED \$'000
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. These facilities were committed with a guarantor group arrangement and security over the Parent Company and three subsidiaries.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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>				
<b>ASSETS</b>				
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
	283	37,090	-	37,373
<b>LIABILITIES</b>				
Derivative financial liabilities used for hedging	(168)	-	-	(168)
	(168)	-	-	(168)
<b>30 SEPTEMBER 2015</b>				
<b>ASSETS</b>				
Biological assets	-	8,863	-	8,863
Assets held for sale	-	2,700	-	2,700
Land & buildings	-	20,205	-	20,205
	-	31,768	-	31,768
<b>LIABILITIES</b>				
Derivative financial liabilities used for hedging	(1,681)	-	-	(1,681)
	(1,681)	-	-	(1,681)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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

The movement in fully paid ordinary shares are outlined below:

	2016 NO. OF SHARES	2015 NO. OF SHARES
<b>ORDINARY SHARES FULLY PAID</b>	<b>79,259,913</b>	<b>78,531,866</b>
Balance at the beginning of the year	78,531,866	77,291,069
Shares issued during the year	728,047	1,240,797
<b>BALANCE AT THE END OF THE YEAR</b>	<b>79,259,913</b>	<b>78,531,866</b>
	2016 \$'000	2015 \$'000
<b>ORDINARY SHARES FULLY PAID</b>	<b>173,248</b>	<b>170,731</b>

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

Total equity of the Group includes the following reserves:

	2016 \$'000	2015 \$'000S
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)
	<b>5,259</b>	<b>10,458</b>

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

#### Nature and purpose of reserves:

- (1) **Capital profits reserve**  
The capital profits reserve was established to accumulate profits. Balance has been transferred into retained earnings.
- (2) **Asset revaluation reserve**  
The asset revaluation reserve is used to recognise the changes to fair values of each property carried at fair value.
- (3) **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.
- (4) **General reserve**  
The general reserve was established to accumulate profits. Balance has been transferred into retained earnings.
- (5) **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.
- (6) **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.
- (7) **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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.

	NOTES	2016 \$'000	2015 \$'000
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
<b>TOTAL DEBT AND EQUITY</b>		<b>273,617</b>	<b>280,897</b>
<b>GEARING RATIO</b>		<b>22.8%</b>	<b>20.8%</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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.

#### Dividends paid during the year to owners of the Company

	2016 \$'000	2015 \$'000
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
	11,779	13,120
* 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%).		
DIVIDENDS NOT RECOGNISED AT YEAR END	1,585	5,497

Since the year end, the Directors recommended the payment of a final fully 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:

	2016 \$'000	2015 \$'000
FRANKING ACCOUNT BALANCE AT THE END OF THE FINANCIAL YEAR	29,220	23,093

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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.

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

	2016 \$'000	2015 \$'000
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
	40,115	64,846

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:

	2016 \$'000	2015 \$'000
Less than one year	1,948	1,755
Between one and five years	3,478	4,668
	5,426	6,423

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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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## NOTE 14: CAPITAL AND LEASING COMMITMENTS (CONTINUED)

### (b) Finance lease commitments

The Group has finance lease commitments for motor vehicles payable as follows:

	NOTE	2016 \$'000	2015 \$'000
Less than one year		3,322	1,087
Between one and five years		549	1,109
		3,871	2,196
Future finance charges		(52)	(117)
<b>TOTAL LEASE LIABILITIES</b>		<b>3,819</b>	<b>2,079</b>
<b>REPRESENTING LEASE LIABILITIES:</b>			
Current	11	3,277	1,029
Non-current	11	542	1,050
		3,819	2,079

### (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 not recognised as liabilities payable, however discloses the following other commitments for freight and forward bought cattle to supply identified sale contracts related to the livestock export business:

	2016 \$'000	2015 \$'000
Livestock related commitments	18,528	11,835
Freight related commitments*	1,331	8,283
<b>INVENTORY WRITE DOWNS</b>	<b>19,859</b>	<b>20,118</b>

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 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.

	2016 \$'000	2015 \$'000
<b>GUARANTEES</b>	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.

## 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 and real estate services and sells rural merchandise and fertiliser;
- 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;
- Financial Services: comprises finance broking including insurance and agricultural advisory services; and
- Corporate & Other: comprises the Group's back office Corporate and Supply Chain and Procurement cost centres.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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## NOTE 16: SEGMENT REPORTING (CONTINUED)

	RURAL SERVICES		WATER SERVICES		LIVE EXPORT		FINANCIAL SERVICES		CORPORATE & OTHER		ELIMINATIONS		TOTAL	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>RESULTS</b>														
Segment revenues	1,542,410	1,430,576	177,690	180,476	201,582	188,243	5,103	4,074	-	-	(170,409)	(203,507)	1,756,376	1,599,862
<b>SEGMENT EBITDA</b>	<b>70,865</b>	<b>64,298</b>	<b>10,723</b>	<b>11,143</b>	<b>(3,803)</b>	<b>568</b>	<b>(2,210)</b>	<b>(2,037)</b>	<b>(33,253)</b>	<b>(22,567)</b>	-	-	<b>42,322</b>	<b>51,405</b>
Depreciation & Amortisation	(3,630)	(3,456)	(2,339)	(2,512)	(152)	(116)	(78)	(41)	(3,206)	(2,172)	-	-	(9,405)	(8,297)
Share of net profit of equity accounted investees	(10)	828	-	-	-	-	-	-	-	-	-	-	(10)	828
<b>SEGMENT EBIT</b>	<b>66,179</b>	<b>60,849</b>	<b>8,384</b>	<b>8,631</b>	<b>(3,955)</b>	<b>452</b>	<b>(2,288)</b>	<b>(2,078)</b>	<b>(35,413)</b>	<b>(23,918)</b>	-	-	<b>32,907</b>	<b>43,936</b>
Finance costs														
Non-recurring items													(6,245)	(9,084)
Income tax expense													(14,016)	(6,870)
<b>PROFIT FOR THE PERIOD</b>													<b>8,870</b>	<b>18,822</b>
<b>ASSETS</b>														
Segment assets	425,979	437,873	76,415	77,071	24,588	11,923	1,605	1,060	182,880	161,283	-	-	711,467	689,210
Investment in associates & joint ventures	8,805	8,916	-	-	-	-	-	-	-	-	-	-	8,805	8,916
<b>TOTAL ASSETS</b>													<b>720,272</b>	<b>698,126</b>
<b>LIABILITIES</b>														
Segment liabilities	372,810	365,109	22,203	24,026	30,269	13,513	3,064	411	80,805	72,594	-	-	509,151	475,653
<b>TOTAL LIABILITIES</b>													<b>509,151</b>	<b>475,653</b>
<b>OTHER SEGMENT INFORMATION</b>														
Acquisitions of non-current segment assets	12,549	11,637	-	1,077	-	-	-	-	-	-	-	-	12,549	12,714

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 \$6.9million in 2015 related to costs associated with establishing the new Debtor 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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## 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
<b>CASH AND CASH EQUIVALENTS</b>		<b>5,417</b>	<b>677</b>
Bank overdraft	11	-	(1,869)
<b>TOTAL CASH AT THE END OF THE YEAR</b>		<b>5,417</b>	<b>(1,192)</b>
<b>RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH NET PROFIT:</b>			
<b>NET PROFIT AFTER TAX</b>		<b>8,870</b>	<b>18,822</b>
<b>NON-CASH AND NON-OPERATING ITEMS IN PROFIT FROM ORDINARY ACTIVITIES</b>			
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 distributions		10	(828)
Dividend income reclassified as investment income		(111)	(65)
<b>CHANGES IN ASSETS AND LIABILITIES, NET OF THE EFFECTS OF PURCHASE AND DISPOSAL OF SUBSIDIARIES</b>			
(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>		<b>38,089</b>	<b>17,892</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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:

	2016 \$'000	2015 \$'000
<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
<b>TOTAL PERSONNEL EXPENSES</b>	<b>185,644</b>	<b>168,746</b>

Employee benefit provisions recognised at balance date are as follows:

	2016 \$'000	2015 \$'000
<b>CURRENT - EMPLOYEE BENEFITS</b>		
Annual leave	9,672	9,286
Long service leave	8,957	7,818
	<b>18,629</b>	<b>17,104</b>
<b>NON-CURRENT - EMPLOYEE BENEFITS</b>		
Long service leave	3,112	3,240
	<b>3,112</b>	<b>3,240</b>

### (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:

	2016 \$	2015 \$
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
	<b>6,240,072</b>	<b>5,303,970</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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.

	VESTING DATE	SHARE PRICE AT GRANT DATE	DISCOUNT RATE	EXPECTED DIVIDEND YIELD	EXPECTED PRICE VOLATILITY	S&P/ASX SMALL ORDINARIES TOTAL RETURN INDEX VOLATILITY	CORRELATION TO TOTAL RETURN INDEX	FAIR VALUE
GRANT DATE		\$	%	%	%	%		\$
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

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

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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## NOTE 18: EMPLOYEE BENEFITS (CONTINUED)

### (c) Share based payment arrangements (continued)

#### Reconciliation of outstanding performance rights

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

#### 2016

GRANT DATE	VESTING DATE	FAIR VALUE AT GRANT	OPENING BALANCE	GRANTED	VESTED	FORFEITED	CLOSING BALANCE
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

#### 2015

GRANT DATE	VESTING DATE	FAIR VALUE AT GRANT	OPENING BALANCE	GRANTED	VESTED	FORFEITED	CLOSING BALANCE
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 \$1.6million (2015: \$1.6 million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

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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 \$'000	2015 \$'000
<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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## NOTE 19: GROUP COMPOSITION (CONTINUED)

### (a) Subsidiaries (continued)

		PERCENTAGE OWNED (%)	
		2016 \$'000	2015 \$'000
RURALCO HOLDINGS LIMITED - COMPANY			
A company incorporated in Australia			
SUBSIDIARIES			
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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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.

	2016 \$'000	2015 \$'000
<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>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## NOTE 19: GROUP COMPOSITION (CONTINUED)

### (b) Deed of cross guarantee (continued)

	2016 \$'000	2015 \$'000
<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>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## NOTE 19: GROUP COMPOSITION (CONTINUED)

### (b) Deed of cross guarantee (continued)

	2016 \$'000	2015 \$'000
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>

### (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.

	COMPANY	
	2016 \$'000	2015 \$'000
<b>RESULT OF THE PARENT ENTITY</b>		
Profit for the period after tax*	(22,047)	502
Other comprehensive income	(3,420)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(25,467)</b>	<b>502</b>
<b>FINANCIAL POSITION OF THE PARENT ENTITY AT YEAR END</b>		
Current assets	14,469	50,681
<b>TOTAL ASSETS</b>	<b>177,860</b>	<b>307,344</b>
Current liabilities	75,469	66,744
<b>TOTAL LIABILITIES</b>	<b>78,143</b>	<b>70,211</b>
<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
<b>TOTAL EQUITY</b>	<b>99,717</b>	<b>127,331</b>

\* 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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
<b>Balance at beginning of the financial year</b>	<b>8,916</b>	<b>8,653</b>
Share of associated company's net (loss) / profit after tax	(10)	828
Dividends received	(100)	(565)
<b>BALANCE AT END OF THE FINANCIAL YEAR</b>	<b>8,806</b>	<b>8,916</b>

Summary financial information for equity accounted investees is as follows:

### 2016

	OWNERSHIP INTEREST %	ASSETS \$'000	LIABILITIES \$'000	REVENUE \$'000	PROFIT AFTER TAX \$'000
Western Riverina Fertilisers Pty Ltd	50	869	220	2,653	35
Agfarm Unit Trust	50	29,809	28,429	4,781	(55)
		30,678	28,649	7,434	(20)

### 2015

	OWNERSHIP INTEREST %	ASSETS \$'000	LIABILITIES \$'000	REVENUE \$'000	PROFIT AFTER TAX \$'000
Western Riverina Fertilisers Pty Ltd	50	1,427	576	2,919	120
Agfarm Unit Trust	50	4,631	3,443	7,158	1,568
		6,058	4,019	10,077	1,688

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>NCI PERCENTAGE</b>	<b>30%</b>	<b>30%</b>	<b>42%</b>	<b>49%</b>	<b>37.4%</b>	<b>37.4%</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>
<b>CARRYING AMOUNT OF NCI</b>	<b>(1,704)</b>	<b>(477)</b>	<b>1,356</b>	<b>1,986</b>	<b>1,065</b>	<b>841</b>
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>
<b>PROFIT ALLOCATED TO NCI</b>	<b>(1,657)</b>	<b>(283)</b>	<b>848</b>	<b>868</b>	<b>786</b>	<b>619</b>
<b>OCI ALLOCATED TO NCI</b>	<b>137</b>	<b>238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## NOTE 20: BUSINESS COMBINATIONS (CONTINUED)

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

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
	<b>1,381</b>	<b>2,482</b>	<b>2,046</b>	<b>1,842</b>	<b>3,765</b>	<b>831</b>	<b>12,347</b>
<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)
	<b>211</b>	<b>1,970</b>	<b>299</b>	<b>832</b>	<b>1,726</b>	<b>(238)</b>	<b>4,800</b>
<b>GOODWILL ON ACQUISITION</b>	<b>1,170</b>	<b>512</b>	<b>1,747</b>	<b>1,010</b>	<b>2,039</b>	<b>1,069</b>	<b>7,547</b>

\* 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 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 \$13.8million to revenue and a profit after tax of \$0.2million.

#### 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 \$16.7million to revenue and a profit after tax of \$0.3million.

#### 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 \$1.7million to revenue and a profit after tax of \$0.1million.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## 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 \$4.2million to revenue and a profit after tax of \$0.1million.

Had the results of this business been included from the beginning of the financial year, a further \$10.1million in revenue and \$0.1million 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 \$2.3million to revenue and a profit after tax of \$0.1million.

Had the results of this business been included from the beginning of the financial year, a further \$9.2million in revenue and \$0.1million 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:	DATE ACQUIRED
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 quality agribusinesses and people.

## 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

The following transactions occurred with related parties in the year:

	2016 \$	2015 \$
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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## NOTE 21: RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Outstanding balances at reporting date

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

	2016 \$	2015 \$
<b>CURRENT RECEIVABLES</b>		
- Other related parties	486,670	683,451
<b>NON-CURRENT RECEIVABLES</b>		
- Other related parties	3,549	3,768
<b>LOANS AND BORROWINGS</b>		
- 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.

## 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:

RISK	EXPOSURE ARISING FROM	MANAGEMENT	BALANCES EXPOSED
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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

### (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.

### (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 \$'000	Total amount \$'000	At call \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000
<b>DERIVATIVE FINANCIAL LIABILITIES</b>									
Derivative financial instruments	168	168	-	168	-	-	-	-	-
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>									
Bank overdraft	-	-	-	-	-	-	-	-	-
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>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

2015

	CONTRACTED CASH FLOWS								
	Carrying amount \$'000	Total amount \$'000	At call \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000
<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>

### (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:

	2016		2015	
	Post tax profit \$'000	Equity \$'000	Post tax profit \$'000	Equity \$'000
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.

2016

	INTEREST RATE REPRICING								
	Interest rate	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<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
<b>TOTAL FINANCIAL ASSETS</b>	<b>-</b>	<b>11,907</b>	<b>55,323</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,230</b>
<b>FINANCIAL LIABILITIES</b>									
Bank overdraft	2.67%	-	-	-	-	-	-	-	-
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
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>1,002</b>	<b>3,299</b>	<b>65,275</b>	<b>244</b>	<b>82</b>	<b>31</b>	<b>-</b>	<b>69,391</b>
		<b>10,905</b>	<b>52,024</b>	<b>(65,275)</b>	<b>(244)</b>	<b>(82)</b>	<b>(31)</b>	<b>-</b>	<b>(2,703)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Interest rate risk (continued)

2015

	INTEREST RATE REPRICING								
	Interest rate	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total \$'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
<b>TOTAL FINANCIAL ASSETS</b>		<b>6,426</b>	<b>50,232</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,658</b>
<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
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>3,606</b>	<b>55,232</b>	<b>574</b>	<b>157</b>	<b>151</b>	<b>23</b>	<b>46</b>	<b>59,789</b>
<b>NET EXPOSURE TO INTEREST RATE RISK</b>		<b>2,820</b>	<b>(5,000)</b>	<b>(574)</b>	<b>(157)</b>	<b>(151)</b>	<b>(23)</b>	<b>(46)</b>	<b>(3,131)</b>

### 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	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## NOTE 23: EVENTS AFTER THE BALANCE SHEET DATE

### (a) Business combinations

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 \$2,423,911.

On 1 November 2016, the Group acquired assets of Hunter Irrigation, a company with branches in Raymond Terrace, Singleton and Rutherford, New South Wales, who provide water supplies and irrigation design and construct, for cash consideration of \$813,635.

On 1 November 2016, the Group acquired assets of Riverland Irrigation, a company with branches in Renmark and Waikerie South Australia, who provide water supplies and irrigation design and construct, for cash consideration of \$2,130,806.

The Group has entered into an agreement to acquire the business of TP Jones & Co, a CRT member operating out of four retail locations in the North, North West and Midlands regions of Tasmania. Completion of the transaction is subject to approval by the Group's shareholders, shareholder approval will be sought at the Annual General Meeting on 17 February 2017.

These transactions are deemed to be business combinations and will be accounted as such in the 2017 financial year.

### (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 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.

### (c) Sale of property

On 4 November 2016, the Group has entered into an agreement to sell its Bridgewater land and buildings for a sale price of \$1,376,035. This transaction resulted in nil profit on sale.

### (d) New joint venture arrangement

The Group has entered into an agreement with Steadfast Group Limited to acquire a 50% equity interest in its subsidiary, Ausure Consolidated Brokers Pty Ltd (ACB) for \$7,183,216. The assets (including employees) of the Group's subsidiary, Ruralco Insurance Pty Ltd, will be merged with the assets of ACB as part of the arrangement.

### (e) Increase in shareholding of subsidiary

On 18 November 2016, the Group entered into a transaction to acquire the remaining shares in Territory Rural Pty Ltd for consideration of \$655,595. This results in a 23% increase in shares held by the Group bringing the total to 100%.

Excluding the transactions noted 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 affect the operations of the Group, the results of those operations or the state of affairs of the Group in the subsequent financial periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

## NOTE 24: AUDITORS' REMUNERATION

	2016 \$	2015 \$
<b>AUDIT SERVICES</b>		
Audit and review of financial statements - KPMG	483,800	418,000
Other regulatory audit services - KPMG	33,200	32,000
	<b>517,000</b>	<b>450,000</b>
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
	<b>329,990</b>	<b>233,730</b>



# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 SEPTEMBER 2016

**RURALCO HOLDINGS LIMITED**

ABN 40 009 660 879

1. In the opinion of the Directors of Ruralco Holdings Limited (the Company):
  - (a) the consolidated financial statements and notes that are contained in pages 60-109 and the Remuneration report in the Directors' report, set out on pages 40-55 are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 September 2016 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 19 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 September 2016.
4. The Directors draw readers' attention to Note 1 (a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



**Richard (Rick) Lee**  
*Chairman, Ruralco Holdings Limited*



**Travis Dillon**  
*CEO & Managing Director, Ruralco Holdings Limited*

Dated at Sydney on the 16<sup>th</sup> day of December 2016

# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

**RURALCO HOLDINGS LIMITED**

ABN 40 009 660 879

## Report on the financial report

We have audited the accompanying financial report of Ruralco Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 September 2016, and consolidated statement of profit and loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

## Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(b), the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

## Independence

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

## Auditor's opinion

In our opinion:

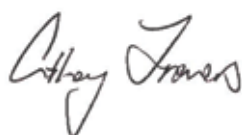
- (a) The financial report of the Group is in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the Group's financial position as at 30 September 2016 and of its performance for the year ended on that date; and
  - (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in note 2(b).

## Report on the financial report

We have audited the Remuneration Report included in pages 40-55 of the Directors' report for the year ended 30 September 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

## Auditor's opinion

In our opinion, the remuneration report of Ruralco Holdings Limited for the year ended 30 September 2016, complies with Section 300A of the Corporations Act 2001.



**Anthony Travers**  
Partner



**KPMG**  
Sydney

Dated at Sydney on the 16<sup>th</sup> day of December 2016

# FIVE YEAR REVIEW

FOR THE YEAR ENDED 30 SEPTEMBER 2016

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
<b>FINANCIAL POSITION</b>					
Total assets	720,272	698,126	656,990	580,487	608,005
Total liabilities	509,151	475,653	435,022	420,490	436,258
Total equity	211,121	222,473	221,968	159,997	171,747
<b>RESULTS</b>					
Total revenue	1,756,376	1,599,862	1,355,887	1,133,116	1,136,314
Operating profit before interest, depreciation, amortisation and income tax	25,291	40,943	33,869	25,565	41,175
Interest on borrowings	3,240	4,664	5,153	5,700	5,478
Depreciation and amortisation	9,405	8,297	7,445	5,432	5,540
Operating profit before income tax	12,646	27,982	21,271	14,433	30,157
Operating profit attributable to members of Ruralco Holdings Limited	4,296	14,057	10,565	5,738	13,849
<b>DIVIDENDS</b>					
Total dividends paid and declared	11,779	13,120	11,654	10,912	10,418
Dividends per ordinary share (cents per share)	10.0	16.0	16.0	20.0	20.0
<b>STATISTICS</b>					
Issued ordinary fully paid shares (No.)	79,259,913	78,531,866	77,291,069	55,019,284	55,019,284
Share price at 30 September	\$3.17	\$3.60	\$3.41	\$3.35	\$3.40
Market capitalisation (\$'000)	251,254	282,715	263,563	184,315	187,066
Net tangible assets per share	\$0.81	\$1.12	\$1.29	\$1.41	\$1.78
Basic earnings (cents per share)	5.44	18.03	15.27	10.49	25.46
Number of permanent employees	1,960	1,976	1,871	1,428	1,549

## SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 30 SEPTEMBER 2016

**RURALCO HOLDINGS LIMITED**

ABN 40 009 660 879

SUBSTANTIAL SHAREHOLDER DETAILS AT 30 NOVEMBER 2016 WERE:

HOLDERS OF RELEVANT INTEREST	NUMBER OF SHARES HELD	% OF SHARES
Neale Edwards Pty Ltd and its related entity	18,931,714	23.88
Washington H Soul Pattinson and Company Limited	15,947,792	20.12
Kaplan Equity Limited and its management entities	9,123,082	11.51

### DISTRIBUTION OF SHAREHOLDINGS AS AT 30 NOVEMBER 2016

RANGE OF INVESTORS	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1-500	1,636	394,990	0.50
501-1,000	761	568,608	0.72
1,001-5,000	1,235	3,220,916	4.06
5,001-10,000	507	3,805,250	4.80
10,001-100,000	539	12,956,072	16.35
100,001-9,999,999,999	29	58,319,354	73.57
Rounding			0.00
<b>TOTAL</b>	<b>4,707</b>	<b>79,265,190</b>	<b>100.0</b>

### 20 LARGEST HOLDERS OF ORDINARY SHARES AT 30 NOVEMBER 2016

	NAME	NUMBER OF SHARES	PERCENTAGE %
1	NEALE EDWARDS PTY LTD	18,768,757	23.68
2	WASHINGTON H SOUL PATTINSON	15,947,792	20.12
3	NATIONAL NOMINEES LIMITED AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	9,123,082	11.51
4	RBC INVESTOR SERVICES	3,462,711	4.37
5	BONA VISTA ESTATE PTY LTD	29,839,22	3.76
6	MR JOHN MAHER	1,340,226	1.69
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	733,456	0.93
8	BELFORT INVESTMENT ADVISORS LIMITED C/O PACOR SECOMA	667,907	0.84
9	MR CECIL DESMOND SHEEDY & MRS MARILYN PATRICIA SHEEDY <SHEEDY SUPER FUND A/C>	633,894	0.80
10	RURALCO EMPLOYEE SHARE PLAN PTY LTD <RURALCO EMPLOYEE SHARE A/C>	568,100	0.72
11	DEAN WHITESTONE PTY LTD	500,000	0.63
12	J P MORGAN NOMINEES AUSTRALIA LIMITED	448,912	0.57
13	MR DOUGLAS FENTON-LEE & MRS CAROL ADELE FENTON-LEE <SUPER FUND A/C>	390,041	0.49
14	TRONES INVESTMENTS PTY LTD	344,393	0.43
15	Y G P GRAIN & HARDWARE PTY LTD	316,759	0.40
16	CITICORP NOMINEES PTY LIMITED	274,461	0.35
17	MEADGATE PTY LTD	218,743	0.28
18	MOOROOKYLE PTY LTD	180,000	0.23
19	DR DOUGLAS FENTON-LEE <FENTON-LEE SUPER FUND A/C>	165,507	0.21
20	MR GEOFFREY WILLIAM GOODE	151,120	0.19
<b>TOTALS: TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES (TOTAL)</b>		<b>57,219,783</b>	<b>72.19</b>
<b>TOTAL REMAINING HOLDERS BALANCE</b>		<b>22,045,407</b>	<b>27.81</b>



## OVERVIEW OF KEY COMPANIES AND BRANDS



### AG CONCEPTS UNLIMITED

Ag Concepts Unlimited was established in 1996 and has developed into one of Australia's leading independent, specialist agricultural advisory businesses. The company delivers high quality proactive risk analysis and management services to clients and specialises in grain, livestock and wool. Ag Concepts Unlimited is the holder of Australian Financial Services Licence 316516. This ASIC licensing is used to provide price and risk management services to Australian agricultural businesses, including strategy and execution advice to commodity producers, as well as domestic consumers (feedlots, etc). The company is also a market leader in the provision of comprehensive commodity market intelligence and education services.

200 Skipton Street, Ballarat, VIC 3350  
• 1300 987 742 • [www.agconcepts.com.au](http://www.agconcepts.com.au)



### AGRITECH RURAL

Agritech Rural is one of the leading rural merchandise businesses in Victoria's Wimmera region. The business operates outlets in Horsham and Dimboola with its core activities centred around broadacre cropping. The experienced team, including 13 agronomists, provide an extensive range of farm inputs and related services, including finance and insurance.

18 Hamilton Road, Horsham, VIC 3400  
• (03) 5381 0040 • [www.agritechrural.com.au](http://www.agritechrural.com.au)



### AUSTRALIAN AGRICULTURAL AUCTIONS

Established in 2015, Australian Agricultural Auctions (AAA) is Australia's premier professional auction company that specifically focuses on dispersal sales of agricultural plant and equipment. The auction system combines the traditional on-site auction with an on-line internet based bidding system through a partnership with AuctionsPlus. This allows customers great value, flexibility, and convenience and additionally bring to vendors a greater range and depth of potential buyers.

34 Exchange Drive, Pakenham, VIC 3810  
• (03) 9240 4700 • [www.agriauctions.com.au](http://www.agriauctions.com.au)



### AGFARM

Operating for over twenty years, Agfarm is an independent diversified agribusiness offering a range of innovative products and services to grain growers and consumers of grain across Australia. Agfarm facilitates grain sales, provides market intelligence, logistics, and managed grain marketing programs. Low cost financing is a new and growing unit within the business.

Level 7, 56 Clarence Street, Sydney NSW 2000  
• (02) 8305 1000 • [www.agfarm.com.au](http://www.agfarm.com.au)



### AGRIWEST

AgriWest has a proud history servicing the farming communities in and around Parkes, Peak Hill and Forbes in central west New South Wales. Their strong agronomic focus supports the region's agricultural activities which focus on broadacre cropping, cattle and sheep grazing. As well as rural merchandise, the branch network offers specialist services in water management, as well as finance, insurance and grain marketing.

6-8 Camp Street, Forbes, NSW 2871  
• (02) 6851 4200 • [www.agriwestrural.com.au](http://www.agriwestrural.com.au)



### BGA AGRISERVICES

BGA AgriServices provides a large range of agricultural products and services throughout Queensland and Northern New South Wales. The company operates out of stores in Ayr, Mackay, Bundaberg, Oakwood, Childers, Maryborough, Kingaroy, Kumbia, Murgon, Goomeri, Toogoolawah, Casino, Grafton and Dorriggo servicing customers' needs for agricultural chemicals, animal health, crop protection, fencing, fertiliser, rural hardware, irrigation, packaging, produce and seed.

21-29 Youngman Street, Kingaroy, QLD 4610  
• (07) 4160 0500 • [www.bgaagri.com.au](http://www.bgaagri.com.au)

### B J UNDERWOOD PTY LTD

A RURALCO BUSINESS

#### B J UNDERWOOD

Established in 1955, B J Underwood works in partnership with Woolgrowers Independent Selling Services Ltd (WISS), a grower-owned and controlled wool broking company, to provide commercial wool broking services including warehousing and marketing.

137-143 Fitzgerald Road, Laverton North, VIC 3026  
• (03) 9369 2077



#### BR&C AGENTS

BR&C Agents commenced operation in Swan Hill in 1987 as a stock and station agency business. Since then, the company has grown to be one of Victoria's most successful private agencies providing livestock marketing, agronomy services, rural merchandise, real estate agency, insurance and financial services to rural customers across north west Victoria and south west and western New South Wales.

97 Curlewis Street, Swan Hill, VIC 3585  
• (03) 5032 9911 • [www.brcagents.com.au](http://www.brcagents.com.au)



#### CQ AG SERVICES

CQ Ag Services provides a comprehensive range of goods and services to its clients in the Central Highlands of Queensland. Their expertise and experience with seed, fertiliser and chemicals is attracting strong support from the region's grain and cotton producers.

89 Macauley Road, Emerald, QLD 4720  
• (07) 4982 0385 • [www.cqagservices.com.au](http://www.cqagservices.com.au)



#### COMBINED RURAL TRADERS (CRT AND TOWN & COUNTRY)

Established in 1970, the Combined Rural Traders group incorporates both the CRT and Town & Country businesses. Both brands have a strong focus on crop protection and animal health and support an extensive general products portfolio. With over 400 outlets and 240 agronomists, CRT is the largest independent rural retailing group in Australia. Great service, knowledge and expertise underscores what it means to be a CRT Local Bloke, as does a strong commitment to local communities.

Level 5, Building A, 26 Talavera Road, Macquarie Park, NSW 2113 • (02) 9952 6500 • [www.crt.com.au](http://www.crt.com.au)



#### DAIRY LIVESTOCK SERVICES

The Dairy Livestock Services business commenced in August 2008 and specialises in dairy marketing advice, commercial and registered cattle dispersals and sales, private treaty cattle sales, live export, dairy consulting and dairy property marketing throughout Australia.

Unit 11, 85-91 Keilor Park Drive, Tullamarine, VIC 3043  
• (03) 9338 9259 • [www.dairylivestockservices.com.au](http://www.dairylivestockservices.com.au)



#### DAVIDSON CAMERON & CO

The Davidson Cameron & Co business commenced in Quirindi, New South Wales, in 1982 and has subsequently expanded across northern New South Wales with offices in Coolah, Coonabarabran, Gunnedah, Inverell, Moree, Narrabri, Quirindi, Scone and Tamworth. The business provides livestock agency, real estate marketing and financial services to rural customers within these regions.

179 Conadilly Street, Gunnedah, NSW 2380  
• (02) 6742 1828 • [www.dcco.com.au](http://www.dcco.com.au)

## OVERVIEW OF KEY COMPANIES AND BRANDS



### FRONTIER INTERNATIONAL AGRI

Frontier International Agri is a specialist exporter of livestock to various international destinations. With an extensive background in exporting Australasia's sought after beef around the world, Frontier International Agri's management and sales team offer a fully integrated service to their international customers. This includes sourcing livestock from both local and overseas producers which are selected to export specifications and coordinating shipping, logistics and related services.

Level 1, 165 Grenfell Street, Adelaide, SA 5000  
• (08) 8130 5000 • [www.frontierinternational.com.au](http://www.frontierinternational.com.au)



### GRANT DANIEL & LONG

The GDL business commenced in February 1997 and has developed into one of the most successful private agencies in Queensland with a network of 15 locations. The business provides livestock and real estate marketing services, rural merchandise and financial services through its branch network across southern, central and western Queensland.

8 Drayton Street, Dalby, QLD 4405  
• (07) 4669 6955 • [www.gdlrural.com.au](http://www.gdlrural.com.au)



### GREAT NORTHERN RURAL SERVICES

Great Northern Rural Services has been servicing Western Australia's mid-west agricultural region for more than twenty one years.

A long term CRT and ProWater member based in Geraldton, the business is a specialist provider of agricultural, horticultural, animal health and irrigation products and provides advice to the region's major West Australian broadacre cropping, horticulture and livestock markets.

31 Boyd Street, Geraldton, WA 6530  
• (08) 9964 1274 • [www.greatnorthernrural.com.au](http://www.greatnorthernrural.com.au)



### INGHAM FARM CENTRE

Ingham Farm Centre has been servicing north Queensland's Herbert River area for more than fifty years. The business is committed to providing the highest quality customer service and products, and provides an extensive range of rural merchandise, animal health, irrigation and crop protection products, and specialises in custom blend fertilisers. Sales representatives also provide the highest level of advice, support and excellent infield service.

49506 Barnes Street, Ingham, QLD 4850  
• (07) 4776 1477 • [www.inghamfarmcentre.com.au](http://www.inghamfarmcentre.com.au)



### MERREDIN RURAL SUPPLIES

Merredin Rural Supplies operates 300km east of Perth in Western Australia's grain region. The business carries an extensive range of fertilisers and agricultural chemicals to meet the needs of its predominantly broadacre clients.

Cnr McKenzie & East Barrack Streets, Merredin, WA 6415  
• (08) 9041 5574



### MOORA RURAL SUPPLIES

In 2016 Moora Rural Supplies was established from the brand consolidation of Primaries of WA, The Farm Shop and FarmWorks. The business formerly operating as The Farm Shop in Moora continues to offer rural merchandise and agronomy services in the region.

73 Roberts Street, Moora, WA 6510  
• (08) 9651 1500



### NATIONAL WATEREXCHANGE

National WaterExchange is one of the oldest, largest and most trusted electronic water trading platforms in Australia. It provides access to an extensive network of brokers servicing the Murray-Darling Basin and its irrigation areas along the Murray, Darling and Murrumbidgee Rivers.

5 Short Street, Wentworth, NSW 2648  
• Ph (03) 5480 3762 • [www.waterexchange.com.au](http://www.waterexchange.com.au)



### NORTHERN LIVESTOCK AND PROPERTY

Northern Livestock and Property is a livestock and property marketing business bringing many years of experience to the group.

They believe their relationship with the Company will offer significant benefits to their clients in all areas of livestock marketing including processor, feedlot and live export.

The team at Northern Livestock and Property believe in providing outstanding customer service and always put their clients first.

PO Box 252, Moura, QLD 4718  
• 0439 288 651 • [www.northernlp.com.au](http://www.northernlp.com.au)



### NORTHERN RURAL GROUP

Established in March 2013, Northern Rural Group supplies an extensive range of products and services to support north Queensland's cattle producers through its branches in Townsville and Hughenden. They also provide insurance and financial services to their clients.

383-385 Woolcock Street, Townsville, QLD 4810  
• (07) 4779 8799



### PAT RICE & HAWKINS

Pat Rice & Hawkins markets some of the finest properties throughout Victoria and the southern Riverina. Pat Rice & Hawkins' reputation has grown over the years by providing a standard of excellence in service and effort to achieve the most successful results possible.

137-143 Fitzgerald Road, Laverton North, VIC 3026  
• (03) 9866 5588 • [www.prh.com.au](http://www.prh.com.au)



### PLATINUM AG SERVICES

Established in 2010, Platinum Ag Services offers a broad range of services including rural merchandise, livestock, real estate, finance, insurance, water trading and grain marketing. Servicing clients across South Australia and Victoria, the group operates branches in Balaklava, Clare, Crystal Brook, Kimba, Loxton, Meningie, Mypolonga, Mildura, Renmark, Strathalbyn and Virginia.

Level 1, 165 Grenfell Street, Adelaide, SA 5000  
• (08) 8380 9400 • [www.platinumagservices.com.au](http://www.platinumagservices.com.au)



### PRIMARIES CRT

Established in Western Australia in 1981, Primaries has expanded its original wool based business to incorporate livestock broking and real estate property sale, along with offering Ruralco's suite of financial and insurance products. Primaries' personalised, professional service has forged strong client relationships and contributed to its excellent reputation not only in Western Australia but across the country. In 2016, Primaries of WA merged with FarmWorks Australia and The Farm Shop, consolidating a network of Primaries CRT stores.

18 Wellard Street, Bibra Lake, WA 6163  
• (08) 9412 8800 • [www.primaries.com.au](http://www.primaries.com.au)

## OVERVIEW OF KEY COMPANIES AND BRANDS



### PROWATER NATIONWIDE

ProWater Nationwide is a specialist water group providing expertise, products and equipment for efficient water use and retention across domestic, agricultural, horticultural, commercial, industrial and mining sectors.

Level 5, Building A, 26 Talavera Road, Macquarie Park, NSW 2113 • (02) 9952 6666 • [www.prowater.com.au](http://www.prowater.com.au)



### RAWLINSON & BROWN

Rawlinson & Brown was established in 1955 and is one of the western Riverina's oldest and most respected rural businesses. With branches in Griffith, Hillston and Coleambally, Rawlinson & Brown provide their clients with an extensive range of services that includes rural merchandise, livestock, water trading, insurance, finance, auction clearing sales, rural and residential real estate.

50-56 Banna Avenue, Griffith, NSW 2680  
• (02) 6964 1933 • [www.rawbrown.com.au](http://www.rawbrown.com.au)



### QUEENSLAND RURAL

Based in Charters Towers and with a branch at Mareeba, Queensland Rural provides outstanding service and expertise in livestock marketing for the region's producers. The business also offers real estate and insurance services and is committed to providing a premium level of service to its clients.

1/58 New Queen Road, Charters Towers, QLD 4820  
• (07) 4787 2466 • [www.qldrural.com.au](http://www.qldrural.com.au)



### ROBERTS

Established in 1865, Roberts Limited is an agribusiness and real estate company based in Tasmania. With a broad geographical footprint supporting a large workforce, Roberts is a significant Tasmanian operation with a strong corporate and community profile. Roberts has extensive interests in wool & livestock agency, rural merchandise, finance and insurance, real estate agency and property management, irrigation and water trading.

418 Evandale Road, Western Junction, TAS 7212  
• (03) 6391 6555 • [www.robertsltd.com.au](http://www.robertsltd.com.au)



### RELYON

The Relyon product portfolio has been formed to service the Australian farming community through the provision of innovative and economically priced farm chemicals. Relyon products are manufactured using the highest quality raw materials and formulations within a diverse range of herbicides, fungicides, insecticides, adjuvants, surfactants and nutritional products. Each product is monitored and tested to guarantee both quality and integrity, ensuring the Australian farming community can remain competitive in today's global environment.

Level 5, Building A, 26 Talavera Road, Macquarie Park, NSW 2113 • (02) 9952 6666 • [www.relyonaustralia.com.au](http://www.relyonaustralia.com.au)



### RODWELLS

Rodwells has been providing professional, personalised service to its clients since its establishment in 1981. With 30 locations across Victoria and southern New South Wales, Rodwells offers a comprehensive range of products and services to assist their wool and livestock, real estate and rural merchandise clients. Their diverse range of services includes livestock selling, wool broking, water broking and tailored financial and insurance solutions.

137-143 Fitzgerald Road, Laverton North, VIC 3026  
• (03) 9240 4700 • [www.rodwells.com.au](http://www.rodwells.com.au)





### RURALCO FINANCE

Ruralco Finance was established in 2009 to provide financial products and services to the Ruralco customer base. Through its carefully selected lender panel, Ruralco Finance's experienced finance specialists can broker competitive agri and commercial lending packages to suit a broad range of needs including term loans, vehicle and equipment finance, seasonal finance and line of credit. In 2015 we strengthened the capability of our Seasonal Finance product with Rabobank as the credit provider.

200 Skipton Street, Ballarat, VIC 3350  
• 1300 371 677 • [www.ruralcofinance.com.au](http://www.ruralcofinance.com.au)



### RURALCO INSURANCE

With national representation and access to over 80 underwriters, Ruralco Insurance can source and tailor an extensive range of products that includes rural, commercial, professional, motor vehicle, domestic, landlord, crop, life and income protection insurance. Ruralco Insurance's profile has strengthened through the strong commitment of its team and support from the Ruralco network.

Level 5, Building A, 26 Talavera Road, Macquarie Park, NSW 2113  
• 1800 603 699 • [www.ruralcoinsurance.com.au](http://www.ruralcoinsurance.com.au)



### RURALCO PROPERTY

With over 100 real estate offices across Australia, Ruralco Property provides rural and residential property sales, property management and business broking services to its broad client base.

Level 5, Building A, 26 Talavera Road, Macquarie Park, NSW 2113  
• (02) 9952 6666 • [www.ruralcoproperty.com.au](http://www.ruralcoproperty.com.au)



### RURALCO WATER

Ruralco Water is one of Australia's largest water brokers providing an independent and transparent trading platform for all classes of water, in all areas. Operating across Victoria, New South Wales, Queensland, South Australia and Tasmania, Ruralco Water services a regionally diverse customer base including local farmers, agri corporates and governments.

5 Short Street, Wentworth, NSW 2648  
• (03) 5027 3588 • [www.ruralcowater.com.au](http://www.ruralcowater.com.au)



A RURALCO BUSINESS

### SAFFIN KERR BOWEN RODWELLS

Founded in 1990, SKB was welcomed to the Ruralco Holdings Limited Group in 2013. Now affiliated with the Ruralco's Rodwells network, SKB is a leading agency business based in Warrnambool Victoria. SKB's specialties are livestock agency services and the marketing of rural and residential real estate.

266 Timor Street, Warrnambool, VIC 3280  
• (03) 5562 4022 • [www.skbw.com.au](http://www.skbw.com.au)



### SAVAGE, BARKER & BACKHOUSE

Established in 1979 and based in Rockhampton, SBB is an icon amongst the local livestock agency businesses. SBB has a diverse business with numerous revenue streams including livestock, rural merchandise supplies, insurance and rural real estate. The livestock business encompasses both commercial and stud stock through open auction and private treaty.

266 Denison Street, Rockhampton, QLD 4700  
• (07) 4927 1677 • [www.sbbrocky.com.au](http://www.sbbrocky.com.au)

## OVERVIEW OF KEY COMPANIES AND BRANDS



### STEVENS EGAN JOHNSTON

Established in 1983, Stevens Egan Johnston is a local market leader in Victoria's Gippsland region with an excellent reputation for providing outstanding service.

Licensed real estate agents, auctioneers, property managers and livestock agents, Stevens Egan Johnston operates out of Leongatha, Pakenham, Warragul, Sandy Point and Foster. The business also conducts weekly sales at the Leongatha, Koonwarra, Warragul and Pakenham livestock marketing complexes.

South Gippsland Highway, Leongatha, VIC 3953  
• (03) 5662 4033 • [www.sej.com.au](http://www.sej.com.au)



### SOUTHERN AUSTRALIAN LIVESTOCK

Southern Australian Livestock commenced operations in 1984 and principally services the south eastern and Mallee regions of South Australia. The company operates from several offices in south east South Australia where it offers livestock agency and real estate services.

2 Smith Street, Naracoorte, SA 5271  
• (08) 8760 1300 • [www.salivestock.com.au](http://www.salivestock.com.au)



### TASMANIA FARM EQUIPMENT

Tasmania Farm Equipment is the largest farm machinery distributor in Tasmania with branches strategically located across the state in Devonport, Smithton, Hobart and Launceston. The business also caters to vineyards and small acreages and sells a range of construction equipment.

37 Stony Rise Road, Devonport, TAS 7310  
• (03) 6424 1511 • [www.tfe.com.au](http://www.tfe.com.au)



### TERRITORY RURAL

Territory Rural was established in April 2007 to provide a full range of services to primary producers across Australia's Top End and the Kimberley. With outlets in Darwin and Katherine, Territory Rural provides rural merchandise, livestock marketing, real estate and financial services.

1 Arnhem Highway, Humpty Doo, NT 0836  
• (08) 8988 0555 • [www.territoryrural.com.au](http://www.territoryrural.com.au)

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**BUSINESS UNITS**  
*Nationally*

~ 2,000

**WORKFORCE**  
*All dedicated to ensuring local service*

\$1.8B

**TRANSACTIONAL TURNOVER**  
*Earned from business operations*



### TERRITORY RURAL MCPHERSON

Territory Rural McPherson was established in July 2008 to provide a full range of services to primary producers across Australia's Red Centre. Based in Alice Springs, Territory Rural McPherson provides rural merchandise, livestock marketing, real estate specialising in rural property and financial services to rural customers.

291 North Stuart Highway, Alice Springs, NT 0870  
• (08) 8953 4255 • [www.territoryruralmcpherson.com.au](http://www.territoryruralmcpherson.com.au)



### TOTAL EDEN

Total Eden is a specialist water and irrigation business with a growing footprint across Australia. Operating through a network of retail stores, wholesale and trade sale sector and a turn-key project division, Total Eden delivers bespoke water solutions across industries including agriculture, mining, turf irrigation, water treatment, water infrastructure, commercial landscaping and construction. Total Eden, Bringing Water to Life.

71F Matthews Avenue, Airport West, VIC 3042  
• (03) 8340 2333 • [www.totaleden.com.au](http://www.totaleden.com.au)



### WMG AGRISERVICES

Formed in 2013 from the merger of three established businesses, WMG Agriservices provides a comprehensive range of ag-chem, seed, fertiliser, animal health and rural merchandise products to support their clients. Located in Wee Waa, Moree and Goondiwindi the WMG Agriservices' team offer specialist technical services and products to meet the north-western NSW and southern Queensland region's broadacre cropping, cotton farming and livestock production needs.

83-89 Marshall Street, Goondiwindi, QLD 4390  
• (07) 4671 0099 • [www.wmgagri.com.au](http://www.wmgagri.com.au)

~ \$2m

### CHARITY DONATIONS

*The Ruralco family contributes to local charities and organisations\**

\$240m

### MARKET CAPITALISATION

*The total dollar market value of all the Company's outstanding shares*

~ 500

### LOCATIONS

*Across the continent*

\*Financial and personal contributions from staff and members 2015/16.



## FINANCIAL CALENDAR

RECORD DATE FOR  
2016 FINAL DIVIDEND

*28 November 2016*

PAYMENT OF 2016  
FINAL DIVIDEND

*19 December 2016*

2017 ANNUAL  
GENERAL MEETING

*17 February 2017*

2017 HALF YEAR END

*31 March 2017*

ANNOUNCEMENT OF  
RESULTS FOR HALF YEAR  
ENDING 31 MARCH 2017

*17 May 2017*

2017 YEAR END

*30 September 2017*

ANNOUNCEMENT OF  
RESULTS FOR YEAR  
ENDING 30 SEPTEMBER 2017

*15 November 2017*

*Note: Above dates are subject to change*

### REGISTERED OFFICE

Level 5, Building A, 26 Talavera Road, Macquarie Park NSW 2113  
Telephone: (02) 9688 8555  
Website: [www.ruralco.com.au](http://www.ruralco.com.au)  
Email: [companysecretary@ruralco.com.au](mailto:companysecretary@ruralco.com.au)

For shareholder and company information, news announcements, background information on Ruralco Holdings Limited's businesses and previous annual reports, visit the Company's website at: [www.ruralco.com.au](http://www.ruralco.com.au)

### EXECUTIVE DIRECTOR

Travis Dillon

### NON-EXECUTIVE DIRECTORS

Richard (Rick) Lee  
Michael Millner  
Elizabeth Johnstone  
Trudy Vonhoff

### COMPANY SECRETARY

Ilona Alsters

### SHARE REGISTRY

Computershare Investor Services Pty Ltd  
GPO Box 7045, Sydney NSW 2001  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067  
Toll Free: 1300 950 505  
International: +61 3 9415 4000  
Facsimile: +61 3 9473 2500  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Website: [www.computershare.com](http://www.computershare.com)

### AUDITOR

KPMG: International Towers Sydney 3  
300 Barangaroo Avenue, Sydney NSW 2000

### BANKERS

Australia and New Zealand Banking Group Limited (ANZ)  
Cooperative Centrale Raiffeisen-Boerenleenbank B.A.  
(Rabobank)



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