ANNUAL **REPORT**

2017

WE'RE HERE FOR AUSTRALIAN FARMERS™

OUR **VISION**

To lead in our chosen agribusiness sectors and be the preferred partner and employer of choice in those sectors.

We champion Australian agriculture locally and globally and are known for our innovation, flexibility and service, delivering profitable outcomes for stakeholders.

OUR **PURPOSE**

We're here for Australian Farmers

OUR **VALUES**

Common sense

Accountability

Aim high

Integrity

Leadership

Loyalty

OUR **STRATEGY**

Investment

Innovation

Integration

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 Operating & Financial Review on pages 16-40.

The Financial Report was authorised for issue by the Directors on 5 December 2017.

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 at www.ruralco.com.au.

Ruralco

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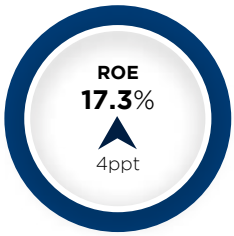
Richard (Rick) Lee AM
Chairman
Ruralco Holdings Limited



Our strategy is based on the themes of: Investment, Integration and Innovation, with its execution supported by a scalable back office and our people and culture.

It's our innovation goal to help the Australian farmer become more efficient and productive and to make us one of Australia's leading agribusinesses. However, to be successful we also need to be accountable for the social and environmental impact of our operations. Like many businesses in our industry, we are on a journey toward establishing a sustainability strategy and will look to provide further detail on our approach to environmental and social governance in the coming year.

Financially, it was a record full year result. Operationally, our core traditional businesses experienced strong organic growth underscoring our performance. In February, we raised $65 million of equity funding which we used to acquire a portfolio of new businesses that increase our diversity and scale, supporting our growth aspirations. The integration of these businesses into the wider company is now well advanced.

Year-on-year net profit after tax (NPAT) was up 422% to $22.4 million, with solid seasonal conditions predominately in the eastern states, bolstered by above average commodity prices for most of the year. Return on capital employed (ROCE) and return on equity (ROE) both improved four percentage points to 17.3% and 10% respectively and we improved operational expenditure as a percentage of gross profit to 80.8%. These improved returns and the reduced cost to serve led to significant positive operating leverage.

This record full year result confirms the advantages of the Company's geographic and operational diversity which reduced the volatility in earnings from the impact of a dry winter cropping period and a reduction in the domestic cattle price in the second half of the year.

DIVIDENDS AND CAPITAL MANAGEMENT

The Board announced a final fully franked dividend of six cents per share, bringing the dividend for the full year to 15 cents per share, a 50% increase on the prior year. This represents a 55% underlying dividend payout ratio in line with the Board's capital management policy of maintaining a dividend payout ratio of between 40-60% of underlying earnings per share.

Our Board and Management focus on delivering long-term sustainable shareholder returns. From time to time, this will mean we invest in businesses that support our Future Farming Strategy. It is important that we have a solid balance sheet and disciplined working capital management to support these opportunities, spending in the short term for long-term gain. Given the size of the capital outlay required to fund the portfolio of acquisitions, equity funding was considered the appropriate source of funds in order to maintain the Company's gearing and leverage ratios within acceptable ranges. We thank our existing shareholders for their ongoing support and we were delighted to welcome a number of new investors to the share register.

COMPETITIVE LANDSCAPE

Agriculture in Australia is thriving. It is currently the largest contributor to growth in national gross domestic product (GDP) and is the fastest growing economic sector. Innovative technologies are changing the dynamics of the industry and Ruralco is playing an integral role, driving productivity gains and efficiency for Australian farmers.

Weather patterns and shifting seasonality are unavoidable, but we can partially anticipate other changes, such as a fluctuating Australian dollar and movements in global commodity markets. These affect most farmers as two-thirds of Australian agricultural produce is exported. Ruralco is managing these factors by running a conservative balance sheet, carefully watching costs and focusing on integrating innovation and an innovation mindset into the core of our business. This includes embracing emerging agricultural technologies, data analytics platforms and customer service models to ensure Ruralco continues to find new ways to grow our customer base and serve them more effectively.

It gives me great pleasure to introduce Ruralco's Annual Report for 2017, my first full year as Chairman and a year in which we made **excellent progress** in executing key priorities in our **Future Farming Strategy**.

MANAGEMENT CHANGES

Given it is our strategic intent to continue to grow the business, the Executive Team has been restructured by Travis Dillon with the full support of the Board. Three new roles have been introduced sharing the responsibility for the performance of our Rural Services businesses, focusing on the following geographic regions:

- **Southern Australia** – encompassing southern New South Wales, Victoria, South Australia and Western Australia, headed by Matt Pedersen
- **Tasmania** – including the Roberts and TP Jones & Co businesses, with John Tuskin in charge
- **Northern Australia** – encompassing northern New South Wales, Queensland and the Northern Territory, headed by Andrew Slatter, who will join the business in January 2018.

Mr Slatter has extensive experience in the industry having worked as Head of Agribusiness – Asia for Australia and New Zealand Banking Group (ANZ) and most recently as Chief Financial Officer at Australian Agricultural Company Limited.

I also advise that Ilona Alsters, General Counsel and Group Company Secretary, resigned 1 December 2017. I would like to acknowledge Ilona's contribution in developing the legal and company secretariat functions and working with the Board to strengthen governance and compliance at Ruralco. I wish her all the best in the future. The recruitment process for a new General Counsel and Group Company Secretary has begun.

BOARD AND GOVERNANCE

The Board continues to focus on the Company's governance processes, ensuring they are in line with the Australian Securities Exchange Corporate Governance Principles and Recommendations and remain 'fit for purpose'.

The charters created for the Board and its committees last year have worked well ensuring the corporate governance processes are consistent across the Company's subsidiaries and joint venture partners.

The Board undertook an annual performance review, reassessed Directors' skills and experience in light of our strategic goals and tested governance knowledge and processes. Through that process we identified the need to recruit people to the Board with skills that add a breadth of commercial experience and increase the Board's collective knowledge of technology and innovation.

The Nomination & Remuneration Committee undertook a search during the year and I'm pleased to welcome Andrew Macpherson to the Board as a Non-Executive Director. Andrew brings experience in technology project delivery and risk management having worked for 27 years at global consulting firm Accenture. There he specialised in implementing technology-enabled change projects in large enterprises and government in Australia, Asia and Europe.

THANK YOU TO THE TEAM

The strongly supported equity raising in February confirmed shareholder support for our Future Farming Strategy.

Under the leadership of Travis Dillon, the refreshed Executive and energised Management teams are focused on carrying out our strategy. The Board is pleased with the progress made and is grateful to them for their commitment to the Company.

I would like to thank all members of the Board, past and present, for their support and dedication to Ruralco. It has been an honour to serve alongside you. I look forward to the year ahead optimistic that we will make further progress on our journey to create true and sustainable shareholder value and a stronger Ruralco.

Richard (Rick) Lee AM

Chairman, Ruralco Holdings Limited

Travis Dillon
Managing Director & CEO
Ruralco Holdings Limited

+ 24 NEW LOCATIONS
Delivering scale & geographical diversity

KEY INNOVATION PARTNERSHIPS ESTABLISHED
with CSIRO & MLA

SCALABLE INSURANCE OFFERING
with establishment of Ausure JV

A highlight of the year was our successful $65 million equity raising which allowed us to acquire a portfolio of high-quality businesses that are aligned with our Future Farming Strategy and increased the breadth and depth of our share register.

We acquired five high quality Water Services businesses giving us a presence in the majority of Australia's key irrigation markets. The agricultural sector accounts for more than 62% of water consumed in Australia and significant government and private investment underpin this resource. This presents ongoing opportunities to grow this part of our business to at least 25% of earnings before interest, tax, depreciation and amortisation (EBITDA) in the medium term.

Ruralco also acquired four rural supplies businesses, filling gaps in our network in key agricultural markets in Western Australia, New South Wales and Tasmania. We are familiar with these businesses as CRT members, a critical part of our footprint. As well as expanding the network, their acquisition allows the Company to capture additional retail margin in markets where Ruralco only maintained a wholesale presence.

Finally, entering a joint venture with Ausure transforms the Company's previously loss making sub-scale insurance business into a profitable and scalable operation with significant growth opportunities, both organic and acquisitive.

Key metrics for the year included an 11% increase in gross profit to $334.6 million and underlying NPAT of $26.2 million, up 95%. Underlying EBITDA increased 58% to $65.4 million and included $6.6 million in earnings from the portfolio of acquisitions. These acquisitions have given us scale, regional and operational diversity for our network and are performing in line with expectations.

OPERATIONS

I am confident we have identified the right strategic priorities for our Future Farming Strategy, investment, integration and innovation and these have delivered growth and record profit for the year. By focusing on these priorities, Ruralco will continue to grow and deliver shareholder value.

Strong seasonal conditions, particularly in Tasmania and the eastern states, supported significant profit growth in our traditional core rural supplies business. Above average livestock and wool prices and an increase in the number of properties sold in our real estate agency business bolstered this strong performance. The Rural Services division's EBITDA of $87.9 million included $1.2 million from acquisitions.

Sales grew from the below average temporary water price in the restructured water retail business, though this turnaround was affected by a decline in water broking profits. It was also impacted by tight market conditions in the Western Australian water projects business, with a slowdown in the residential development market reducing the volume of landscaping work. Management has continued to improve the flexibility of our cost base in the water projects business with an increase in the use of casual labour and sub-contractors to allow for such fluctuating market conditions. The Water Services division's EBITDA of $13.1 million included $4.8 million from acquisitions.

The Live Export division returned to profit during the year. This reflected the benefits of the restructure undertaken in 2016 and our cattle backgrounding program, which ensures we have access to a supply of quality cattle for customers during the Northern Australia wet season in December to March. The division has maintained its focus on compliance and driving a continuous improvement culture in preparation for a year expected to be marked by relatively high domestic cattle prices impacting trading margins and a highly competitive live export environment, at least until the end of the calendar year. The Live Export division's EBITDA was $2.2 million.

The performance of the Financial Services division improved with a break even run rate by year end. This result was driven by growth in our Rabo Seasonal Finance loan book, stronger profit from our grain marketing and input financing Agfarm joint venture and a $0.5 million contribution from

Ruralco has had a very successful year achieving **record earnings** and delivering on key commitments set out this time last year with regards to our **Future Farming Strategy**, **financial discipline** and people and culture improvements.

our new insurance joint venture with Ausure. In 2018 we expect to build on this momentum and increase the scale of our financing and insurance offerings to our customers.

With the recent launch of our new Flexi Finance low doc, short-term livestock and asset financing product backed by DLL (a subsidiary of Rabobank), we now have a full suite of financing products to provide the right financing solutions for our customers.

In addition, with the insurance partnership put in place with Ausure, the Company now has the scale and product offering available to provide our customers with a competitive offering for their insurance needs. The rollout will be a key focus over the coming financial year.

DIGITAL TRANSFORMATION AND INNOVATION

We are integrating innovation into the core of the business to realise the full potential of our Future Farming Strategy. Our innovation goal is to make Australian farmers more productive and efficient, to increase yields and add value to farm operations.

We have divided our approach to innovation into three main areas: digital transformation; agricultural technology (AgTech) distribution; and creation of an innovation culture to evolve the way we do business.

Initially, we are leading our digital transformation with Program Elevate, comprising nine projects to enable Ruralco's growth aspirations and deliver digital transformation based on a reliable back office foundation integrated with a scalable e-commerce platform. These projects remain on time and on budget with $10.2 million spent during the year. In 2018 we will introduce digital platforms that will improve our interactions with our CRT members and customers. The increased automation in the Company's 'procure to pay' process is expected to improve the corporate cost to serve and the greater access to quality data is expected to lead to better and faster procurement decision-making.

We are using our technology partnerships with SproutX and PrecisionHawk and our business partnerships with leading industry and research and development organisations such as Meat and Livestock Australia and CSIRO, to identify the practical AgTech solutions farmers want. We will use our network to distribute this technology and deliver innovative ideas to our customers, Australian farmers.

By embedding the innovation mindset into our culture we are encouraging our people to share information on innovative ideas and solutions and to explore new methods of problem-solving.

OUTLOOK

The good rainfall in late spring, particularly across the eastern states, continues to support rural supplies sales growth. However, the decline in cattle prices over the last quarter of the financial year indicates a return to historically average prices into 2018, with short term price movements largely influenced by seasonal conditions.

Over the next 12 months we will focus on completing the integration of the portfolio of acquisitions and delivering the targeted earnings contributions. We will also continue to invest in supporting our growth aspirations and integrating the innovation mindset into everything we do.

I am pleased with the significant improvement in our cost base efficiency measure to 80.8% but further actions will be required in the coming year in order to maintain this improved cost to serve to achieve our target of 80% through the cycle.

I would like to thank our people for the hard work and dedication they demonstrate day in and day out as they support our customers and the Company. Our people are the foundation of our business and they continue to champion agriculture in Australia, ensuring that we deliver on our vision. Thanks to them, Ruralco is well positioned for the future.

Travis Dillon
Managing Director & CEO, Ruralco Holdings Limited

This operating and financial review sets out the Company's strategy and operational and financial performance for the 2017 financial year. It also sets out each division's performance, key risks and outlook.

This review should be read in conjunction with the financial statements, which are presented on pages 71 to 122 of the annual report.

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

SCALABLE BACK OFFICE
PEOPLE & CULTURE

Our Future Farming Strategy positions us as a leader in the Australian agricultural sector. It focuses on driving productivity and efficiency gains for Australian farmers and ultimately growing Ruralco to increase value for shareholders.

The three priorities are:

- **Investment** – to fill the remaining gaps in our network footprint and provide scale to our operations
- **Integration** – to align our business divisions to support and leverage each other, optimising efficiency, increasing value and creating a cohesive culture
- **Innovation** – to ensure we are industry leaders, connecting our customers to new ways of doing business, and products they want and that meet their needs, drawing on AgTech and digital and integrated solutions. We are embedding the innovation mindset into the core of our business.

The strategy is founded on investing in Ruralco's people and culture and operating a scalable back office to drive positive operating leverage. Focused execution, financial discipline and balance sheet management are critical to ensuring we increase earnings and total shareholder returns.

Our **Future Farming Strategy** guides the Company's aims and the specific goals of each division are as follows:

RURAL SERVICES

- Grow through acquisition, including greenfield sites, talent recruitment and potential CRT members
- Maximise market share along the entire protein supply chain
- Commercialise the next wave of AgTech
- Increase organic growth through portfolio management and focus on an efficient cost to serve.

WATER SERVICES

- Lead the consolidation of the water industry
- Identify, distribute and install innovative, high tech water infrastructure
- Develop Ruralco as the training ground for the irrigation industry of the future

LIVE EXPORT

- Continuously improve compliance and associated support resources
- Diversify by developing a third market to complement Indonesia and Vietnam
- Maintain our backgrounding program to underpin consistent supply of quality cattle
- Gain access to improved animal handling infrastructure.

FINANCIAL SERVICES

- Build scale in our financial services offerings to our customers to assist them in managing risks and financing their growth
- Develop unique products for farmers that complement and support what we offer through our network of businesses across Australia.

OVERALL

- Ensure safety by aiming for Zero Harm
- Attract, retain and develop the best team in the industry
- Inspire by having our people live the Ruralco values
- Undergo digital transformation
- Embed an innovation mindset into our business culture.

PROGRAM ELEVATE

Program Elevate is a two-year program involving nine projects launched at the end of 2016 with a $14 million budget. The program is divided into three key phases: data; process; and digital.

We are on track and on budget spending $10.2 million in the year. The work to date has been focused on:

- Improving the quality of the Company's masterdata, making it the foundation for a scalable and effective corporate back office and enabling better, faster procurement decision making
- Streamlining our processes, particularly in 'procure to pay', which will improve our cost to serve.

In the coming year we will focus on achieving further business process improvements and delivering digital platforms that enhance our interaction with customers and CRT members.

INNOVATION

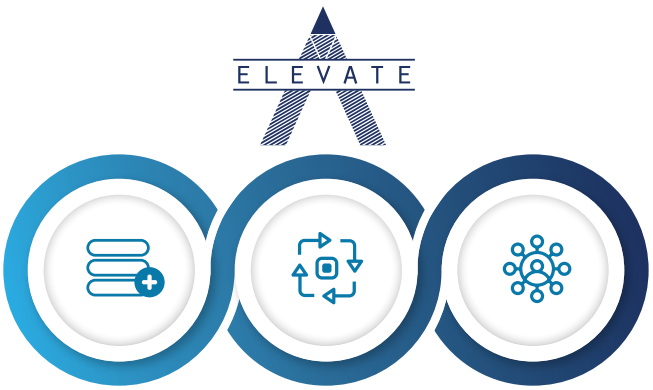
Innovation is integral to our Future Farming Strategy. We have focused on addressing the challenges of achieving reliable production while using less intensive, more efficient agricultural inputs. In this way, we will increase yields and add value to farm operations.

We are using our different channels to market with a national footprint of more than 500 locations to connect customers to the latest proven technology in agriculture. Our trusted professionals have relationships with customers that allow them to bring innovations to their attention, putting us in a strong position to lead the distribution of innovations to Australian farmers.

We have divided our approach to innovation into three main areas: digital transformation; agricultural technology (AgTech) distribution; and creation of an innovation culture to transform the way we do business.

DIGITAL TRANSFORMATION

We are leading our digital transformation with Program Elevate, comprising nine projects that will enable Ruralco's growth aspirations and deliver digital transformation based on a reliable back office foundation integrated with a scalable e-commerce platform.



DATA
Focus on improving quality of data as a foundation

- Master Data
- Pricing
- Rebates

PROCESS
Focus on improving process & automation as a foundation

- SAP Roles
- Business Process
- AP Automation

DIGITAL
Focus on delivering digital capability

- RuralcoNet replacement
- POS
- Customer Portal

INNOVATION CULTURE

By embedding the innovation mindset in our culture we are encouraging our people to share innovative ideas and solutions and explore new methods of problem-solving. We recently launched the Ruralco Ideas Shed using Crowdicity, a crowdsourcing and idea management tool that provides a platform to capture employee ideas, filter the best and take them through an iterative process to determine their implementation potential.

AGTECH DISTRIBUTION

Since announcing our venture with United States-based drone and data analytics provider PrecisionHawk in 2016, we have entered into additional partnerships in 2017 with the CSIRO and Meat and Livestock Australia to drive digital farming and drone innovation.

CSIRO

We will combine the technology and data analytics of Ruralco's drone program with the CSIRO's globally recognised capability in robotics, remote sensing and data analytics.

The projects identified with the CSIRO for research will help farmers to better analyse issues affecting productivity and sustainability, such as effective nutrient delivery, plant growth and bio-security issues including invasive species and pest infestation.

Important areas of focus include:

- exploring the potential of drones in long-range livestock detection to improve the effectiveness of musters
- managing nutrients and fertilisers in areas of high conservation value, such as the Great Barrier Reef
- developing long-range sensing to automate and streamline operations, including water management, and livestock safety and security
- adapting geospatial tools to provide an interface between our customers and their advisers, using real time data to improve decision-making and planning.

Meat and Livestock Australia

We have partnered with Meat and Livestock Australia for the benefit of their members to refine the use of drones for monitoring and maintaining pastures and herds. It will involve mapping the use of drones and identifying future development needs for more effective use on farms. Our collaboration is focused on developing Australian-specific insights and unique algorithms for livestock producers. Initially, this project will run for 12 months involving engagement with producers and rural communities to develop a drone strategy of benefit to the red meat and livestock industry.

SproutX

Last year, we announced that we were a cornerstone investor in SproutX, Australia's leading AgTech accelerator program. The first year of the accelerator program is underway, with 11 teams participating. We will continue to make presentations at SproutX workshops, and collaborate with a number of participants to identify innovations that are appropriate for our market.

PEOPLE AND CULTURE

Ruralco is one of the largest agribusiness employers in Australia with more than 2,000 people working in over 50 specialist businesses around the country. As a significant employer in regional areas we play a vital role in the economic livelihood of rural communities.

Our business is built on people and relationships, while some of our employees are from traditional farming communities, others are drawn to us by the opportunities and values we represent. We aim to be an employer of choice for those already in the workforce and have strategies in place to attract and retain existing and future employees to our company.

DIVERSITY AND INCLUSION

Ruralco is committed to creating and maintaining a work environment that ensures fairness, equity and respect for social and cultural diversity. Our diversity action plan, supported at the most senior level of the business and by the Board, seeks to demonstrate our commitment to applying diversity principles throughout our organisation.

Improving diversity and inclusion continued to be a focus in 2017. Females account for 32% of the Ruralco workforce, with the male to female gender balance sitting above the average 28.1% for the Agriculture, Forestry and Fishing Industry. Females also make up 40% of the Ruralco Board of Directors.

WOMEN IN LEADERSHIP

Ruralco uses leadership initiatives to actively support women. Last year we launched our Women in MBA program providing financial assistance to up to four employees in partnership with Macquarie University's Women in MBA.

This year we reached an agreement with Women & Leadership Australia to encourage women in agriculture to undertake leadership studies. This agreement will provide access to leadership development programs for promising female employees. Four participants will begin this program in February 2018.

WOMEN IN AGRICULTURE CONFERENCE

Ruralco were proud sponsors of the Australian Women in Agriculture's National Conference held in Brisbane from the 22 – 24 September 2017.

The conference was designed to encourage and assist women in taking advantage of the opportunities the agriculture industry has to offer.

Among the 100 women who attended were a number of Ruralco representatives. The conference proved to be both educational and inspirational with many like-minded women forming connections they will carry into the future.

EMPLOYEE ENGAGEMENT

The results of the most recent employee engagement survey indicate we are moving towards a high performance culture. We have improved the way we communicate our organisational strategy to employees with an emphasis on goal setting and we have increased our focus on workplace safety. Areas for improvement include cross-divisional cooperation, investment in systems, internal communication and employee appraisals. Our next engagement survey will be facilitated in September 2018. The survey provides employees with the opportunity to give detailed feedback about the Company's performance and culture.

MATERNITY LEAVE

Ruralco has just celebrated 12 months of its Maternity Leave Policy which was introduced in July 2016. During the 2017 financial year, 17 employees used their 12 weeks paid maternity leave and on returning to work qualified for a payment of 6 weeks' salary, as a 'return to work bonus' payment.

500 EMPLOYEES participated in national training programs

FEMALES account for **32%** of the Ruralco workforce

Maternity Leave Policy **17 EMPLOYEES** received a return-to-work bonus

LEARNING AND DEVELOPMENT

The capabilities of our workforce are vital to ensuring we effectively service and support our customers. We encourage excellence and continuous improvement by providing learning and development opportunities that align with our Future Farming Strategy and organisational requirements.

We are committed to a learning and development framework that provides access to a wide range of educational and training opportunities ensuring our staff have the technical and behavioural skills needed to meet performance expectations.

These development opportunities include:

Our Ruralco graduate program: We launched our first graduate program in February 2016, aimed at identifying future leaders. The program provides graduates with face-to-face learning and on-the-job experience over two years. Our first cohort of four graduates will complete the program in December 2017 and move to permanent positions within our business. The program has been so successful that we have doubled the intake for 2018.

National traineeships: We run a number of national programs including a Livestock Traineeship Program, apprenticeships, training in agriculture and retail sales.

Work placement internship: Ruralco has partnered with Charles Sturt University to provide an internship for students in their fourth year of the Bachelor of Agricultural Science Degree. The internship includes a three-month practical placement with senior agronomists within our businesses, after which, the student accepts a permanent job with Ruralco. We are offering three of these internships in 2018.

Continuous development: This year more than 500 employees participated in 10 national training programs that focused on personal skills, leadership training, computer skills, sales, customer service, and health and safety awareness.

Leadership development: Three employees participated in a rural leadership program run by Marcus Oldham College in Victoria. The seven-day residential program provided training in leadership, communication and planning while giving participants an opportunity to network with a wide range of rural and community organisations from across Australia.

HEALTH AND SAFETY

We are committed to a Zero Harm culture for all employees, contractors and visitors. Following the implementation of an improved health, safety and environmental (HSE) management system in 2016, we have continued to take a common sense approach to safety, building it into all day-to-day activity.

In the past 12 months we have reduced our Lost Time Injury Frequency Rate (LTIFR) from 3.34 to 2.77 (a reduction of 17%) and a record low for the company and our Medically Treated Injury Rate (MTIFR) from 8.5 to 4.93 (a decrease of 42%). We have improved our safety performance by focusing on leadership, consulting with employees and improving our resources and tools.

An upgraded online platform for the HSE management system has improved communication and consultation on HSE issues for all employees. The system provides a centralised source of monthly safety bulletins; online reporting processes; online training; and policies, procedures and assessment tools. Uptake and use of the system has significantly increased through the years with regular engagement from a majority of the workforce.

We continue to maintain HSE policies and Health, Safety, Environment and Quality (HSEQ) accreditation to AS 4801 (Safety), OHSAS 18001 (Safety), ISO 14001 (Environmental) and ISO 9001 (Quality) standards. Our HSEQ management system is externally audited each year. We have met the requirements of the Federal Government Building and Construction WHS Accreditation Scheme, and the Federal Safety Commissioner has accredited us under this scheme until 2021.

HSEQ training remains a key focus for Ruralco. This year we expanded the suite of training programs we provided to employees to cover emergency response, hazardous goods, real estate employee safety, transport chain of responsibility, and bespoke AgSafe training.

MTIFR from 8.5 to 4.93
▼
42%

LTIFR from 3.34 to 2.77
▼
17%

ZERO HARM
Ruralco is committed to achieving this goal in the workplace.

WE'RE HERE FOR AUSTRALIAN FARMERS™

ENVIRONMENTAL, SOCIAL & GOVERNANCE

Like many businesses in our industry, we are on a journey toward establishing a sustainability strategy. Social and environmental considerations are an implicit part of Ruralco. They are embedded in our purpose and strategy, reflected in our values and evident in our daily activities. Our goal is to make sustainability explicit in our businesses. Defining our sustainability strategy is a work in progress as we aim to embed it in our organisational DNA. We will look to expand our reporting in this area in the coming year.

Our business helps Australian farmers and rural communities use resources more efficiently. We encourage protecting and conserving natural resources; safeguarding rural livelihoods and social wellbeing; and supporting the resilience of communities and ecosystems.

We do this by focusing on the environment, the community and innovation.

ENVIRONMENT

Our environmental role is important to us. Aligning with the United Nations Food and Agriculture Organization's core principles of sustainable food and agriculture, we work with our suppliers, customers and members to use resources more efficiently; conserve, protect and enhance natural resources; and protect and improve rural livelihoods.

FERTILISERS

We have incorporated Entec® technology into our Grow Force fertiliser, an example of how we are facilitating more sustainable farming practices. As the proprietary supplier of Grow Force, which has more than 60% of the fertiliser market in North Queensland, we have worked with our contract manufacturer to incorporate technology that helps protect against nitrogen loss, improving crop uptake. Entec® technology reduces nitrate flushes, enabling farmers to produce more consistent quality products. It does this by giving crops a more continuous supply of nitrogen, requiring potentially fewer applications so that workloads can be allocated more efficiently.

Retailers, CRT members and agronomists working under the Ruralco banner consult with farmers on the optimal application of this fertiliser. This efficient and sustainable nitrogen delivery technology can increase yield by an average of 9.9% when used correctly. Ruralco is now working with the CSIRO to monitor nitrogen levels in sugarcane crops and the Great Barrier Reef to develop an algorithm that will predict the ideal minimal and targeted application of inputs for growing sugarcane.

WATER

Efficient use of water is critical to the success of agriculture in Australia. Through our water businesses we provide water infrastructure and technology efficiencies in the irrigation industry and on farms. Our farm water and advisory expertise helps Australian farmers manage this valuable resource delivering practical solutions ranging from irrigation services and planning to products, supply and installation.

This year we expanded our online water trading platform to allow all irrigators, government bodies and stakeholders access to trade water products in all major trading zones across Australia. This access gives all stakeholders in the water trading industry a simple transparent platform. The integrity of the system increases the confidence of water users and their understanding of the value of water entitlements.

CHEMICALS

Ruralco works with AgSafe, a not-for-profit organisation, to provide environmentally safe handling, storage, transportation and disposal of agricultural and veterinary chemicals and containers. Every two years AgSafe assesses the sites where we store, handle and sell chemicals. AgSafe also provides training in safe, effective and legal use of chemicals.

Our group-wide approach to safely handle chemicals and containers demonstrates our approach to our environmental responsibilities. We are developing knowledge throughout our organisation, increasing focus and environmental awareness and improving reporting through our environmental management system.

Ruralco supports the AgSafe programs DrumMUSTER, which recycles chemical drums and ChemClear for the collection of unwanted agricultural chemicals. It also supports the Farm Waste Recovery program for fertiliser packaging.

COMMUNITY

Thriving local communities are a key focus of our business. With a strong culture of 'lending a hand to those in need' we provide practical and financial assistance at the local and national levels to a wide range of groups and organisations.

We believe rural communities should be able to make their own decisions about issues that affect them. Our support and engagement assists this process by helping create stable farming communities across Australia, which also benefits our business.

Throughout our Company and network we sponsor sporting clubs and events, support agricultural shows and fundraise for hospitals, medical facilities, schools and charities. We also provide scholarships, donate food, participate in local and industry associations, engage in community service, help move stock and rebuild fences in the wake of fires or floods and advise on agronomy issues.

We encourage our businesses and our CRT members to be supportive and responsible in all the communities in which they work.

Every year, Management votes on the CRT Community Member of the Year. This award recognises the extraordinary contribution of our CRT members in supporting Australian farmers and their communities.

EDUCATION

Education is an important social issue in rural communities and our local businesses are actively involved in ensuring rural and agricultural education are not overlooked.

Isolated Children's Parents' Association

Our businesses support the Isolated Children's Parents' Association (ICPA). The ICPA is a voluntary, not-for-profit, apolitical parent body dedicated to ensuring that all rural and remote students have equal access to continuing and appropriate education. It seeks to have all elements of education (cultural experiences, social contacts and participation in sport and other enriching activities) available for all children no matter where they live. We provide support in several states, including raising funds to educate remote children via the Katherine School of the Air and sponsoring the ICPA's annual conference in Western Australia.

Muresk Institute

Our Primaries CRT business in Western Australia provides an annual scholarship at the Muresk Institute. The scholarship gives financial support to a final year student studying a Bachelor of Agricultural Business Management. This assistance not only alleviates financial pressure but helps our business connect with emerging talent among people seeking a career in agribusiness.

Hagley Farm School

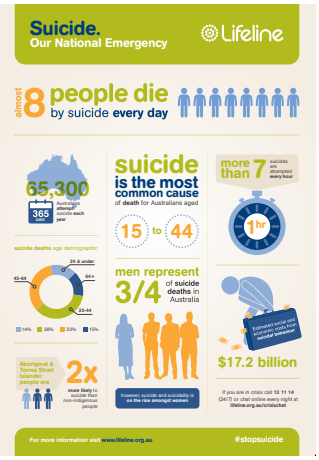
In Tasmania, Roberts' supports the Hagley Farm School and the Tasmanian Agricultural Education Network by providing funding for a vehicle. The Hagley Farm School is a K–10 school in northern Tasmania, with a farm that thousands of Tasmanian children visit every year. Hagley's head teacher also supports other school farms and agricultural programs in the state and the vehicle makes visits between schools possible. Roberts also provides expertise in running the school farm and this year helped the school acquire a milking stand for its dairy demonstration shed.

CRT MEMBER OF THE YEAR
$5,000 award for their charity of choice

Primaries CRT funds
ONE ANNUAL SCHOLARSHIP
at Muresk Institute

1 VEHICLE FUNDED
for Hagley Farm School

Proudly supporting Lifeline



Ruralco has had a corporate partnership with Lifeline Australia since November 2015. By increasing awareness of mental health issues, providing tools and training for people to assist in the community and through reducing the stigma of mental health, we aim to support health and wellbeing and stem the suicide rate in rural communities.

Recognising that isolation can make people in rural communities and regional areas vulnerable, we provide financial support for Lifeline crisis support services. This relationship also ensures that members of our network are equipped to deal with conversations about mental health and suicide. If a member or employee is concerned about someone's mental health, they know how to respond and to refer them to Lifeline's services. Our multifaceted approach has a tangible positive effect on rural communities.

FINANCIAL CONTRIBUTIONS

During the financial year our company, employees and network donated more than $460,000 to Lifeline. This money came from a corporate donation, a personal contribution from the CEO and fundraising activities across our network.

LIFELINE'S 24-HOUR CRISIS LINE

The substantial contribution we've made has funded more than 11,000 crisis chat calls which offer short-term support for people who are overwhelmed and having difficulty coping or staying safe. Using real-time chat technology, Lifeline provides confidential one-on-one support. It can also provide a safety plan ultimately saving lives.

TRAINING

Our geographically diverse footprint gives our businesses a unique opportunity to support Australian farmers and rural communities where drought, financial pressure and isolation can cause distress. Training helps our staff members listen to customers and recognise and respond to signs of distress.

Lifeline has provided Awareness and Crisis Intervention training to many Ruralco and CRT staff members over the last 12 months. It has also made the Mental Health Chat (Crisis Awareness) course available.

STOP SUICIDE SUMMIT

Ruralco was one of several major sponsors of the inaugural National Stop Suicide Summit held in Sydney in May 2017. The event included more than 50 cross-sector delegates from the finance, insurance, retail, rural and sport sectors. Key suicide prevention themes emerging from the summit included building suicide-safe workplaces, offering organisational support to people going through tough times and harnessing technology to make better connections.

TEXT4GOOD

Lifeline and Ruralco will soon begin trialling Text4Good, a 'crisis text' service targeting people aged 15–44, particularly young men. The service is being developed with Social Ventures Australia and has received $2.5 million in seed funding from the Federal Government.

CRT
Create it
Proudly supporting
Lifeline

RURAL SERVICES

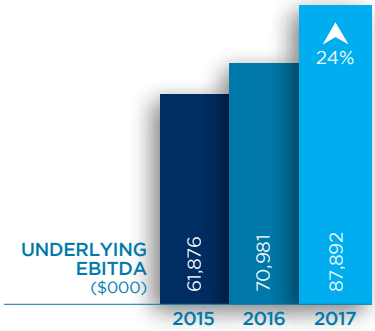
Our Rural Services division is made up of over 40 businesses located around the country which sell farm supplies, such as fertiliser, chemicals and general farm merchandise, and provide agency services to market customers' outputs.

Rural Services employs approximately 1,200 staff members. We take pride in our people who are subject matter experts with important relationships in the fields of:

- **agronomy** – providing advice across cropping, horticulture and viticulture markets along with our specialist animal health advisors and rural merchandise staff making sure our customers have the right products and advice to keep their livestock healthy and farms producing efficiently
- **livestock** – providing advice on buying and selling livestock, herd selection and genetics for cattle and sheep
- **wool brokerage** – providing marketing, warehousing and handling services to wool growers
- **real estate** – providing buying and selling advice and property management services.

Our CRT wholesale business comprises over 270 members with nearly 190 independent members providing a channel to market from which the Company earns a wholesale margin. The CRT wholesale business provides its members with buying power and access to national accounts and consolidated marketing. It also provides networking and business development events to members.

KEY FINANCIAL INDICATORS



PERFORMANCE IN THE YEAR

The Rural Services division delivered a strong result in 2017 with a significant year on year increase in earnings, rising 24% from $70.9 to $87.9 million.

The division's $87.9 million EBITDA includes $1.2 million from acquisitions.

A solid gross profit result in the core, traditional rural supplies and agency activities, coupled with disciplined cost base management, has led to a strong improvement in the division's cost to serve with OPEX to gross profit down 6 percentage points to 67.2%.

The three businesses acquired, using funds from the equity raising in February, extended the network to fill gaps in key agricultural regions. The division also established a new greenfield site in Esperance, Western Australia, one of Australia's largest agricultural chemical markets and a region in which the Company previously did not have a presence.

The Sid Newham Rural Supplies business in Bathurst is a welcome addition to our New South Wales portfolio as is our recent acquisition of Southern Agricultural Solutions in the southern highlands region.

We also acquired Great Northern Rural Services in Geraldton in Western Australia and TP Jones & Co with four locations in Tasmania. This has ensured we capture the retail margin in markets where previously the division only received wholesale margins via CRT.

We recorded **Rural Supplies** gross profit growth of 17%, 13% of which was organic. Strong seasonal conditions in Tasmania and the eastern states supported cropping and horticultural activity, particularly over the summer cropping season. The division continues to grow its private label agricultural chemical sales under the Relyon brand.

Our **Livestock Agency** businesses enjoyed sustained high cattle and sheep/lamb prices during the year driving 5% growth in gross profit.

The good seasonal conditions in the first half drove higher restocker demand and kept domestic prices high. Conversely, in the second half the dry winter was a catalyst for the beginning of a cattle price decline but with higher volumes marketed.

Cattle prices are expected to return to more long term historic averages over the coming months below the record highs recently experienced.

Wool prices remained high compared to historical long-term averages, boosting sales volumes and driving an 8% increase in our wool brokerage gross profit. Ongoing low levels of supply and improved demand for finer micron wool continue to support higher market prices.

The number of properties sold in our **Real Estate agency** businesses grew 15% reflecting continuing strong demand for residential properties and smaller scale rural properties, particularly in southern Australia and Tasmania. The increase in volumes and the change in mix of properties sold from the prior year led to 6% growth in gross profit from this activity.

FY18 FOCUS

Complete integration of acquisitions and deliver targeted earnings

Continue to fill remaining gaps in key markets through acquisition and greenfield sites

Optimise existing business

OUTLOOK

Annualised earnings from new acquisitions and the ongoing optimisation of the cost base, including improved automation from Program Elevate projects, is expected to offset the decline in cattle prices and deliver continued albeit moderate growth in FY18.

The ongoing rebuild of the Australian cattle herd and short-term price movements will be largely influenced by seasonal conditions, particularly in the lead-up to summer. The same seasonal factors are also expected to influence wool production and sheep and lamb turn-off.

Producer sentiment is positive leading into summer, with strong demand expected to continue for rural supplies. Many customers have indicated they will rebuild herd and flock numbers into 2018.

RISKS

Key risks include shifting seasonality, weather conditions and natural events such as drought, flood and fire. These factors can reduce the purchasing confidence of customers and production prospects, which affects our revenue. This risk also has an upside as certain conditions increase demand for our products and services.

Changing industry dynamics, significant commodity price shifts (such as in livestock prices) and climate change events (including extreme weather, and changing growing regions and crop yields) can all have a longer-term impact on our earnings.

RISKS	MITIGATION
Climate change $ ▲ 1 2 3 4 5	▪ Geographically diverse network of branches ▪ Monitoring of weather and climate trends, using internal and external data to inform strategy ▪ A comprehensive insurance program
Livestock price $ ▲ 1 2 3 4 5	▪ Invest in innovation and disruptive activities to diversify revenue streams ▪ Use the Live Export division to provide an alternate revenue pipeline for domestic cattle ▪ Market analysis to monitor current and historic trends
Increased competition 1 2 3 4 5	▪ Strategic focus on innovation to disrupt existing business models and identify investment opportunities in the rural supplies and protein supply chains ▪ Investment in business intelligence software tools
Safety 1 2 3 4 5	▪ Dedicated work health and safety team that provides regular advice, training and audit reviews ▪ AgSafe accreditation and training programs in place in high-risk areas, including livestock, chemical and manual handling

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social sustainability, which is the ability to operate in a manner that meets accepted social norms and needs over the long term

▲ risk movement

Strategic priorities: 1 investment 2 innovation 3 integration 4 scalable back office 5 people and culture

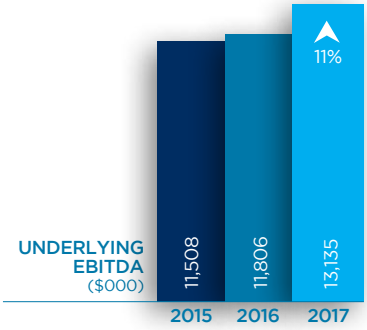
WATER SERVICES

Water Services has a presence in almost 60 locations across Australia, employing over 400 staff members. The division comprises the following:

- **water retail**: sell domestic, civil, industrial and agricultural irrigation products and parts
- **water projects**: design, construct, install and maintain on farm water infrastructure
- **water broking**: broker the buying and selling of temporary and permanent water entitlements.

Ruralco will continue to focus on investing in water businesses that operate in regions with significant upcoming or prolonged government or private investment in water infrastructure. This includes the Murray Darling Basin and key catchment and agricultural centres around the country.

KEY FINANCIAL INDICATORS



PERFORMANCE IN THE YEAR

The Water Services division's earnings increased 11% to $13.1 million.

In the first half of the year the division used funds from the equity raising to acquire five businesses, giving it a presence in 14 new areas across the Hunter region in New South Wales, the Murray Darling Basin and Tasmania. This bigger footprint increased the ability of the business to support our customers in the eastern states and delivered $4.8 million in earnings for the division.

Sales have grown in the restructured **Water Retail** business, particularly over the last quarter. This recovery, particularly in Queensland and New South Wales, was assisted by the improved cost base, closure of underperforming stores and investment in staff capability. In addition, the regional and industry-specific knowledge gained through the new acquisitions is expected to provide opportunities to leverage the existing Ruralco customer base with complementary products and services, such as soil testing. Becoming one of the largest players in the Australian water industry is also driving growth opportunities to collaborate with suppliers to provide access to exclusive water products and training.

The **Water Projects** business faced challenges in specific markets during the year with the slowdown in residential development projects in Western Australia reducing volumes and margins in the existing landscaping business. To reduce dependence on this market, the focus has been diversified in Western Australia making use of relationships with its Rural Services peers to further establish itself in the agricultural market.

The newly acquired businesses on the east coast including Mildura Irrigation, Riverland Irrigation and Irrigation Tasmania are also working closely with the Ruralco network of businesses to identify where they can add value to existing customer relationships.

The current project pipeline is encouraging and government investment in water, particularly in Tasmania, is buoying producer sentiment. This has had a flow-on effect on private investment confidence.

The subdued growth in gross profit during the year and the inclusion of the cost base of new acquisitions has lead to an increase in the cost to serve in this division with operating expenditure as a percentage of gross profit increasing 2 percentage points to 77.9%. Management has continued to improve the flexibility of the cost base in this division, particularly in the water projects business, with an increase in the use of casual labour and sub-contractors to allow for fluctuating market conditions.

FY18 FOCUS

Complete integration of acquisitions and deliver targeted earnings

Continue to acquire new businesses in key irrigation markets

Identify exclusive, leading water technology solutions to bring to market

In the **Water Broking** business above average rainfall earlier in the year led to water levels in the country's main catchment areas returning to closer to long term average. This led to a significant reduction in the price of temporary water entitlements for most of the year and a decline in earnings.

The drier than average winter led to a recovery in temporary prices, which were closer to the three-year average in the lead-up to summer.

During the year, Ruralco launched its in-house water trading platform to the public, increasing market transparency and providing a large-scale solution to irrigators, farmers, brokers and investors. Uptake of the new platform by water brokers and irrigators has been promising.

OUTLOOK

In 2018 Water Services will focus on delivering the targeted annualised earnings contribution from acquisitions and finalise the IT integration of the remaining acquired business onto SAP.

Management continue to see further acquisition opportunities to grow the water footprint with a healthy pipeline of potential acquisitions that the division will be looking to execute in the coming year.

The current dry conditions in Tasmania have allowed the business to maximise the installation of projects that are normally delayed by bad weather. This should deliver welcome revenue from on-time projects. Continued positive growth in private on-farm investment is also expected on the back of government investment in Tasmanian irrigation schemes.

The water broking business would benefit from a dry summer, which will mean better than average temporary water prices. In addition, the new public Water Exchange platform is expected to gain traction through a broad range of customer interactions over FY18.

RISKS

Key risks relate to integrating newly acquired businesses, our people and our ability to produce successful water projects (including meeting safety and environmental standards).

Longer-term sustainability risks that could affect earnings include seasonality, climate change impacts (which could have upside or downside risks) and government water policy.

RISKS	MITIGATION
Key management personnel and succession planning	▪ Dedicated learning and development resource that supports the needs of the water business ▪ Water Services leadership team established to oversee the water portfolio of businesses ▪ Staff development and succession planning in place
Business processes, due diligence and new business integration	▪ Clear mergers and acquisitions process in place, including formal business cases, and a focus on culture and engagement as part of due diligence and integration activities ▪ Post-acquisition reviews conducted to capture lessons from more recent acquisitions
Safety	▪ Accreditation maintained with regular business and construction site external audits ▪ Health, safety and environmental risks identified during project planning, and managed for the life of projects
Water projects management	▪ Best-practice process established to manage end-to-end project execution and investment in skilled project management capabilities
Climate change	▪ Strategic focus on bringing technology to customers, focusing on better management of water resources ▪ Geographically diverse network of branches ▪ Closely monitor and align activities and investment in areas where governments invests in water infrastructure

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risk movement

Strategic priorities: 1 investment 2 innovation 3 integration 4 scalable back office 5 people and culture

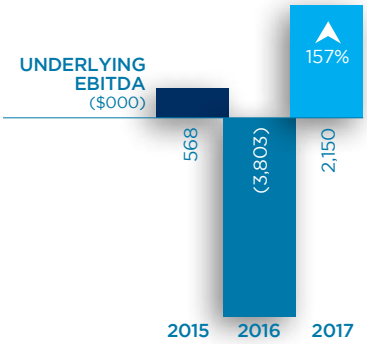
LIVE EXPORT

Frontier International (Frontier) is a Ruralco partnership established in 2013 focusing on the short-haul live export of feeder and slaughter cattle from Northern Australia to Asia, primarily Indonesia and Vietnam.

Frontier creates a demand channel for Ruralco livestock agents and customers through an integrated supply chain. Frontier has extensive expertise in the live export supply chain, from: production, sourcing, handling, logistics and animal welfare, to value-adding and final disaggregation.

Frontier is committed to best-practice animal welfare management at every point in the live export supply chain.

KEY FINANCIAL INDICATORS



PERFORMANCE IN THE YEAR

The Live Export division's earnings increased 157% to $2.2 million for the year.

The division has returned to profit reflecting the benefits of the restructure undertaken in the prior year and the cattle backgrounding program that ensures supply of quality cattle to customers over the wet season in Northern Australia.

Industry export volumes were down approximately 25% year on year, reflecting tight supply conditions and weaker demand due to price constraints. With over 112 thousand head of cattle exported in the year, flat on the prior year for the northern business, the division has increased its market share.

Animal welfare, compliance and a culture of continuous improvement are an ongoing focus, with the division appointing a full-time compliance manager in the first quarter of the year. As an extension of its responsibilities, Frontier entered into an agreement with a new state-of-the-art quarantine facility to support exports to Vietnam via Darwin. The quarantine station supports Global Compliance's 'big brother' CCTV system, which uses video monitoring to ensure supply chain integrity in Australia and export countries.

The division is consolidating its access to supply-chain infrastructure in order to underpin operating efficiency.

OUTLOOK

The short-term outlook remains challenging, continuing high domestic cattle prices and a highly competitive live export environment is expected to impact trading margins, at least till the end of the calendar year.

The division enjoys a relatively strong market position in Indonesia and Vietnam and is actively developing its position in other Asian markets in order to diversify its customer base, which is an emerging market.

Management also continue to review its shipping arrangements to ensure the division's cost base remains agile.

FY18 FOCUS

Continue to work with stakeholders to enhance the focus on animal welfare along the whole supply chain

Develop relationships in additional markets to increase diversity of customer base

Continue to review shipping arrangements to retain cost base agility

RISKS

Key risks involve failing to manage the dynamic and varied issues linked to live animal export, ensuring compliance with industry regulatory obligations (particularly those relating to animal welfare), and sovereign and political risk. Backgrounding poses risks related to the performance of cattle and disease prevention.

RISKS	MITIGATION
Supply chain processes and animal welfare $ ◀▶ **1** 2 **3** 4 5	▪ Dedicated Compliance Committee and Compliance Manager for the Live Export business ▪ Regular in-market audits and reviews conducted ▪ Customer and market due diligence processes are in place
Political and sovereign risk, both domestic and international $ ◀▶ **1** 2 **3** 4 5	▪ Strategic focus on diversification of destination markets ▪ Political changes closely monitored and regular engagement of industry stakeholders ▪ Active participation in industry bodies and initiatives
Backgrounding program execution $ ◀▶ 1 2 **3** 4 5	▪ Backgrounding programs managed by experienced industry experts
Safety ▼ 1 2 3 4 **5**	▪ Dedicated Work Health and Safety team, that provide regular advice, training and audits

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▲ risk movement

Strategic priorities: 1 investment 2 innovation 3 integration 4 scalable back office 5 people and culture

FINANCIAL SERVICES

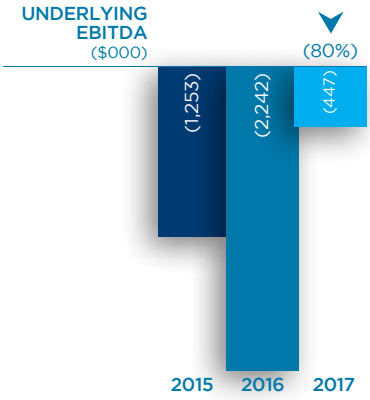
Ruralco's Financial Services offering incorporates insurance broking, finance broking, grain trading and commodity advice and analysis via the Mecardo market analysis website.

Our insurance partnership with Ausure, part of Steadfast Group, helps our customers manage the risks associated with their operations. This increases their confidence, facilitating and supporting demand for rural supplies from the Rural Services division.

The division has a national network of finance brokers who access an extensive panel of lenders. The brokers focus on term lending, arranging off-balance sheet finance through the Rabobank Seasonal Finance product and most recently the Ruralco Flexi Finance product. This access to finance supports our customers' ability to invest in and intensify their operations and manage the cash flow cycle between planting and harvesting.

Our partnership with CHS Inc., through our Agfarm joint venture, provides our customers with grain financing solutions (such as Agfarm Accelerate, which is an input financing product) and commodity management and marketing services.

KEY FINANCIAL INDICATORS



PERFORMANCE IN THE YEAR

The Financial Services division achieved a break-even run rate by year end. During the year earnings improved 8% to a $0.4 million loss for the year (compared with a $2.2 million loss in the prior year). This result includes $0.5 million share of profits from the Company's Ausure joint venture and $0.5 million from its investment in Agfarm venture.

Growth in demand for the Rabobank Seasonal Finance product (an off-balance sheet financing solution for our customers) contributed to a 9% growth in finance gross profit, with the facility limit increasing more than 140% to $77 million and drawings rising 198% to $49 million.

The division recently launched a new, low doc Ruralco Flexi Finance product, which fills a need for quick, easy access to short-term finance, assisting farmers to buy livestock to expand or build their herds and can be used for asset financing, particularly in water infrastructure.

The approach to business development in 2017 focused on embedding brokers within Rural Services businesses and using the existing customer base to strengthen relationships, while also tailoring Ruralco's suite of financing products to meet specific customer needs.

The expertise, systems and scale gained through the Ausure joint venture has turned a sub-scale, loss-making insurance operation into a profitable earnings stream for the Company.

OUTLOOK

In 2018, we expect the growth momentum to continue in this division. Management's focus is to continue to expand the Rabo Seasonal Finance book and roll-out the Flexi Finance product through the Rural Services division.

We are continuing to expand our Ausure partnership, which will provide an annualised earnings contribution in 2018. Over the next 12 months, we will focus on expanding the areas where we distribute our insurance products, and develop specialised products that meet the needs of rural and regional Australia.

As the existing insurance business was loss making, undertaking this step change Ausure investment is expected to improve the division's cost to serve and lead to a reduction in operating expenditure as a percentage of gross profit, which remains high at 115.9%.

Growth of our Seasonal Finance product is anticipated to continue with greater focus on financing crop inputs during 2018.

FOCUS FOR FY18

Expand the Ausure partnership

Roll out Ruralco's Flexi Finance product

Invest in finance broker capability

We are continuing to expand our Ausure partnership, which will provide an annualised earnings contribution in 2018. Over the next 12 months, we will focus on expanding the areas where we distribute our insurance products, and develop more specialised insurance offerings that meet the needs of rural and regional Australians.

RISKS

Key risks relate to not being able to grow our Financial Services business in line with our Future of Farming Strategy, and not meeting financial services regulatory obligations.

RISKS	MITIGATION
Stagnant growth of the division $ ◀▶ 1 2 **3** 4 5	▪ Form high-quality insurance and financial products partnerships to offer a broad product range ▪ Ensure strong brand recognition ▪ Form a client-focused broker network
Compliance with financial services regulatory obligations and changes $ ◀▶ 1 2 3 **4** **5**	▪ Educate brokers ▪ Undertake training in compliance and continuous improvement processes
Exposure to counterparty debt with on-balance sheet financing $ ◀▶ 1 2 3 **4** 5	▪ Conduct individual counterparty risk assessments ▪ Maintain credit policies and procedures ▪ Monitor and report on debtors ▪ Introduce trade credit insurance for large debtor processors ▪ Have key Management and/or Board members review significant credit issues ▪ Introduce more off-balance sheet financing products

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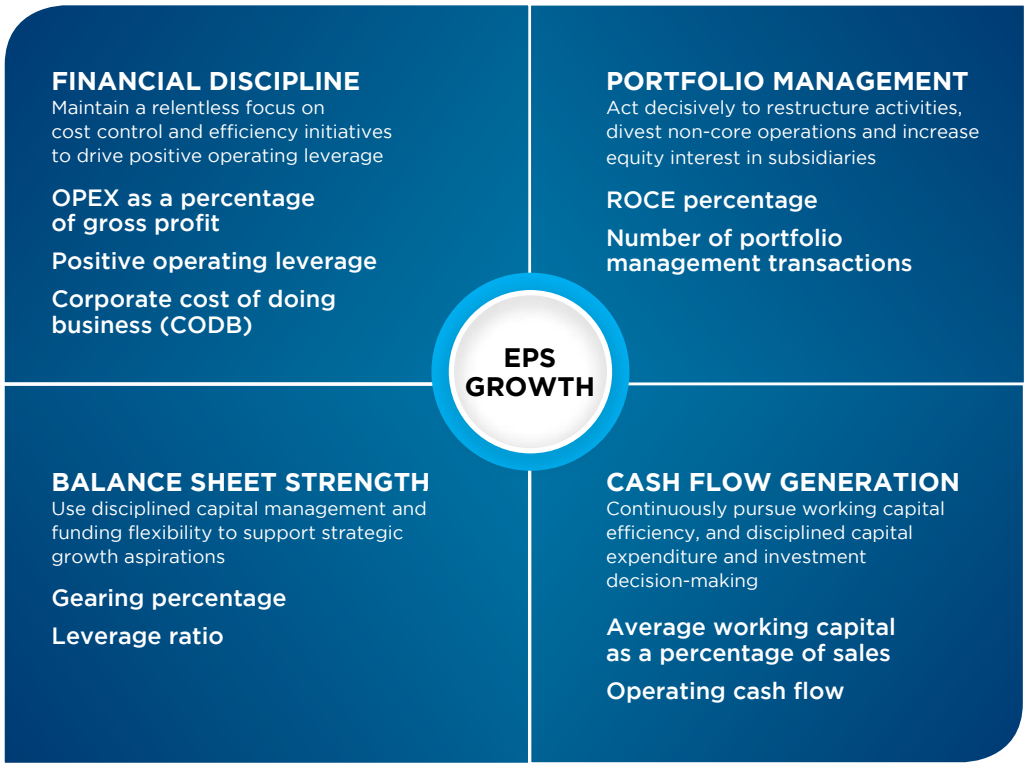
FINANCIAL REVIEW

PERFORMANCE AND FOCUS AREAS

In order to grow earnings per share and total shareholder returns, we seek to complement our Future Farming Strategy with financial discipline, strong portfolio management, balance sheet strength and cash flow generation. The following diagram sets out a description of these areas and the financial tools we use to measure success.



The Company's performance in these areas during the year are set out on the following pages.

GENERATING LONG-TERM SHAREHOLDER RETURNS

The Company works to optimise shareholder returns through its dividend policy, which aims to maintain a dividend payout ratio of between 40% and 60% of underlying earnings per share (EPS).

This dividend policy seeks to balance the needs of shareholders and the business with dividends declared, reflecting the Company's current and projected cash position, profit generation and available franking credits.

The Board declared a fully franked final ordinary dividend of 6 cents per share for 2017, taking the full year ordinary dividend to 15 cents per share, which is a dividend payout ratio of 55% of underlying EPS. The final dividend was paid on 18 December 2017 to shareholders who were on the Company's register at 27 November 2017, 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%.

FINANCIAL DISCIPLINE

The Company achieved record NPAT[1] of $22.4 million for the 2017 financial year, a 422% increase on the previous year. Returns to shareholders also rose, with a 332% increase in EPS to 23.5 cents per share, and a 6.9 percentage point increase in return on equity (ROE[2]) to 8.6%.

The Company's profitability depends on having an efficient and effective operating model, which includes developing a scalable back office to support the front-line, customer-focused business, and drive positive operating leverage[3] as we pursue our Future Farming Strategy. We use cost-efficiency measures (including operating expenditure (OPEX) as a percentage of gross profit) to ensure the cost base of the business is the right size to account for adverse market conditions. This means incremental earnings from organic growth and new acquisitions lead to increased returns to shareholders without significantly increasing the corporate CODB.

In reviewing the cost base of the business and while executing on strategy, we incur certain one-off costs to achieve our long-term aims. It is for this reason that we present the Company's results on an underlying and reported basis. Underlying measures of profitability provide more useful information on the Company's sustainable earnings base and do not discourage Management from pursuing activities that support the strategy. For example, they may provide information on costs associated with acquisitions, material impairments, gains or losses on the disposal of operations, and restructuring activities.

The following table sets out a reconciliation of underlying to reported earnings.

YEAR ENDED 30 SEPTEMBER	UNDERLYING 2017 $000	SIGNIFICANT ITEMS 2017 $000	REPORTED 2017 $000	REPORTED 2016 $000	CHANGE $000	CHANGE %
Revenue	1,826,781	19	1,826,800	1,790,140	36,660	2
Gross profit	334,613	(276)	334,337	294,182	40,155	14
EBITDA [4]	65,433	(5,209)	60,224	27,491	32,733	119
Depreciation and amortisation expense	(10,490)	-	(10,490)	(9,405)	(1,085)	12
Net finance costs	(5,586)	-	(5,586)	(5,440)	(146)	3
PROFIT BEFORE TAX	49,356	(5,209)	44,147	12,646	31,502	249
Tax	(14,639)	1,319	(13,321)	(3,776)	(9,545)	253
Non-controlling interest	(8,571)	165	(8,406)	(4,574)	(3,832)	84
NPAT ATTRIBUTABLE TO SHAREHOLDERS	26,146	(3,725)	22,420	4,296	18,124	422
OPEX as a percentage of gross profit (%)	80.8		82.3	90.7		
Operating leverage [3]	28x		58x	(4)x		
Corporate CODB ($000)	37,297		37,297	35,235		
ROE (%)	10.0		8.6	1.7		
EPS (cents)	27.4		23.5	5.4		

Significant organic growth in the core traditional rural supplies and agency businesses, and recovery in the Company's live export business, complemented the additional earnings from acquisitions in Water Services and Rural Services driving a 58% increase in underlying EBITDA to $65.4 million. These acquisitions contributed $6.6 million to EBITDA and gave us a presence in 24 new locations, as well as increasing the scale and diversity of our earnings base. We have set out more detail about the financial performance of each of our divisions on pages 28 to 35.

Ruralco's underlying NPAT of $26.2 million was a 95% increase on the previous year and excluded $5.2 million ($3.9 million net of tax) of costs arising from restructuring and cost-out initiatives, activities relating to acquisitions and a loss on disposing of the Company's non-core farm machinery business.

Underlying OPEX as a percentage of gross profit decreased to 80.8% (2016: 86.2% on an underlying basis), leading to strong operating leverage of 58 times. Management believes the cost-out actions taken to right-size the businesses, particularly the Water Services and Live Export divisions, and an ongoing focus on this measure will provide a strong platform for future earnings growth, with a Company target of less than 80% through the cycle.

Ruralco's corporate CODB includes the centralised costs of:

- procurement and distribution warehouses
- support functions (including Transactional Finance; Payroll; IT Support; and other corporate functions).

The corporate CODB increased 6% to $37.3 million, mainly reflecting higher short term incentive (STI) costs given Ruralco's strong financial performance and $0.7 million for centralised finance staff members who were previously included in the results of Rural Services. The centralisation of these roles led to reduced staff numbers for the Company.

[1] Net profit after tax (NPAT) means reported net profit attributable to equity holders of the Company.

[2] ROE means the underlying or reported NPAT divided by the average shareholders' equity on a rolling 12-month basis.

[3] Operating leverage means the percentage of growth in revenue divided by the percentage of growth in EBITDA.

[4] EBITDA means reported earnings before interest, tax, depreciation and amortisation plus share of profits from equity-accounted investees.

PORTFOLIO MANAGEMENT

Decisive action to restructure or divest our non-core operations while fulfilling the Company's investment and integration strategic priorities is vital to managing our portfolio of operations.

We have taken significant steps to fulfil our investment and integration strategies during the year acquiring a portfolio of targeted acquisitions across the Rural Services, Water Services and Financial Services divisions in the first half of the year. As part of disciplined capital management, we funded these acquisitions through a strongly supported $65 million equity raising in February 2017. The equity raising allowed us to keep our gearing and leverage ratios within our target range while increasing the breadth and depth of our register.

We acquired five water businesses during the year located in key catchment areas and regions of high government investment. These businesses are Irrigation Tasmania in Tasmania; Mildura Irrigation Centre; River Rain and Riverland Irrigation in the Murray Darling Basin in South Australia; and Hunter Irrigation in New South Wales. These acquisitions give the Company a presence in 14 new locations, increasing the geographical and operational diversity of the business.

A key strategic aim of Rural Services is to fill the remaining gaps in the retail network. This year, we have acquired TP Jones & Co in Tasmania; Great Northern Rural Services in the key horticultural region of Geraldton in Western Australia; Sid Newham Rural Supplies in New South Wales; and, most recently, Southern Agricultural Solutions in the Southern Highlands of New South Wales. These businesses were already CRT wholesale members. Their acquisition contributes to growth in Ruralco's earnings in each region and gives us a presence in nine new locations. Ruralco also established a greenfield site in Esperance, Western Australia, which is one of the largest agricultural chemical markets in Australia. We will ramp up this operation in the coming year.

In December 2016 we acquired a 50% interest in the Ausure insurance joint venture, in partnership with Steadfast Group Limited. This is an important achievement that enables a step change in our Financial Services division.

Our participation in the joint venture has transformed Ruralco's sub-scale insurance business into a profitable and scalable operation. The joint venture will improve the insurance offering to our customers and provide opportunities for potential bolt-on acquisitions within the Ausure authorised representative network.

As foreshadowed last year, Management disposed of our farm machinery business based in Tasmania, as it was not core to the Future Farming Strategy. However, we expanded our majority shareholding in six other businesses, including a 5% increase in our investment in Frontier International, our Live Export business.

BALANCE SHEET STRENGTH

We will continue to maintain a strong balance sheet and have a disciplined focus on working capital management as we carry out the Company's strategy. The Company's capital employed is comprised of the following:

TOTAL CAPITAL EMPLOYED AS AT 30 SEPTEMBER [5]	2017 $000	2016 $000	CHANGE $000	CHANGE %
Trade and other receivables (incl. prepayments) [6]	402,877	364,209	38,669	11%
Inventories (incl. biological assets)	160,195	129,666	30,529	24%
Trade and other payables (incl. derivative financial instruments)	(429,921)	(401,205)	(28,716)	7%
NET WORKING CAPITAL	133,151	92,670	40,481	44%
Property, plant and equipment	43,966	40,875	3,091	8%
Intangibles	214,691	147,305	67,386	46%
Investments in equity accounted investees	18,504	8,805	9,699	110%
Net tax items	10,162	11,839	(1,677)	(14%)
Other items	(40,167)	(27,991)	(12,176)	43%
TOTAL CAPITAL EMPLOYED	380,307	273,505	106,804	39%
Average working capital as a percentage of sales (%) [7]	8.3	7.7		
Underlying ROCE (%) [8]	17.3	13.3		

At the end of the year, working capital had increased 44% to $133.2 million reflecting the impact of acquisitions and growth in current debtors following a strong September sales result. The Company's working capital efficiency measure, average working capital as a percentage of sales increased to 8.3% (2016: 7.7%) for the year, although excluding the impact of acquisitions, the measure is relatively flat at 7.8%. The focus on working capital management led to a positive reduction in underlying average working capital of 2% over the year.

Total capital employed at the end of the year increased $106.8 million (39%) to $380.3 million, mainly reflecting an increase in goodwill and other intangibles of $67.4 million from the acquisitions and increased investment in information technology (IT). We discuss this further in the cash flow generation section on page 40). A liability of $11.3 million is included in 'Other items', as two of the Water Services acquisitions include contingent considerations that may be payable under earn-out arrangements with the previous owners, which contribute to the $12.2 million decrease in this balance compared to the previous year.

The significant improvement in earnings is the primary reason for the growth in underlying ROCE to 17.3% (2016: 13.3%) and comes despite the increase in average capital employed.

NET DEBT AS AT 30 SEPTEMBER	2017 $000	2016 $000	CHANGE $000	CHANGE %
Cash and cash equivalents	22,789	5,417	17,372	321
Gross drawn debt	(109,590)	(65,000)	(44,590)	69
Other loans	(1,475)	(1,137)	(338)	30
Finance lease liabilities	(1,377)	(1,664)	287	(17)
NET DEBT	(89,653)	(62,384)	(27,269)	44
TOTAL SHAREHOLDERS' EQUITY	(290,655)	(211,121)	(79,534)	38
Gearing ratio (spot) (%) [9]	23.6	22.8		
Leverage ratio (spot) (%) [10]	1.49	2.27		

Net debt increased by $27.3 million (44%) to $89.7 million and gearing grew to 23.6%, mainly reflecting the need for increased working capital due to the business growing in size.

At 30 September 2017, the Company had drawn down $95 million of the Debtor Securitisation Facility and $14.6 million of a new Seasonal Cattle loan facility, which we used to fund the purchase of cattle for the Live Export backgrounding program. Ruralco complied with all financial obligations under these facilities throughout the year.

In September 2017, we renewed our debt facilities and:

- increased the debtor securitisation facility limit to $180 million at a reduced margin
- changed the multi-option facility to an uncommitted facility, with a $40 million limit to fund further acquisitions
- put in place a $10 million overdraft facility with ANZ.

The Company has significant funds available to pursue acquisitions that align with our stated strategic priorities.

[5] Presentation reflects the management balance sheet, which is based on different classifications and groupings to those of the financial statements.

[6] Excludes related-party and shareholder loans classified within net debt.

[7] Average working capital as a percentage of sales means the average working capital for 12 months divided by revenue for the year.

[8] Underlying ROCE means the underlying EBITDA divided by average total capital employed.

[9] Gearing ratio means the net debt as a percentage of net debt plus shareholders' equity.

[10] Leverage ratio means the net debt divided by reported EBITDA (i.e. including the impact of significant items).

CASH FLOW GENERATION

Ruralco aims to minimise cash on hand while using cash generated from operations to pay down borrowings, fund capital expenditure and bolt-on acquisitions, and ultimately return dividends to shareholders.

ABRIDGED CASH FLOW FOR THE YEAR ENDED 30 SEPTEMBER	2017 $000	2016 $000	CHANGE $000	CHANGE %
Reported EBITDA	60,224	27,491[11]	32,733	119
Net change in working capital	(35,136)	23,709	(58,845)	(248)
Net finance costs	(140)	1,221	(1,361)	(111)
Tax paid	(10,795)	(14,332)	3,537	(25)
OPERATING CASH FLOWS	14,153	38,089	(23,936)	(63)
Acquisitions and subsidiary investments	(69,766)	(13,811)	(55,955)	405
Capital expenditure	(24,874)	(13,081)	(11,793)	90
Divestments	2,932	745	2,187	294
Sale of assets and other	2,454	2,391	63	3
INVESTING CASH FLOWS	(89,254)	(23,756)	(65,498)	276
Dividends paid	(14,339)	(15,171)	832	(5)
Equity raise (net of issue costs)	63,320	-	63,320	100
Treasury share purchases	(741)	(2,146)	1,405	(65)
Net draw down of borrowings	44,233	9,593	34,640	361
FINANCING CASH FLOWS	92,473	(7,724)	100,197	(1297)
CHANGE IN CASH HELD	17,372	6,609	10,763	163
Free cash flow[12]	3,879	25,008	(21,129)	(84)
cash realisation (%)[13]	83	429		

The Company ended the year with cash on hand of $22.8 million, a $17.3 million increase on the previous year, reflecting higher cash receipts than expected at the end of September (timing-related).

The $23.9 million decrease in net operating cash inflows and reduction in the Company's cash realisation ratio to 83% for the year mainly reflect the impact of timing differences relating to working capital at the end of September. A strong sales month in September led to significant growth in current debtors and more efficient payments to suppliers, as greater automation contributed to an increase in net working capital.

Ruralco retains strong discipline around investment capital expenditure. Potential acquisitions must align with strategy, be earnings accretive and exceed ROCE thresholds.

The current year investing cash outflow of $89.3 million includes $54.1 million largely spent on:

- the portfolio of acquisitions for the Water Services division
- filling remaining gaps in the Rural Services retail footprint
- paying $7.8 million for a 50% interest in the Ausure JV
- paying $1.8 million to increased shareholdings in certain subsidiaries as part of our portfolio management activities.

This compares to 2016, when we spent $12.5 million on acquisitions and $1.3 million on purchasing additional interests in certain subsidiaries.

Capital expenditure of $24.9 million in the year included $14.6 million invested in IT (2016: $5.7 million). This was mainly on SAP, our enterprise resource planning IT system, and $10.2 million on Program Elevate projects. The remainder related to IT initiatives such as business intelligence tools, rolling out the Chris21 payroll system, acquiring mobility services (such as scanners to improve inventory management) and the costs of migrating acquired businesses onto the SAP. Our maintenance capex spending approximates our average annual depreciation and amortisation expense.

Net financing cash inflows of $92.5 million for the year include the $65 million of funds received from equity raising efforts. Ruralco used these funds for acquisitions in the same period. Additionally, we used our debtors' securitisation facility to fund working capital requirements, so the increase in net drawdowns of this facility of $34.6 million in the year mainly reflect the net change in working capital. Cash used to pay dividends was also down, reflecting the significantly lower 2016 financial results. The strong growth in earnings in the current year and the 50% increase in full year dividends to 15 cents is expected to lead to growth in such payments in 2018.

[11] Includes the impact of reclassifying $0.8 million in merchant fees from finance costs to cost of goods sold, to align with current period presentation.

[12] Operating cash flows less maintenance capital expenditure (excludes investment capex spend on Program Elevate of $10.2 million, and integration of acquired entities onto SAP and other IT projects).

[13] Cash realisation means operating cash flows divided by profit for the period (including profit attributable to non-controlling interests).

TRAVIS DILLON
Managing Director & CEO

RICHARD (RICK) LEE AM
Independent Non-Executive Chair

ABSENT: ANDREW MACPHERSON
Independent Non-Executive Director

TRUDY VONHOFF
Independent Non-Executive Director

ELIZABETH JOHNSTONE
Independent Non-Executive Director

MICHAEL MILLNER
Independent Non-Executive Director

BOARD OF DIRECTORS

RICHARD (RICK) LEE AM

Independent Non-Executive Chair
FAICD, BEng (Chemical) (Hons), MA(Econ) (Oxon)

Skills and experience: Rick is an experienced company Director and Chair of the Board having served on a range of boards since 2001, when he retired as Chief Executive of NM Rothschild Australia Group after nine years. His previous senior executive roles also include 16 years with CSR 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.

Current Directorships/Appointments:

- Chairman & Non-Executive Director at Oil Search Limited (since May 2012)
- Non-Executive Director of Newcrest Mining Limited (since August 2007)

Current Ruralco Holdings Committee roles/memberships:

- Member of the Investment Review Committee
- Member of the Audit, Risk & Corporate Governance Committee
- Member of the Nomination & Remuneration Committee

TRAVIS DILLON

Managing Director & CEO
MAICD, MBA, Adv Dip RBM

Skills and experience: Travis has more than 25 years' experience in the agribusiness industry. Having joined Ruralco in 2007, Travis has extensive operational knowledge across all of the Company's activities including rural supplies, livestock agency, live export, financial services and wool and real estate agency activities. Prior to his appointment as Managing Director & CEO in November 2015, Travis was responsible for many of the profit centre operations across the Group. Current directorships include several of the Ruralco entities along with AuctionsPlus Pty Ltd, market leader in online transactions of livestock services.

TRUDY VONHOFF

Independent Non-Executive Director
GAICD, MBA, BBus (Hons), SF Fin

Skills and experience: Trudy has over 30 years' experience leading businesses in the financial services industry and brings strong strategic, financial, commercial and risk management skills to Ruralco. Trudy previously held senior Executive positions with Westpac and AMP including leading Westpac's Commercial Banking and Agribusiness unit, further developing her strong interest in, and understanding of agribusinesses. She also has extensive corporate governance and people and culture experience through her Non-Executive roles with AMP Bank Limited and Cabcharge Australia Limited.

Current Directorships/Appointments:

- Non-Executive Director and Chair of the Risk Committee of AMP Bank Limited (since June 2012)
- Non-Executive Director and Chair of the Remuneration and Nominations Committee of Cabcharge Australia Limited (since August 2015)
- Non-Executive Director and Chair of the Audit and Risk Committee for Tennis NSW Limited (since December 2012)

Current Ruralco Holdings Committee roles/memberships:

- Chair of the Nomination & Remuneration Committee
- Member of the Investment Review Committee
- Member of the Audit, Risk & Corporate Governance Committee

ELIZABETH JOHNSTONE

Independent Non-Executive Director
FAICD, LLB, MA(Hons), BA(Hons)

Skills and experience: Elizabeth has extensive experience in company law and corporate governance. Elizabeth was previously a corporate partner and practice head for company law and governance at Blake Dawson (now Ashurst) and a member of the American Bar Association's International Developments in Corporate Governance Committee. Elizabeth served for many years as a member of the Auditing and Assurance Standards Board until 2012 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.

Current Directorships/Appointments:

- Chair of ASX Corporate Governance Council (since October 2017)
- Chair & Non-Executive Director of KinCare Community Services Limited and related companies (since September 2012)
- Non-Executive Director and Chair of Audit & Risk Management Committee of the Royal Flying Doctor Service (South East Section) (since 2010)
- Non-Executive Director and member of the Audit & Risk Committee of Macquarie University Hospital Operations Ltd (until March 2017)

Current Ruralco Holdings Committee roles/memberships:

- Chair of the Audit, Risk & Corporate Governance Committee
- Member of the Investment Review Committee
- Member of the Nomination & Remuneration Committee

MICHAEL MILLNER

Independent Non-Executive Director
MAICD

Skills and experience: Michael was first appointed to the Board in 2003, but stepped down for a year in 2006 before being re-appointed. Michael has extensive experience in the investment industry and has broad exposure to agribusiness both personally and through his appointment to the Board of the Royal Agricultural Society of New South Wales, a not-for-profit organisation that encourages the sustainable development of Australia's agriculture.

Current Directorships/Appointments:

- Non-Executive Director and Deputy Chairman of Brickworks Limited (since 1998)
- Councillor and Board member of the Royal Agricultural Society of New South Wales and Chairman of the Royal Agricultural Society of New South Wales (RAS) Foundation (since December 2011).

Current Ruralco Holdings Committee roles/memberships:

- Chair of the Investment Review Committee
- Member of the Audit, Risk & Corporate Governance Committee
- Member of the Nomination & Remuneration Committee

ANDREW MACPHERSON

Independent Non-Executive Director
B.Ind. Eng, (Hons UNSW), MAICD

Skills and experience: Andrew has close to 30 years' experience in financial and management consulting and served as Regional Managing Director for global consulting firm, Accenture, until he retired in 2005. His areas of specialisation are technology strategy and the implementation of technology to transform business operations. Since retiring from Accenture he has been involved with a number of early stage technology businesses in the areas of biometrics, online retail and customer loyalty. The son of a wool grower, he grew up in the New England district of New South Wales and has maintained his agricultural interests with a cattle breeding property in the Hunter Valley.

Current directorships/Appointments:

- Non-Executive Director Melbourne IT Group (since July 2017)
- Chairman WorkVentures, not-for-profit IT social enterprise (since April 2017)
- Non-Executive Director OneVue Group (since October 2016)
- Chairman Sirca Limited (since July 2016)

CORPORATE GOVERNANCE STATEMENT

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.

A copy of Ruralco's full 2017 Corporate Governance Statement, which provides detailed information about governance, and a copy of Ruralco's Appendix 4G, which sets out the company's compliance with the recommendations in the third edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles) is available on the corporate governance section of the company's website at www.ruralco.com.au/corporate/corporate-goverance. The Board believes that the governance policies and practices adopted by Ruralco during 2017 are in accordance with the recommendations contained in the ASX Principles.

The material business risks faced by Ruralco, how these risks interact with the Ruralco'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 are set out in the discussion of the operational results of each division in the operating and financial review. The risks disclosed are specific to each division and are not exhaustive with the focus on discussing the most material risks to those divisions.

In addition to these specific risks, there are those that are inherent to any business such as Ruralco and those that are managed at a corporate level. These risks are set out below and are monitored as part of the risk management process.

RISKS	MITIGATION
People and culture risks ↓ 1 2 3 4 **5**	▪ People and Culture Team in place to provide support to the business ▪ Performance reviews and personal development plans are core component of Manager responsibilities ▪ New systems and technology being implemented to support the Human Resource processes including on-line training modules
Strategy execution risk ↔ **1** **2** **3** **4** **5**	▪ The Future Farming Strategy is well known, articulated and formally approved with regular reporting and updates
Financing risk ↔ **1** **2** **3** 4 5	▪ Monthly reporting of financial metrics to the Board and Executive Team and regular reporting to banks on covenant compliance ▪ Business Unit performance reviews and monitoring of performance against targets including quarterly reforecasts ▪ Debtor securitisation in place to fund working capital
IT risk ↔ 1 2 3 **4** 5	▪ Governance process in place to manage projects and all IT change requests ▪ Standardising systems and business processes to ensure and improved operational integrity ▪ Focus on IT Security (including cyber threats) and Business Continuity ▪ Program Elevate approved by the Board
Change management risk ↑ **1** **2** **3** **4** **5**	▪ Project methodology in place for key projects including Program Elevate ▪ Project Management Office in place to enable better use of resources and to co-ordinate projects and change ▪ Change Management training of staff in progress
Acquisitions Risk ↑ **1** 2 3 4 5	▪ Dedicated Business Development team in place ▪ Clear Business Development process in place including formal business case and approval processes ▪ Pre and Post Acquisition Project Management in place with continuous improvement of processes ongoing
Regulatory risk ↔ **1** **2** 3 4 5	▪ Ruralco has a Code of Conduct in place under which all employees are expected to operate ▪ The Board Committees receive regular updates on legal and regulatory actions and incidents ▪ A stocktake of the Group's compliance obligations was completed and will be continually reviewed ▪ Online and face to face compliance training provided for key regulatory areas

$ economic sustainability, which is the ability to operate at a particular level of economic production over the long term

environmental sustainability, which is the ability to operate in a manner that does not harm the ecosystems in which Ruralco operates over the long term

social sustainability, which is the ability to operate in a manner that meets accepted social norms and needs over the long term

↑ risk movement

Strategic priorities: **1** investment **2** innovation **3** integration **4** scalable back office **5** people and culture

EXECUTIVE MANAGEMENT TEAM

ADRIAN GRATWICKE
Chief Financial Officer
TRAVIS DILLON
Managing Director & CEO
IAN PERRY
Executive General Manager
Financial Services
PETER WEAVER
Executive General Manager Water
ABSENT: ILONA ALSTERS
General Counsel and
Group Company Secretary

EXECUTIVE MANAGEMENT TEAM

TRAVIS DILLON

Managing Director & CEO
MBA, Adv Dip RBM, MAICD

Appointed: November 2015

Skills and experience: Travis has more than 25 years' experience in the agribusiness industry. Having joined Ruralco in 2007, Travis has extensive operational knowledge across all of the Company's activities including rural supplies, livestock agency, live export, financial services and wool and real estate agency activities. Prior to his appointment as Managing Director & CEO in November 2015, Travis was responsible for many of the profit centre operations across the Group. Current directorships include several of the Ruralco entities along with AuctionsPlus Pty Ltd, market leader in online transactions of livestock services.

ADRIAN GRATWICKE

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

Appointed: July 2015

Skills and experience: Adrian brings 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 in the resources and FMCG retail/wholesale sectors. He was previously CFO at Metcash Limited for five years, after holding several senior roles within the company. 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.

ELIZABETH HARDAKER

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

Appointed: May 2015

Skills and experience: Elizabeth is a commercially focused human resources professional with particular expertise in: organisational 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. Elizabeth is also Non-Executive Director of the Australian Institute of Management Business School.

MATT PEDERSEN

Executive General Manager Rural Operations
GAICD

Appointed: October 2015

Skills and experience: 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 the Ruralco Company including Managing Director of Primaries of WA, and Southern Regional Manager for Ruralco – WA, SA and Victoria. Matt was President of the National Council of Wool Selling Brokers Association and their representative on the Australian Chinese industry working group.

GREG O'NEIL

Executive General Manager CRT & Procurement
MAICD

Appointed: March 2016

Skills and experience: 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 NSW, QLD and WA.

PETER WEAVER

Executive General Manager Water
Adv Dip Man, Adv Dip FSM, GAICD

Appointed: February 2016

Skills and experience: 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 businesses. His significant experience within agribusiness extends across several industries and senior management positions, including as CEO of Ridley AgriProducts, General Manager Operations of Cheetham Salt and Operations Manager for ABB Grain.

IAN PERRY

Executive General Manager Financial Services
Grad Dip Financial Services Management, MAICD

Appointed: October 2015

Skills and experience: 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.

ILONA ALSTERS

General Counsel and Group Company Secretary
LLM, LLB, GradDipLegPractice, GIA(Cert), MAICD

Appointed: February 2016
Resigned: 1 December 2017

Skills and experience: Ilona brings the Company more than 20 years' experience in general legal affairs, corporate governance, global supply and sales/distribution throughout the Asia Pacific and Middle East regions. Ilona has previously held senior executive roles at ResMed, 3M, NTT, Medtronic and Computer Associates. Ilona currently serves as a Non-Executive Director on the Boards of Karting (New South Wales) Inc. and Southside Montessori School.

The information appearing on pages 49 to 50 forms part of the Directors' Report for the year ended 30 September 2017 and is to be read in conjunction with the following information.

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 2017. The comparatives presented are for the year ended 30 September 2016.

DIRECTORS AND COMPANY OFFICERS

Information regarding the Directors who served during the financial year and as at the date of this report can be found on pages 42 to 44 including qualifications, experience, special responsibilities and other details.

All directors served on the Board for the period from 1 October 2016 to 30 September 2017 except for John Tuskin, who retired from the Board on 15 November 2016. Following the acquisition of TP Jones & Co in March 2017, John has taken up a senior management position in the Group leading the Group's Tasmanian operations and from 1 October 2017 he joined the Executive Management Team.

Details of the Executive Management Team, which includes the CEO and the Company Secretary, can be found on pages 46 to 48.

PRINCIPAL ACTIVITIES

Throughout the year, the Group's principal activities were the sale and marketing of rural merchandise, fertiliser, water products and financial services products, the provision of agency services in relation to the sale of livestock, wool and real estate to rural and related customers, the provision of water related services including the design, construction, installation and maintenance of irrigation infrastructure and the live export of cattle.

DIVIDENDS

Dividends paid to members during the year were as follows:

	$'000
Final dividend for the year ended 30 September 2016: 8 cents per share	6,302
Interim dividend for the year ended 30 September 2017: 9 cents per share	9,336
TOTAL	15,638

Subsequent to year end, the Board declared a fully franked final ordinary dividend of 6 cents per share taking the full year ordinary dividend to 15 cents per share. The final dividend will be paid on 18 December 2017 to shareholders on the Company's register on 27 November 2017, 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 $22.4 million (2016: $4.3 million). Information on the operations and financials of the Group and its business strategies and prospects is set out on pages 16 to 40 of this Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 15th February 2017, the Company announced the launch of an equity offering comprising an Institutional Placement and a 1 for 6 Accelerated Non-Renounceable Entitlement Offer. $65 million was successfully raised to fund a portfolio of acquisitions executed in the first half and 24.4 million new shares commenced trading on 16th March 2017.

During the year, the Group acquired a number of businesses with complementary activities that provided the Group with 24 new points of presence in Water Services and Rural Services, bringing scale as well as regional and operational diversity to the network. More details can be found in the Operating & Financial Review on pages 28 to 35.

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 Managing Director & CEO's Report and Operating & Financial Review sections of this Annual Report.

EVENTS SUBSEQUENT TO YEAR END

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

- On 1 December 2017, the Group acquired 100% of the business assets of Southern Agricultural Solutions Pty Ltd, a four branch rural services business located in the southern highlands and capital regions of New South Wales for consideration of $3.2 million.

Subsequent to the reporting date, the Group's General Counsel and Company Secretary, Ilona Alsters, resigned effective 1 December 2017.

On 5th December 2017, the Board appointed Andrew Macpherson as a Non-Executive Director of the Company. As a new appointment to the Board, Andrew Macpherson will retire from office and be eligible for election at the upcoming Annual General Meeting ("AGM") in February 2018. Further information with respect to the AGM is contained in the Notice of Meeting.

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.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS (continued)

The Company indemnifies Directors and Secretaries (and may indemnify Executive Officers) against any liability incurred in that capacity in defending any proceeds, 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	
	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
Richard Lee	12[c]	12	5	5	5	5	4	4
Elizabeth Johnstone	12	12	6[c]	6	5	5	3	3
Trudy Vonhoff	12	12	6	6	5[c]	5	3	3
Michael Millner	12	10	5	4	5	5	4[c]	4
Travis Dillon	12	12	6	6	5	5	4	4
John Tuskin*	2	2	2	1	2	1	2	2

[c] : Chair of Board and/or Committee

*: Retired from the Board on 15 November 2016

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.

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. Further information on Group's approach to its environmental responsibilities is included in the Environmental, Social & Governance section of this report pages 23 to 26.

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 68.

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

Richard (Rick) Lee AM
Chairman, Ruralco Holdings Limited

Dated at Sydney on the 5th day of December 2017

LETTER FROM THE CHAIR OF THE NOMINATION & REMUNERATION COMMITTEE

Dear Shareholders,

I am pleased to present the Ruralco Remuneration Report for the year ended 30 September 2017.

This report details Ruralco's remuneration framework, practices, how our remuneration outcomes align the interests of Executives with shareholders and also ensure compliance with relevant laws and regulations.

2017 has been a successful year for Ruralco. Significant progress has been made in executing the Future Farming Strategy and has delivered strong organic growth driven by the core traditional rural supplies and agency business and recovery in the live export business.

Management has been focused on achieving the cost-out initiatives identified in the prior year, with control of costs and the growth in gross profit contributing to positive operating leverage and an improved OPEX to gross profit ratio of 80.8%. These have contributed to the growth in net profit attributable to shareholders of 422% to $22.4 million.

The Company undertook a number of important transactions in the year aligned with the Future Farming Strategy. These include filling gaps in our Rural Services retail network, undertaking a step change in our Financial Services business and building on our leading market position in Water Services. These high quality, accretive acquisitions have brought increased scale and diversity to the business, both operationally and geographically and were facilitated by the Company's strongly supported $65 million equity raise.

The Board is pleased with the outstanding safety performance across Ruralco in 2017, highlighted by a 17% drop in the lost-time injury frequency rate to a record low of 2.8.

After a year of strong financial and operational performance, Executive remuneration outcomes are similarly positive. In particular, Short-Term Incentives (STI) outcomes are close to maximum for most Executives.

Major activities the Committee completed during the year include:

REWARD FRAMEWORK

- 2016 Long-Term Incentive (LTI) earnings per share (EPS) targets approved
- New Employee Retention Share Plan to recognise and reward high performing staff launched
- To lift equity ownership, Ruralco is introducing an Executive Share Matching Plan which offers Executives[1] a grant of Matched Shares if they elect to invest part of their after-tax STI payments into shares. This will operate in respect of FY17 and FY18 STI payments.

REVIEWING OUTCOMES

- Key Management Personnel (KMP) performance, talent and succession planning activities undertaken.

GOVERNANCE

- KMP FY17 Key Performance Indicators set
- Non-Executive Director (NED) shareholding policy approved
- Board review and NED skills assessment refreshed for FY17
- Completed the search for and appointment of a new Non-Executive Director to complement the Board's skills in technology and strategy.

The Committee remains focused on ensuring Ruralco's remuneration practices are robust and appropriate for our internal and external operating environment. In particular, the Committee considers equity participation an important element of an Executive remuneration framework. As such, the Committee will review the overall Executive remuneration framework in 2018, taking into account our business strategies, contemporary remuneration practice and investor views.

Trudy Vonhoff

Chair, Nomination & Remuneration Committee

5 December 2017

[1] Throughout this Remuneration Report, the term "Executive" refers to Executive Key Management Personnel, including the CEO.

SECTION 1: OVERVIEW

1.1 KEY MANAGEMENT PERSONNEL COVERED IN THIS REPORT

KMP are people having the authority and responsibility for planning, directing and controlling activities of the Company, whether directly or indirectly. For the purposes of this report, the Company 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 year disclosures:

DIRECTORS

NAME	POSITION
Richard Lee	Chairman
Elizabeth Johnstone	Non-Executive Director
Michael Millner	Non-Executive Director
Trudy Vonhoff	Non-Executive Director
John Tuskin[2]	Non-Executive Director

EXECUTIVE MANAGEMENT TEAM

NAME	POSITION
Travis Dillon	Managing Director & Chief Executive Officer
Adrian Gratwicke	Chief Financial Officer
Elizabeth Hardaker	Executive General Manager – People & Culture
Greg O'Neil	Executive General Manager – CRT & Procurement
Matthew Pedersen	Executive General Manager – Rural Operations
Ian Perry	Executive General Manager – Financial Services
Peter Weaver	Executive General Manager – Water
Ilona Alsters[3]	General Counsel & Group Company Secretary

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

NAME	POSITION	DATE CEASED TO BE KMP
Ross Burney	Non-Executive Director	24 February 2016
Richard England	Chairman	5 September 2016
Rick Maybury	Executive General Manager – Rural Supplies	30 September 2016
Angie Somann-Crawford	General Counsel & Company Secretary	31 March 2016
Steve Williams	General Manager – Water Supplies	31 March 2016

[2] John Tuskin resigned from the Board on 15 November 2016. Following the acquisition of TP Jones & Co in March 2017, John took up a senior management position leading the Company's Tasmanian operations and from 1 October 2017 he joined the Executive Management Team.

[3] Ilona Alsters ceased employment with the Company on 1 December 2017.

1.2 REALISED REMUNERATION

The table below shows a snapshot of actual remuneration earned by Executives, including the Chief Executive Officer (CEO). This information is in addition to statutory remuneration information which is prepared in accordance with accounting standards as shown on page 75.

EXECUTIVE	FIXED REMUNERATION[4]	FY17 STI AWARDED	LTI VESTED IN FY17	TOTAL
Travis Dillon[5]	790,000	556,950	-	1,346,950
Adrian Gratwicke	630,000	333,900	-	963,900
Elizabeth Hardaker	344,925	109,686	-	454,611
Greg O'Neil	388,675	123,917	-	512,592
Matthew Pedersen	372,300	111,427	-	483,727
Ian Perry	329,310	97,311	-	426,621
Peter Weaver	383,250	110,146	-	493,396
Ilona Alsters	339,310	71,255	-	410,565

1.3 LOOKING TO THE FUTURE

We strive to ensure our remuneration practices are the best fit to drive the Company and ensure Executive interests are aligned with Ruralco's strategic goals and the interests of shareholders.

The Committee will review the overall Executive remuneration framework in 2018, including but not limited to quantum, mix (fixed, short and long-term), performance hurdles and delivery mechanisms. The Committee is committed to the philosophy of Executive share ownership, and elements to promote greater equity participation will likely be included in any revised remuneration framework.

As a transitional measure to increase Executive share ownership, the Board has introduced the Executive Share Matching Plan. Under the plan, Executives who elect to purchase shares with the after-tax proceeds of their STI payment will receive a grant of Matched Shares to a maximum value of $20,000 per year. This plan will operate in respect of STI payments for the 2017 and 2018 performance years only. Grants to the CEO under this plan will be presented for shareholder approval at the Annual General Meeting. The Board believes it is appropriate to offer Executives modest equity grants without performance hurdles, to support Executives in building meaningful shareholdings.

The Board also intends to put any proposed LTI grants to the CEO to shareholders at the Annual General Meeting. While shareholder approval is not technically required, as Ruralco normally acquires shares on-market for its equity plans, the Board believes seeking shareholder approval improves transparency and is in line with good corporate governance practice.

[4] Fixed remuneration is base salary and superannuation as at 30 September 2017.

[5] In addition Travis Dillon was awarded $110,000 cash from deferred STI attributable to the FY16 year, payable in December 2017.

SECTION 2: REMUNERATION POLICY

Our Nomination & Remuneration Committee is comprised of independent NEDs. The Committee reviews and determines remuneration policy and structure annually to ensure it remains aligned to business needs and meets our remuneration principles, which are:

- Executives are incentivised to achieve Ruralco's strategic outcomes
- Remuneration must reflect the market in which the Company operates
- The achievement of Company results will be supported through the use of KPIs in remuneration structures
- Remuneration is measured based on both financial and non-financial performance
- Remuneration outcomes should align with shareholder outcomes.

2.1 REMUNERATION FRAMEWORK – NON-EXECUTIVE DIRECTORS

NEDs receive fees (inclusive of statutory superannuation). Fees are structured as a base fee plus additional fees payable for membership and/or chairmanship of a committee. The Ruralco Chairman does not receive additional fees for participating in or chairing committees. Directors are also entitled to be reimbursed for reasonable expenses incurred.

Fees are managed within an overall aggregate NED fee pool. This pool is currently $850,000, inclusive of statutory superannuation, which was approved by shareholders in 2016.

NED fees are reviewed every two years by the Committee and the Board, having regard to companies of similar complexity and size. The next review will take place in early 2018.

The current fees, effective from 1 July 2016, are set out below:

FEE TYPE	CHAIR	MEMBER
Base fees	225,000	90,000
Audit, Risk & Corporate Governance	25,000	8,000
Nomination & Remuneration Committee	25,000	8,000
Investment Committee	20,000	8,000

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

NEDs 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.

After the close of the financial year the Committee approved a NED Minimum Shareholding Policy. To ensure alignment with shareholders, NEDS are expected to acquire shares to the value of 100% of annual base NED fees (100% of annual Chair fees for the Chairman) within three years of joining the Board.

2.2 REMUNERATION FRAMEWORK – EXECUTIVE KEY MANAGEMENT PERSONNEL

The chart below provides an overview of Executive remuneration during the year.

Fixed Remuneration

Base + Superannuation + Allowances + Any Salary Sacrificed Items

Variable Remuneration

SHORT-TERM INCENTIVE

LONG-TERM INCENTIVE

Performance Rights

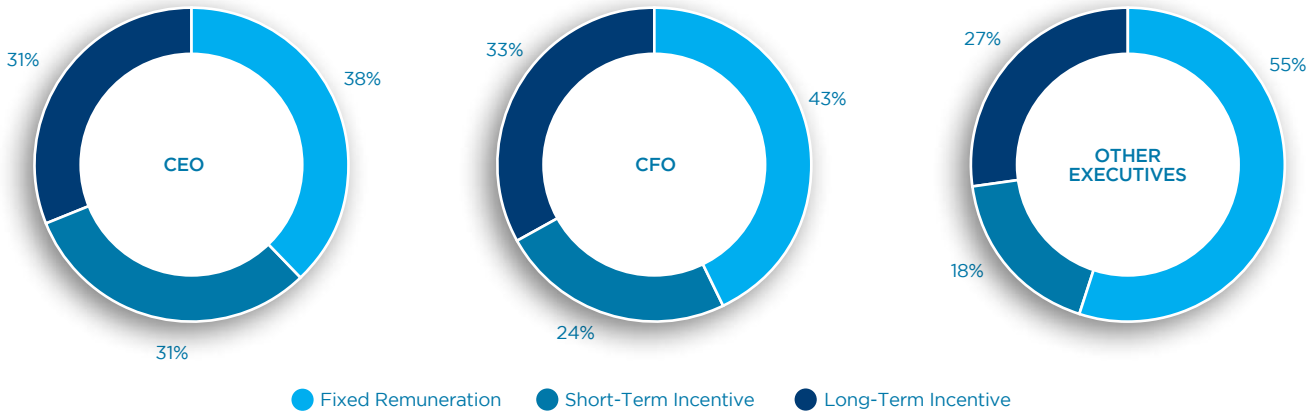
3 Year Performance Period

Cumulative Underlying Eps

Detail on the elements of Executive remuneration is included below:

Executive remuneration mix — balancing short-term and long-term performance

Remuneration levels and mix are reviewed annually and upon change of position. Individual remuneration is determined by reference to the Company's remuneration practices, external market data and consideration of individual factors. The 2017 remuneration mix is outlined below:



In the diagrams above, STI is calculated as maximum STI opportunity, and LTI is based on face value of LTI grants.

2.2.1 Fixed remuneration

Fixed remuneration includes base salary, statutory superannuation contributions, plus any allowances or benefits.

Executives' fixed remuneration is reviewed annually, although Executive contracts do not include guaranteed increases and not all Executives receive an increase each year.

When reviewing, a number of factors are considered including the individuals' skills, experience and performance, external market reference and any relevant internal factors. The Company's policy is to reference fixed remuneration to the median of listed and unlisted Australian companies of similar size and complexity to Ruralco.

2.2.2 Use of underlying financial measures for incentive plans

Both the Executive STI Plan and the LTI Plan make use of underlying financial metrics to assess performance.

Underlying measures of profitability provide more useful information on the Company's sustainable earnings base and do not discourage Executives from pursuing activities that support the strategy, e.g. costs associated with executing acquisitions (such as professional fees and due diligence costs), material impairments, gains/losses on disposal of operations and costs associated with restructuring of operations as part of portfolio management activities. These types of costs are excluded from underling earnings as they are necessary in order to achieve strategic aims or cost efficiencies in the longer term.

A reconciliation of reported to underlying earnings for the current and prior period is shown below:

YEAR ENDED 30 SEPTEMBER	UNDERLYING 2017 $000	SIGNIFICANT ITEMS 2017 $000	REPORTED 2017 $000	REPORTED 2016 $000	CHANGE $000	CHANGE %
Revenue	1,826,781	19	1,826,800	1,790,140	36,660	2
Gross profit	334,613	(276)	334,337	294,182	40,155	14
EBITDA [4]	65,433	(5,209)	60,224	27,491	32,733	119
Depreciation and amortisation expense	(10,490)	-	(10,490)	(9,405)	(1,085)	12
Net finance costs	(5,586)	-	(5,586)	(5,440)	(146)	3
PROFIT BEFORE TAX	49,356	(5,209)	44,147	12,646	31,502	249
Tax	(14,639)	1,319	(13,321)	(3,776)	(9,545)	253
Non-controlling interest	(8,571)	165	(8,406)	(4,574)	(3,832)	84
NPAT ATTRIBUTABLE TO SHAREHOLDERS	26,146	(3,725)	22,420	4,296	18,124	422
EARNINGS PER SHARE (EPS) (CENTS)	27.41	(3.91)	23.51	16.96	(11.52)	5.44

The $5,209,000 of significant items excluded from underlying earnings for FY17 is made up of the following:

TYPE	$000	COMMENTARY
Restructuring & cost out initiatives	2,407	Impact of second phase of Total Eden restructuring program focused on underperforming branches in specific geographies, headcount cost-out initiatives in Rural Services and onerous lease costs from warehouse site consolidation in Victoria
Acquisition & portfolio management activities	2,353	Acquisition related costs and loss on disposal of farm machinery business
Other one-off items	449	Primarily includes FY16 related statutory adjustment excluded from Agfarm JV results
TOTAL SIGNIFICANT ITEMS (PRE-TAX)	5,209	

[6] Certain reclassifications have been made to the prior year profit and loss to align with current period presentation. See Note 2 (v) of the Financial Statements for further information.

2.2.3 Variable remuneration – Short-Term Incentive

The STI is an incentive based on performance outcomes measured over a single Company financial year. The aim of the STI is to reinforce achievement of short-term financial and individual goals. The structure of the STI for Executives during the year was as follows:

FEATURE	DESCRIPTION
MAXIMUM OPPORTUNITY	CEO: Maximum = 80% of fixed remuneration (target = 50%) CFO: Maximum = 55% of fixed remuneration (target = 50%) Other Executives: Maximum = 33% of fixed remuneration (target = 30%)
GATEWAY	The STI plan has a gateway on uEBITDA[7] performance. If uEBITDA doesn't meet this gateway level, all STIs across Ruralco will be diluted by 50%.
PERFORMANCE METRICS	The STI metrics measure the financial success in the immediate term of achievement of the Future Farming Strategy. Focused strategy execution, cost control, and balance sheet management are critical to ensuring growth in earnings and total shareholder return. The safety of our people, the foundation of our business, continues to be a priority.

METRIC	TARGET(S)	TARGET WEIGHTING	REASON FOR SELECTION
Safety	Achievement of Safety KPI's and Long-Term Injury Frequency Rate less than pre-set threshold	10%	Goal of Zero Harm across the Company
Underlying EBITDA	Achieve or exceed Company's budget for uEBITDA	30%[8]	Support the business to achieve Company budgeted financials
Underlying ROCE[9]	Achieve or exceed Company's budget for ROCE.	30%[8]	Measures efficiency of capital usage of the Company 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

DELIVERY OF STI	CEO: 50% of any STI award will be paid in cash by 31 December 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. Other Executives: Award will be paid in cash by 31 December following the end of the performance period.
BOARD DISCRETION	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing to zero if appropriate. Any payment to the CEO is subject to claw back where the Board becomes aware of a material financial misstatement or dishonest or fraudulent conduct by the CEO that would have impacted the Board's determination of the STI award.

[7] 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 significant items (pre-tax). More information can be found at section 2.2.2 and also in the Operating and Financial Review on pages 16 to 40

[8] For the Financial metrics used in the STI Plan (uEBIDTA and underlying ROCE), participants can earn up to 35% on each metric if "stretch" performance is achieved (enabling a maximum outcome of 110% of target)

[9] Underlying return on capital employed ROCE = Underlying EBITDA/Average 12 month total capital employed

2.2.4 Variable remuneration – Long-Term Incentive

The aim of Ruralco's LTI Plan is to provide Executives with the opportunity to share in the long-term growth of Ruralco and to enhance alignment with the long-term interests of shareholders.

Participants are granted Performance Rights to acquire ordinary fully paid Ruralco shares, at no cost, that only vest if certain performance based vesting conditions are met. The performance period of the LTI is three years from grant until the Performance Rights are tested for vesting.

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 average price of Ruralco shares on the ASX over the five trading days immediately prior to the date of grant).

Executives (including the CEO) were granted Performance Rights under the LTI Plan in the current and prior years. Those that impact the year ended 30 September 2017 include:

- 1 October 2014 grant — Tested on 30 September 2017, being the end of the three year performance period
- 6 July 2015 grant — a sign-on grant of 50,000 Performance Rights to Adrian Gratwicke which will be eligible for testing on 30 September 2018
- 1 October 2015 grant — granted on 1 October 2015 and eligible for testing on 30 September 2018
- 1 October 2016 grant — granted in the year on 1 October 2016 and eligible for testing on 30 September 2019.

A summary of the features of the 1 October 2014 and 6 July 2015 grants is set out below:

FEATURE	DESCRIPTION
MAXIMUM OPPORTUNITY	50% of fixed remuneration (for October 2014 grant)
PERFORMANCE HURDLE	Total Shareholder Return (TSR) measure based on comparison to the S&P/ASX Small Ordinaries Accumulation Index is used with vesting as per the below:

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%

Pro-rata vesting occurs where Ruralco's TSR performance over the three years is between the index return and the level at which full vesting will apply.

FORFEITURE & 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 Performance Rights are tested in the normal manner as at the employment termination date and vest pro-rata.
RESTRICTIONS	Upon vesting, any disposal of shares held under the Plan is subject to Board approval while they remain in employment with the Company. If approval is given, shares can only be disposed of during agreed trading windows, in accordance with the Company's Share Trading Policy.

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

A summary of the features of the 1 October 2015 and 1 October 2016 grants 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 Company'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 Company'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.
MAXIMUM OPPORTUNITY	CEO: 80% of fixed remuneration (For the 2015 grant only, was 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, calculated as Underlying NPAT/weighted average number of shares in the period. The LTI performance period for this grant is 3 years 1 October 2015 Grant: At vesting on 1 October 2018, cumulative underlying EPS will be calculated as: Underlying EPS FY16 + Underlying EPS FY17 + Underlying EPS FY18 1 October 2016 Grant: At vesting on 1 October 2019, cumulative underlying EPS will be calculated as: Underlying EPS FY17 + Underlying EPS FY18 + Underlying EPS FY19
PERFORMANCE HURDLE	Vesting of the Performance Rights will occur as follows: **COMPANY TSR PERFORMANCE** — **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 2016 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 Company 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 & 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. In the event an employee is deemed a 'good leaver' and has served at least 12 months of the LTI performance period, then the Board has discretion to allow rights to be tested according to EPS performance at the most recently passed financial year end and vest on a pro-rata basis according to the portion of the LTI performance period served.
RESTRICTIONS	Upon vesting, any disposal of shares held under the Plan is subject to Board approval while they remain in employment with the Company. If approval is given, 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 including capital raisings, divestments, rights issues 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 is applied in any year, it will be clearly disclosed and explained.

2.2.5 Assessment of performance

The Committee is responsible for assessing performance against KPIs and determining how much of potential STI opportunity is awarded to each Executive, and the magnitude of LTI grants. 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.

SECTION 3: PERFORMANCE AND REMUNERATION OUTCOMES

3.1 STATUTORY PERFORMANCE INDICATORS

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 Company's financial performance over the last 5 years as required by the Corporations Act 2001.

YEAR ENDED 30 SEPTEMBER	2017	2016	2015	2014	2013
Profit for the year attributable to shareholders of Ruralco Holdings Limited ($000)	22,420	4,296	14,057	10,565	5,738
Basic earnings per share (cents)	23.51	5.44	18.03	15.27	10.49
Dividends paid ($000)	10,921	11,779	13,192	11,654	10,912
Closing share price ($)	2.74	3.17	3.60	3.41	3.35

Ruralco's STI and LTI both use underlying financial measures to assess performance. Underlying measures of profitability provide more useful information on the Company's sustainable earnings base and do not discourage Executives from pursuing activities that support the strategy. The table below shows underlying measures used in determining the variable amounts of remuneration to be awarded to KMP over the last 5 years. More detail on the use of underlying measures, and a reconciliation between statutory and underlying measures is included Section 2.2.2 of this Remuneration Report.

YEAR ENDED 30 SEPTEMBER	2017	2016	2015	2014	2013
Underlying EBITDA ($000)	65,433	41,507	51,166	43,469	31,687
Underlying return on capital employed (ROCE) (%)	17.3%	13.3%	17.0%	15.2%	12.4%
Underlying return on equity (ROE) (%)	10.0%	6.1%	8.7%	7.8%	5.7%
Underlying EPS (cents)	27.41	16.96	23.90	22.40	15.97

3.2 PERFORMANCE AND IMPACT ON VARIABLE REMUNERATION

Fixed Remuneration

The Board reviewed the fixed remuneration of Executives in FY17, with selected Executives receiving a salary increase effective 1 January 2017.

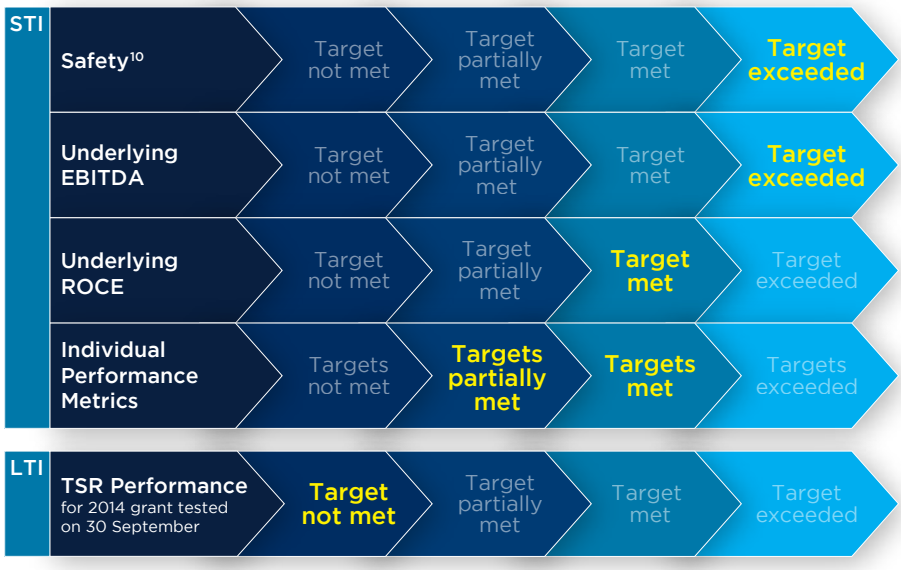
3 (out of 8) Executives received salary increases, with a total increase of 1.8% in fixed remuneration across Executives.

STI

For the 2017 year, most businesses within the Company performed well, resulting in excellent overall financial performance. Safety performance was also a highlight, with significant improvement on the previous year and a number of important initiatives launched. This is reflected in strong STI outcomes, with Executives receiving amounts between 64% and 96% of their maximum STI opportunity, equating to payments of between 21% and 71% of fixed remuneration.

LTI

The TSR performance test applicable to the 1 October 2014 grants of Performance Rights under the LTI Plan resulted in no Performance Rights vesting.



3.3 EXECUTIVE STI AND LTI OUTCOMES

Based on the results above, the amount of performance based remuneration granted and forfeited to KMPs for 2017 is as follows:

	TOTAL STI BONUS			LTI PERFORMANCE RIGHTS		
NAME	TOTAL OPPORTUNITY $	AWARDED %	FORFEITED %	VALUE GRANTED* $	VALUE VESTED* $	VALUE LAPSED* $
Travis Dillon	632,000	88%	12%	539,748	-	117,388
Adrian Gratwicke	346,500	96%	4%	403,530	-	-
Elizabeth Hardaker	113,825	96%	4%	147,288	-	-
Greg O'Neil	128,593	96%	4%	155,295	-	87,371
Matt Pedersen	115,632	96%	4%	158,978	-	-
Ian Perry	108,672	90%	10%	140,621	-	-
Peter Weaver	126,473	87%	13%	163,654	-	-
Ilona Alsters	111,972	64%	36%	144,891	-	-

*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.

SECTION 4: REMUNERATION EXPENSE FOR KEY MANAGEMENT PERSONNEL

4.1 REMUNERATION EXPENSE FOR KEY MANAGEMENT PERSONNEL

The following table details the remuneration expense recognised in profit or loss for the Company'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		
NAME	YEAR	CASH SALARY/ FEES	NON-MONETARY BENEFITS	POST-EMPLOYMENT BENEFITS	CASH STI	SHARE BASED PAYMENTS (LTI)[10]	TOTAL
Richard Lee	**2017**	**206,398**	**-**	**19,520**	**-**	**-**	**225,918**
	2016	16,596	-	1,577	-	-	18,173
Elizabeth Johnstone	**2017**	**112,326**	**-**	**10,674**	**-**	**-**	**123,000**
	2016	104,529	-	9,931	-	-	114,460
Michael Millner	**2017**	**114,171**	**-**	**10,847**	**-**	**-**	**125,018**
	2016	91,028	-	8,648	-	-	99,676
Trudy Vonhoff	**2017**	**118,721**	**-**	**11,280**	**-**	**-**	**130,001**
	2016	96,279	-	9,147	-	-	105,426
John Tuskin	**2017**	**12,100**	**-**	**1,150**	**-**	**-**	**13,250**
	2016	89,877	-	8,539	-	-	98,416
TOTAL NEDs	**2017**	**563,716**	**-**	**53,471**	**-**	**-**	**617,187**
	2016	398,309	-	37,842	-	-	436,151
Travis Dillon	**2017**	**761,346**	**-**	**28,654**	**556,950**	**304,447**	**1,651,397**
	2016	725,086	14,773	30,000	250,000	186,521	1,206,380
Adrian Gratwicke	**2017**	**604,406**	**-**	**23,883**	**333,900**	**299,364**	**1,261,553**
	2016	609,879	-	20,121	81,900	177,163	889,063
Elizabeth Hardaker	**2017**	**320,421**	**-**	**19,029**	**109,686**	**95,981**	**545,117**
	2016	286,247	-	27,194	32,949	46,885	393,275
Greg O'Neil	**2017**	**342,029**	**-**	**32,981**	**123,917**	**135,206**	**634,133**
	2016	327,640	-	40,779	30,931	130,045	529,395
Matthew Pedersen	**2017**	**338,263**	**21,468**	**28,562**	**111,427**	**108,850**	**608,570**
	2016	312,998	22,502	34,073	37,048	63,358	469,979
Ian Perry	**2017**	**300,740**	**-**	**28,570**	**97,311**	**94,670**	**521,291**
	2016	281,462	-	26,189	20,246	47,797	375,694
Peter Weaver	**2017**	**350,000**	**16,681**	**33,250**	**110,146**	**115,178**	**625,255**
	2016	331,437	18,336	31,487	69,046	68,127	518,433
Ilona Alsters	**2017**	**320,924**	**-**	**19,616**	**71,255**	**97,546**	**509,341**
	2016	198,146	-	12,145	16,532	49,249	276,072
TOTAL EXECUTIVES	**2017**	**3,338,129**	**38,149**	**214,545**	**1,514,592**	**1,251,242**	**6,356,657**
	2016	3,072,895	55,611	221,988	538,652	769,145	4,658,291
TOTAL KMP REMUNERATION	**2017**	**3,901,845**	**38,149**	**268,016**	**1,514,592**	**1,251,242**	**6,973,844**
	2016	3,471,205	55,612	259,830	538,652	769,145	5,094,444

[10] 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).

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 set out in Section 4.1.

	FIXED REMUNERATION		STI		LTI	
NAME	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Travis Dillon	48%	64%	34%	21%	18%	15%
Adrian Gratwicke	50%	71%	26%	9%	24%	20%
Elizabeth Hardaker	62%	80%	20%	8%	18%	12%
Greg O'Neil	59%	70%	20%	6%	21%	24%
Matt Pedersen	64%	79%	18%	8%	18%	13%
Ian Perry	63%	82%	19%	5%	18%	13%
Peter Weaver	64%	74%	18%	13%	18%	13%
Ilona Alsters	67%	76%	14%	6%	19%	18%

SECTION 5: KEY MANAGEMENT PERSONNEL CONTRACTUAL ARRANGEMENTS

NON-EXECUTIVE DIRECTORS

NEDs enter into a service contract with Ruralco 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.

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	Ongoing
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	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.	STI is not awarded.
	LTI	No LTI Performance Rights will vest where the Executive ceases employment due to termination by Ruralco for breach, misconduct/neglect or a criminal offence, does not satisfy the performance hurdles or has acted fraudulently or dishonestly or has brought Ruralco 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.

SECTION 6: DISCLOSURES RELATED TO KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

6.1 RECONCILIATION OF PERFORMANCE RIGHTS HELD BY KEY MANAGEMENT PERSONNEL

The table below shows how 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.	$
Travis Dillon								
1-Oct-14	59,588	-	-	-	(59,588)	100%	-	-
1-Oct-15	76,193	-	-	-	-	-	76,193	$80,511
1-Oct-16	-	205,462	-	-	-	-	205,462	$359,831
	135,781	**205,462**	**-**	**-**	**(59,588)**	**-**	**281,655**	**$440,342**
Adrian Gratwicke								
6-Jul-15	50,000	-	-	-	-	-	50,000	$27,692
1-Oct-15	129,807	-	-	-	-	-	129,807	$137,163
1-Oct-16	-	153,609	-	-	-	-	153,609	$269,019
	179,807	**153,609**	**-**	**-**	**-**	**-**	**333,416**	**$433,874**
Elizabeth Hardaker								
1-Oct-15	44,371	-	-	-	-	-	44,371	$46,885
1-Oct-16	-	56,067	-	-	-	-	56,067	$98,192
	44,371	**56,067**	**-**	**-**	**-**	**-**	**100,438**	**$145,077**
Greg O'Neil								
1-Oct-14	44,351	-	-	-	(44,351)	100%	-	-
1-Oct-15	47,960	-	-	-	-	-	47,960	$50,678
1-Oct-16	-	59,115	-	-	-	-	59,115	$103,528
	92,311	**59,115**	**-**	**-**	**(44,351)**	**-**	**107,075**	**$154,206**
Matt Pedersen								
1-Oct-15	48,131	-	-	-	-	-	48,131	$50,858
1-Oct-16	-	60,517	-	-	-	-	60,517	$105,984
	48,131	**60,517**	**-**	**-**	**-**	**-**	**108,648**	**$156,842**
Ian Perry								
1-Oct-15	45,234	-	-	-	-	-	45,234	$47,797
1-Oct-16	-	53,529	-	-	-	-	53,529	$93,745
	45,234	**53,529**	**-**	**-**	**-**	**-**	**98,763**	**$141,542**
Peter Weaver								
1-Oct-15	52,644	-	-	-	-	-	52,644	$55,627
1-Oct-16	-	62,297	-	-	-	-	62,297	$109,101
	52,644	**62,297**	**-**	**-**	**-**	**-**	**114,941**	**$164,728**
Ilona Alsters								
1-Oct-15	46,608	-	-	-	-	-	46,608	$49,249
1-Oct-16	-	55,154	-	-	-	-	55,154	$96,593
	46,608	**55,154**	**-**	**-**	**-**	**-**	**101,762**	**$145,842**

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

The 1 October 2014 grant was tested on 30 September 2017 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 16	3 years	30 Sept 19	Consistent with those noted at 2.2.3	**2.63**

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

GRANT DATE	VESTING PERIOD	TESTING DATE	VESTING CONDITIONS	FAIR VALUE PER SHARE* $
1 Oct 14	3 years	30 Sep 17	Consistent with those noted at 2.2.3	**1.97**
6 Jul 15 **	3 years 3 months	30 Sep 18	Consistent with those noted at 2.2.3	**1.80**
1 Oct 15	3 years	30 Sep 18	Consistent with those noted at 2.2.3	**3.17**

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

** Relates to the sign-on rights issued to Adrian Gratwicke on 6 July 2015 with a testing date of 30 September 2018.

SECTION 7: KEY MANAGEMENT PERSONNEL SHAREHOLDINGS

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

NAME	1 OCTOBER 2016	RECEIVED ON VESTING OF LTI	OTHER CHANGES	30 SEPTEMBER 2017	CHANGES FROM 1 OCTOBER TO 30 NOVEMBER 2017	BALANCE 30 NOVEMBER 2017
NON- EXECUTIVE DIRECTORS						
Richard Lee	-	-	58,334	58,334	25,000	83,334
Elizabeth Johnstone	12,000	-	20,692	32,692	10,000	42,692
Michael Millner	26,978	-	4,497	31,475	20,000	51,475
Trudy Vonhoff	18,000	-	23,607	41,607	5,000	46,607
John Tuskin[11]	21,830	-	-10,733	11,097	-	11,097
EXECUTIVES (INCLUDING EXECUTIVE DIRECTOR)						
Travis Dillon	67,525	-	7,475	75,000	6,750	81,750
Adrian Gratwicke	-	-	-	-	6,872	6,872
Elizabeth Hardaker	-	-	-	-	4,000	4,000
Greg O'Neil	31,519	-	-	31,519	6,800	38,319
Matt Pedersen	4,337	-	8,930	13,267	12,266	25,533
Ian Perry	-	-	-	-	3,500	3,500
Peter Weaver	7,813	-	13,152	20,965	25,466	46,431
Ilona Alsters	-	-	-	-	-	-

Mr Andrew Macpherson, who was nominated to the Board as a Non-Executive Director at the time of publication of this report, recently purchased 34,000 shares.

[11] John Tuskin resigned from the Board on 15 November 2016 as part of Ruralco's acquisition of TP Jones. He was appointed as General Manager, Tasmanian Operations from this date and was subsequently promoted to Executive General Manager, (and hence a KMP) from 1 October 2017. As part of the TP Jones acquisition, Mr Tuskin ceased to have a beneficial interest in 10,915 shares which were held by TP Jones. Mr Tuskin did not sell any shares during the period.

SECTION 8: ADDITIONAL STATUTORY INFORMATION

8.1 VOTING OF SHAREHOLDERS AT THE 2016 ANNUAL GENERAL MEETING

Ruralco received a "yes" vote of more than 96% of votes cast on its Remuneration Report for the 2016 financial year. As noted earlier, the Committee remains committed to continuous improvement of its remuneration framework and practices.

8.2 USE OF EXTERNAL REMUNERATION CONSULTANTS

No remuneration consultants were engaged during the year to provide remuneration recommendations as defined in section 9B of the Corporations Act 2001.

8.3 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 Company and entities that certain Directors of Ruralco 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.

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 of Ruralco Holdings Limited for the financial year ended 30 September 2017 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.

Anthony Travers
Partner

KPMG
Sydney

5 December 2017

FINANCIAL REPORT

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2017

RURALCO HOLDINGS LIMITED
ABN 40 009 660 879

	NOTES	2017 $'000	2016 $'000
Revenue	3	1,826,800	1,790,140
Cost of goods sold		(1,492,463)	(1,495,958)
Personnel expenses	18(a)	(194,801)	(183,050)
Property and equipment expenses		(30,189)	(31,556)
Motor vehicle expenses		(20,596)	(18,709)
Administrative expenses		(13,568)	(12,950)
Marketing and advertising expenses		(6,937)	(7,577)
Depreciation expense	9	(5,889)	(5,338)
Amortisation expense	10	(4,601)	(4,067)
Data and telephony expenses		(3,995)	(4,264)
Bad debt expense	6	(165)	(2,977)
Net (loss)/gain on disposal of assets		(1,118)	273
Other expenses		(3,658)	(5,871)
RESULTS FROM OPERATING ACTIVITIES		48,820	18,096
Share of net profit/(loss) of equity accounted investees	19(d)	913	(10)
Bank charges		(919)	(1,416)
Interest expense		(4,667)	(4,024)
Total finance costs		(5,586)	(5,440)
PROFIT BEFORE INCOME TAX		44,147	12,646
Income tax expense	4(a)	(13,321)	(3,776)
PROFIT FOR THE PERIOD		30,826	8,870
TOTAL PROFIT ATTRIBUTABLE TO:			
Equity holders of the company		22,420	4,296
Non-controlling interests		8,406	4,574
TOTAL PROFIT FOR THE PERIOD		30,826	8,870
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Early adoption of AASB 9 Financial instruments		-	(3,420)
Revaluation of property, plant and equipment, net of tax		(81)	(155)
Total items that will not be reclassified to profit and loss		(81)	(3,575)
Items that may be reclassified to profit or loss:			
Changes in the fair value of cash flow hedges, net of tax		(229)	1,209
Foreign currency translation differences		1	(6)
Total items that may be reclassified to profit or loss		(228)	1,203
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		30,517	6,498
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the company		22,111	1,497
Non-controlling interests		8,406	5,001
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		30,517	6,498
EARNINGS PER SHARE (CENTS PER SHARE)			
- Basic	5	23.51	5.44
- Diluted	5	23.51	5.44

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 SEPTEMBER 2017

RURALCO HOLDINGS LIMITED
ABN 40 009 660 879

	NOTES	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	17	22,789	5,417
Trade and other receivables	6	393,609	357,797
Inventories	7	141,870	114,000
Biological assets	8	18,325	15,666
Prepayments		9,937	6,898
Derivative financial assets		175	283
Assets held for sale		-	1,350
TOTAL CURRENT ASSETS		586,705	501,411
NON-CURRENT ASSETS			
Intangible assets	10	214,690	147,305
Property, plant and equipment	9	43,966	40,875
Deferred tax assets	4(b)	19,930	20,000
Investments in equity accounted investees	19(d)	18,504	8,806
Trade and other receivables	6	857	1,646
Other financial assets		155	229
TOTAL NON-CURRENT ASSETS		298,102	218,861
TOTAL ASSETS		884,807	720,272
CURRENT LIABILITIES			
Trade and other payables	11	429,707	401,320
Loans and borrowings	11	18,323	4,300
Employee benefits	18(a)	21,584	18,629
Contingent consideration		2,646	-
Deferred consideration		322	325
Restructuring and onerous contract provisions		2,655	5,733
Current tax liabilities		1,696	457
Derivative financial instruments	11	389	168
Make good provision		48	273
TOTAL CURRENT LIABILITIES		477,370	431,205
NON-CURRENT LIABILITIES			
Loans and borrowings	11	95,645	65,633
Contingent consideration		8,642	-
Deferred consideration		736	827
Deferred tax liabilities	4(b)	8,085	7,703
Employee Benefits	18(a)	3,167	3,112
Make good provision		522	671
TOTAL NON-CURRENT LIABILITIES		116,797	77,946
TOTAL LIABILITIES		594,167	509,151
NET ASSETS		290,640	211,121
EQUITY			
Share capital	12(a)	238,795	173,248
Retained earnings		34,617	23,878
Reserves	12(b)	5,389	5,259
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		278,801	202,385
Non-controlling interests		11,839	8,736
TOTAL EQUITY		290,640	211,121

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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
1 OCTOBER 2015		170,731	30,935	2,179	4,383	(905)	2,800	75	3,993	(2,067)	212,124	10,349	222,473
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD													
Early adoption of AASB 9 Financial instruments		-	(3,420)	-	-	-	-	-	-	-	(3,420)	-	(3,420)
Profit for the period		-	4,296	-	-	-	-	-	-	-	4,296	4,574	8,870
Other comprehensive income		-	-	-	(155)	782	-	(6)	-	-	621	427	1,048
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-	876	-	(155)	782	-	(6)	-	-	1,497	5,001	6,498
TRANSACTIONS WITH OWNERS OF THE COMPANY RECORDED DIRECTLY IN EQUITY													
Dividends to owners of the Company	13(b)	-	(11,779)	-	-	-	-	-	-	-	(11,779)	(5,909)	(17,688)
Issue of ordinary shares		2,517	-	-	-	-	-	-	-	-	2,517	-	2,517
Performance rights		-	-	-	-	-	-	-	1,573	-	1,573	-	1,573
Shares purchased and held in trust		-	-	-	-	-	-	-	-	(2,146)	(2,146)	-	(2,146)
Own shares held in trust allocated		-	-	-	-	-	-	-	-	(198)	(198)	-	(198)
Transfer to / from		-	5,049	(2,179)	-	-	(2,800)	(70)	-	-	-	-	-
Change in non-controlling interest		-	(1,203)	-	-	-	-	-	-	-	(1,203)	(705)	(1,908)
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY		2,517	(7,933)	(2,179)	-	-	(2,800)	(70)	1,573	(2,344)	(11,236)	(6,614)	(17,850)
30 SEPTEMBER 2016		173,248	23,878	-	4,228	(123)	-	(1)	5,566	(4,411)	202,385	8,736	211,121
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD													
Profit for the period		-	22,420	-	-	-	-	-	-	-	22,420	8,406	30,826
Other comprehensive income		-	-	-	(81)	(229)	-	1	-	-	(309)	-	(309)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-	22,420	-	(81)	(229)	-	1	-	-	22,111	8,406	30,517
TRANSACTIONS WITH OWNERS OF THE COMPANY RECORDED DIRECTLY IN EQUITY													
Dividends to owners of the Company	13(b)	-	(10,921)	-	-	-	-	-	-	-	(10,921)	(5,647)	(16,568)
Issue of ordinary shares		65,547	-	-	-	-	-	-	-	-	65,547	-	65,547
Performance rights		-	-	-	-	-	-	-	1,867	-	1,867	-	1,867
Shares purchased and held in trust		-	-	-	-	-	-	-	-	(741)	(741)	-	(741)
Transfer to / from		-	-	-	-	-	-	-	(1,016)	1,016	-	-	-
Change in non-controlling interest		-	(1,447)	-	-	-	-	-	-	-	(1,447)	344	(1,103)
Transfer of revaluation to retained earnings on disposal		-	687	-	(687)	-	-	-	-	-	-	-	-
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY		65,547	(11,681)	-	(687)	-	-	-	851	275	54,305	(5,303)	49,002
30 SEPTEMBER 2017		238,795	34,617	-	3,460	(352)	-	-	6,417	(4,136)	278,801	11,839	290,640

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

RURALCO HOLDINGS LIMITED
ABN 40 009 660 879

	NOTES	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,991,337	1,940,547
Payments to suppliers and employees		(1,966,249)	(1,888,542)
Interest received		5,477	5,861
Bank charges		(918)	(1,416)
Interest paid		(4,699)	(4,029)
Income taxes paid		(10,795)	(14,332)
NET CASH FLOWS FROM OPERATING ACTIVITIES	17	14,153	38,089
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,253	2,180
Proceeds from sale of interest in existing subsidiaries		860	526
Proceeds from sale of shares in subsidiary		2,072	219
Proceeds from sale of intangible assets		50	-
Dividends received		151	211
Payment for property, plant and equipment		(5,608)	(5,189)
Payment for intangible assets		(19,266)	(7,892)
Purchase of equity accounted for investees		(7,835)	-
Purchase of shares in existing subsidiaries		(1,836)	(1,262)
Acquisition of subsidiaries, net of cash acquired		(60,095)	(12,549)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(89,254)	(23,756)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans from / (advanced to) related entities		417	(2,377)
Repayment of finance lease liabilities		(661)	(966)
Proceeds from borrowings		873,521	693,936
Repayment of borrowings		(829,044)	(681,000)
Proceeds from issue of share capital		65,000	-
Payment of share issue costs		(1,680)	-
Payment for treasury shares		(741)	(2,146)
Dividends paid to ordinary shareholders in the company		(8,706)	(9,262)
Dividends paid to non-controlling interests		(5,633)	(5,909)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		92,473	(7,724)
NET INCREASE IN CASH AND CASH EQUIVALENTS		17,372	6,609
Cash and cash equivalents at beginning of year		5,417	(1,192)
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	22,789	5,417

The accompanying notes form part of these financial statements.

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 2017 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 activities were the sale and marketing of rural merchandise, fertiliser, water products and financial services products, the provision of agency services in relation to the sale of livestock, wool and real estate to rural and related customers, the provision of water related services including the design, construction, installation and maintenance of irrigation infrastructure and the live export of cattle.

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).

The consolidated financial statements were authorised for issue by the Board of Directors on 5 December 2017.

(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 (note 2(b)(iii))
- 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 including contingent consideration (note 20 and 11)
- 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.

NOTE 2: BASIS OF ACCOUNTING (continued)

(A) BASIS OF PREPARATION (continued)

(iv) Fair value (continued)

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)
- Contingent consideration (note 20)

(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

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 2016.

(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 assets/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) Changes in comparative period balances

Management have restated revenue by $33,764,000 (from $1,756,376,000 to $1,790,140,000) and cost of goods sold by $50,885,000 (from $1,445,073,000 to $1,495,958,000). This is to align the comparative period with the current period presentation for items including merchant fees, commissions expense for agency related activities, freight and cartage expenses previously classified within finance costs, personnel and other expenses or netted off directly in revenue.

The reclassification of merchant fees from finance costs to cost of goods sold has resulted in a decrease in results from operating activities by $804,000 (from $18,901,000 to $18,097,000).

These amendments have no material impact on the consolidated financial statements.

NOTE 2: BASIS OF ACCOUNTING (continued)

(B) ACCOUNTING POLICIES (continued)

(vi) 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.

NEW STANDARDS OR INTERPRETATIONS	EFFECTIVE DATE	STANDARD REFERENCE	KEY REQUIREMENTS AND LIKELY IMPACT
Revenue from Contracts with Customers	1 October 2018	AASB 15	2b (vi) Part (I)
Lease	1 October 2019	AASB 16	2b (vi) Part (II)

(I) AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers and the related subsequent amendments replaces all existing revenue standards (AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations) and applies to all revenue from contracts with customers.

The new standard establishes a principle-based approach for goods, services and construction contracts that requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised only when the performance obligation is satisfied and the control of goods or services is transferred, typically at the point of sale.

AASB 15 is effective for annual reporting periods commencing on or after 1 January 2018, which means it will be effective for the Group's 30 September 2019 financial statements.

The standard permits two methods of adoption:

- full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period presented, which would be 1 October 2018 for the Group; or
- modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the date of initial application, which would be 1 October 2018 for the Group.

Management have established a project team comprising appropriate revenue subject matter specialists working within individual business units. Work to date has focused on segregating the Group's revenue streams by type to further understand the nature of the contractual arrangements with each of these customer groups.

The project team has initially focused on the larger revenue streams and has undertaken a range of activities to identify those streams that have the highest potential risk of impact and/or will require a greater level of work effort to assess and/or quantify the financial impact of AASB 15. Subsequent to this, further activities have been undertaken, including a review of a sample of contracts, to gain a more detailed understanding of the contractual arrangements with customers.

The team is now analysing the impact of the new standard by assessing these contracts in light of the requirements of AASB 15, comparing to the Group's current accounting policies and practices, and identifying potential differences. Further contract reviews, as required, will be completed throughout FY18. This will be followed by consideration of broader business impacts.

POTENTIAL IMPACT ON THE GROUP'S FINANCIAL REPORT

To date, some of the key issues for consideration that have been identified include:

- Water Services projects with various distinct and separable performance obligations; impact of contract modifications on Water services projects;
- CRT wholesale principal v agency sale arrangements; and
- specific quantitative and qualitative disclosures that may be required under AASB 15.

While a considerable portion of FY17 has been spent progressing the Group's assessment of the potential impact of AASB 15, at this stage management cannot reasonably estimate and quantify the potential impact.

APPLICATION DATE AND TRANSITION APPROACH

The Group plans to adopt the new standard on the required effective date. The Group is still in the process of assessing which transition method it will adopt. This decision will depend in part upon the completion of, and impact arising from, the evaluation of our revenue arrangements.

NOTE 2: BASIS OF ACCOUNTING (continued)

(B) ACCOUNTING POLICIES (continued)

(vi) Standards and interpretations not yet adopted (continued)

(II) AASB 16 Leases

AASB 16 Leases replaces all existing leases requirements (AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease and related Interpretations).

For lessees, the distinction between operating and finance leases will no longer exist. Instead, AASB 16 will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117.

At the commencement date of the lease, a lessee will recognise a liability representing its obligation to make future lease payments (i.e. the lease liability) and an asset representing its right to use the underlying asset for the lease term (i.e. the right-of-use ("ROU") asset). Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the ROU asset rather than operating lease expense.

Key balance sheet metrics such as gearing (as the lease liability is classified in net debt) and finance ratios, debt covenants and income statement metrics, such as EBITDA (earnings before interest, taxes, depreciation and amortisation), will be impacted. Also, statement of cash flows for lessees will be affected as payments for the principal portion of the lease liability will be presented within financing activities instead of operating activities.

Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The Group has concluded that it intends to apply the grandfathering provision under AASB 16 at the date of initial application. This therefore means the focus of management has been, and will continue to be, on analysing the current operating lease contracts that will be impacted by AASB 16 and identifying and assessing the key terms which will impact the calculation of the lease-related balances.

While a considerable portion of FY17 has been spent progressing the Group's assessment of the potential impact of AASB 16, at this stage, management cannot reasonably estimate and quantify the impact at this stage of its impacts assessment.

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 (including water retail products), fertiliser and livestock (via the Group's live export business) 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.

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) Water Services business

Water Services business activities include design, installation and construction activities. Contracts with customers can be on a time and materials basis or fixed price contracts.

Revenue from time and materials contracts is recognised at the contractual hourly rates as labour hours are delivered and the direct materials expenses are incurred.

For fixed price contracts, revenue is recognised with reference to the stage of completion of those services. This is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

(iv) 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:

	2017 $'000	2016 $'000
Sale of goods	1,483,849	1,429,218
Sale of biological assets	172,442	199,151
Agency commission revenue	153,932	142,668
Other commission revenue	8,900	10,996
Interest revenue	5,477	5,861
Sundry revenue	2,200	2,246
	1,826,800	1,790,140

NOTE 4: INCOME TAX

ACCOUNTING POLICY

(i) Income tax expense

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

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

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

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

(ii) Tax consolidated group

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(A) INCOME TAX EXPENSE

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

	2017 $'000	2016 $'000
CURRENT TAX EXPENSE		
Current period	12,562	7,678
Adjustments for prior years	(604)	(242)
	11,958	7,436
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	1,363	(3,660)
	1,363	(3,660)
INCOME TAX EXPENSE	13,321	3,776

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

RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Profit for the period before tax	44,147	12,646
Prima facie tax at 30% (2016: 30%)	13,244	3,794
ADJUSTED FOR:		
Non-controlling interest share of trust profit	(187)	(101)
Other	264	83
	13,321	3,776

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	RECOGNISED DIRECTLY IN EQUITY $'000	AT 30 SEPTEMBER $'000
2017					
DEFERRED TAX ASSETS					
Provisions	10,337	(278)	-	-	10,059
Accruals	961	1,097	-	-	2,058
Property, plant and equipment	472	102	-	-	574
Performance rights	1,365	498	-	-	1,863
Tax losses carried forward	3,290	(732)	-	-	2,558
Other	3,575	(1,668)	215	696	2,818
	20,000	(981)	215	696	19,930
DEFERRED TAX LIABILITIES					
Property, plant and equipment	(1,868)	(17)	-	-	(1,885)
Equity accounted investments	(1,376)	(210)	-	-	(1,586)
Intangibles	(3,797)	349	-	-	(3,448)
Other	(662)	(504)	-	-	(1,166)
	(7,703)	(382)	-	-	(8,085)
TOTAL	12,297	(1,363)	215	696	11,845
2016					
DEFERRED TAX ASSETS					
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
	15,468	4,475	57	-	20,000
DEFERRED TAX LIABILITIES					
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)
	(8,518)	815	-	-	(7,703)
TOTAL	6,950	5,290	57	–	12,297

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.

	2017 $'000	2016 $'000
RECONCILIATION OF EARNINGS TO PROFIT AND LOSS		
Profit for the year	30,826	8,870
Less profit attributable to non-controlling interests	(8,406)	(4,574)
EARNINGS USED TO CALCULATE BASIC AND DILUTED EPS	22,420	4,296
WEIGHTED AVERAGE NUMBER OF SHARES USED AS A DENOMINATOR	**NO.**	**NO.**
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES IN ISSUE	95,375,875	79,041,780
DILUTED EARNINGS PER SHARE		
The calculation of diluted earnings per share at 30 September 2017 did not include any further adjustment for the effect of potential dilutive ordinary shares.		
EARNINGS PER SHARE (CENTS PER SHARE)		
- Basic	23.51	5.44
- Diluted	23.51	5.44

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:

	2017 $'000	2016 $'000
CURRENT		
Trade receivables	368,955	339,535
Amounts receivable from related parties	668	487
Other receivables	23,986	17,775
	393,609	357,797
NON-CURRENT		
Amounts receivable from related parties	857	1,646

(b) Trade receivables ageing

	GROSS 2017 $'000	IMPAIRMENT* 2017 $'000	GROSS 2016 $'000	IMPAIRMENT* 2016 $'000
Not past due	322,119	(2,596)	297,774	(746)
Past due 0-30 days	38,803	(539)	29,506	(159)
Past due 31-90 days	6,119	(294)	5,727	(252)
Past due 90 days to one year	6,564	(1,547)	7,810	(728)
More than one year	2,733	(2,407)	7,744	(7,141)
	376,338	(7,383)	348,561	(9,026)

* In accordance with AASB 9, an impairment loss provision is included 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:

	2017 $'000	2016 $'000
Balance at the beginning of the year	(9,026)	(6,861)
Movement from adoption of AASB 9	-	(4,885)
Increase to provision	(165)	(3,002)
Amount charged against provision	1,808	5,722
BALANCE AT THE END OF THE YEAR	(7,383)	(9,026)

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 comprise 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.

Work in progress represents the value of unbilled labour and materials in the Water Services business, less provisions for amounts considered non-recoverable.

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.

The timing of revenue recognition in relation to Water Services contracts is subject to judgement. Management ensures that the timing of revenue recognition in relation to these contracts is appropriate through regular re-assessments of the percentage completion and the costs to complete the projects and this is managed through the work in progress account.

	2017 $'000	2016 $'000
Finished goods	139,628	112,624
Work in progress	2,242	1,376
	141,870	114,000

The balance of finished goods above is net of a provision for slow moving and obsolete stock of $3,299,648 (2016: $2,755,347).

INVENTORY WRITE DOWNS		
INVENTORY WRITE DOWNS INCLUDED IN COST OF GOODS SOLD	855	3,353

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:

	2017 $'000	2016 $'000
Livestock	18,325	15,666
At 30 September 2017 the Group held 19,381 head of cattle (2016: 17,876).		
RECONCILIATION OF CARRYING AMOUNT:		
Balance at the beginning of the year	15,666	8,863
Increase due to purchases	134,397	145,916
Gain arising from the changes in fair value less costs to sell	-	1,730
Decrease attributable to sales	(131,738)	(140,843)
	18,325	15,666

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.

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 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 to 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.

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
COST OR FAIR VALUE						
1 OCTOBER 2015	6,201	14,124	7,047	38,078	64	65,514
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)	-
30 SEPTEMBER 2016	6,031	14,379	7,334	39,667	258	67,669
Additions	-	-	1,091	2,875	2,104	6,070
Assets acquired in business combinations	-	4	406	3,505	-	3,915
Disposals	(76)	-	(540)	(5,011)	-	(5,627)
Revaluation of assets	-	-	(80)	-	-	(80)
Transfers (to)/from CWIP	-	151	841	885	(1,877)	-
30 SEPTEMBER 2017	5,955	14,534	9,052	41,921	485	71,947
DEPRECIATION						
1 OCTOBER 2015	-	(120)	(4,073)	(21,457)	-	(25,650)
Disposals	-	-	424	3,770	-	4,194
Depreciation expense	-	(216)	(699)	(4,423)	-	(5,338)
30 SEPTEMBER 2016	-	(336)	(4,348)	(22,110)	-	(26,794)
Disposals	-	-	406	4,296	-	4,702
Depreciation expense	-	(220)	(694)	(4,975)	-	(5,889)
30 SEPTEMBER 2017	-	(556)	(4,636)	(22,789)	-	(27,981)
NET BOOK VALUE						
30 SEPTEMBER 2016	6,031	14,043	2,986	17,557	258	40,875
30 SEPTEMBER 2017	5,955	13,978	4,416	19,132	485	43,966

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 contracts and 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*

* Majority of such assets are amortised between 3 to 5 years but for example, capitalised costs related to the implementation of SAP ERP systems are considered to have a longer useful life given the expected pattern of use.

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.

NOTE 10: INTANGIBLE ASSETS (continued)

CRITICAL ACCOUNT 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 CONTRACTS & RELATIONSHIPS $'000	IT DEVELOPMENT & SOFTWARE $'000	OTHER* $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
COST							
1 OCTOBER 2015	106,790	15,298	5,793	19,303	1,412	2,816	151,412
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)
30 SEPTEMBER 2016	114,357	15,612	5,793	25,846	2,602	4,350	168,560
Additions	-	-	-	4,140	182	16,494	20,816
Transfers from CWIP	-	-	-	2,841	-	(2,841)	-
Assets acquired in business combinations	49,838	1,352	1,462	41	30	-	52,723
Disposals	-	-	-	(1,081)	(472)	-	(1,553)
30 SEPTEMBER 2017	164,195	16,964	7,255	31,787	2,342	18,003	240,546
AMORTISATION							
1 OCTOBER 2015	(1,255)	-	(3,046)	(12,868)	(19)	-	(17,188)
Amortisation charge	-	-	(884)	(3,069)	(114)	-	(4,067)
30 SEPTEMBER 2016	(1,255)	-	(3,930)	(15,937)	(133)	-	(21,255)
Amortisation charge	-	-	(1,207)	(3,113)	(281)	-	(4,601)
30 SEPTEMBER 2017	(1,255)	-	(5,137)	(19,050)	(414)	-	(25,856)
NET BOOK VALUE							
30 SEPTEMBER 2016	113,102	15,612	1,863	9,909	2,469	4,350	147,305
30 SEPTEMBER 2017	162,940	16,964	2,118	12,737	1,928	18,003	214,690

* Other includes patents and licences, rent rolls and insurance books. These intangibles are not individually material, and are disclosed in aggregate.

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	2017 ACQUISITIONS ALLOCATION	2017 $'000
GOODWILL			
Combined Rural Traders (CRT)	12,051	-	12,051
Mainland Operations	50,504	5,186	55,690
Tasmanian Operations	4,450	11,818	16,268
Financial Services	301	-	301
Water Services	45,796	32,834	78,630
	113,102	49,838	162,940
BRAND NAMES			
Combined Rural Traders (CRT)	14,400	-	14,400
Mainland Operations	314	231	545
Tasmanian Operations	-	214	214
Water Services	898	907	1,805
	15,612	1,352	16,964

$51,190,000 of goodwill and brand names arising from the multiple acquisitions that occurred in 2017 have been provisionally allocated to groups of CGU's. The result was the allocation of $5,417,000 to the Mainland Operations group of CGU's, $12,032,000 to the Tasmanian Operations CGU and $33,741,000 to the Water group of CGU's. The amounts allocated will be finalised when provisional fair value accounting is complete.

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 FY18 and calculated forecasts for FY19 to FY22 by using FY18 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 10% per annum (2016: 3% and 25% per annum) with the latter end of the range reflecting a change in the expectations for the 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% (2016: 2.5%).
Discount rates	Post tax WACC of 9.1% to 11.2% (2016: 8.9% to 12.9%), 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 to examine the effect of changes in key assumptions that would cause the carrying amount to exceed the recoverable amount for each CGU. Management believes that post tax WACC would need to change by 0.9% for the estimated recoverable amount to be equal to the carrying value in the Water Services group of CGU's.

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	2017 $'000	2016 $'000
CURRENT			
TRADE AND OTHER PAYABLES:			
Trade payables		304,379	294,179
Sundry payables and accrued expenses		125,328	107,141
		429,707	401,320
DERIVATIVE FINANCIAL LIABILITIES		389	168
LOANS AND BORROWINGS:			
Bank loans		14,590	21
Other loans		2,370	2,156
Loans from related parties		630	1,002
Finance lease liabilities	14(b)	733	1,121
		18,323	4,300
		448,419	405,788
NON-CURRENT			
LOANS AND BORROWINGS:			
Bank loans		95,000	65,091
Finance lease liabilities	14(b)	645	542
		95,645	65,633

NOTE 11: FINANCIAL INSTRUMENTS (continued)

(B) BANK FACILITIES

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

2017

FACILITY $'000	MATURITY	FACILITY LIMIT $'000	UTILISED $'000
Bank overdraft	Oct-18	10,000	-
Multi Option facility	Oct-18	40,000	-
Debtor securitisation facility	Oct-18	180,000	95,000
Seasonal cattle facility	Dec-17	20,000	14,590

During the full year end 30 September 2017 the following changes occurred with respect to the Group's bank facilities:

- The multi option facility maturity has been extended to 13 months from balance date and the facility amended to include a $40million uncommitted facility and a $10million overdraft facility.
- The debtor securitisation facility maturity has been extended to 13 months from balance date and the limit was increased to $180million from $150million.
- Seasonal Cattle Facility opened on 27 December 2016 for use by the Live Export business with a limit of $20million.

The Group's financing facilities contains 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 Group's Total Assets.

The main financial covenants that the Group is subject to under these facilities at each balance sheet reporting date are a deminimus total shareholder equity threshold, interest cover ratio and proforma leverage ratio (adjusted to annualise the expected earnings for acquisitions) 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. 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 period.

2016

FACILITY $'000	MATURITY	FACILITY LIMIT $'000	UTILISED $'000
Multi option facility	Sep-17	60,000	-
Debtor securitisation facility	Oct-17	150,000	65,000

The maturity dates of the Group's revolving $150 million Debtor Securitisation Facility was extended to 13 months and the $60 million Multi Option Facility was extended to 18 months prior to 30 September 2016.

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 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 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 was reflected in increased thresholds for permitted acquisitions and updated reportable covenants that include a deminimus 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.

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
30 SEPTEMBER 2017				
ASSETS				
Derivative financial assets used for hedging	104	-	-	104
Biological assets	-	18,325	-	18,325
Land & buildings	-	19,933	-	19,933
	104	38,258	-	38,362
LIABILITIES				
Derivative financial liabilities used for hedging	(389)	-	-	(389)
Contingent consideration	-	-	11,288	11,288
	(389)	-	11,288	10,899
30 SEPTEMBER 2016				
ASSETS				
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
LIABILITIES				
Derivative financial liabilities used for hedging	(168)	-	-	(168)
	(168)	-	-	(168)

The following table shows the valuation techniques used in measuring Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable input used.

TYPE	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	INTER-RELATIONSHIP BETWEEN SIGNIFICANT UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT
Contingent consideration	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast revenue and EBITDA, the amount to be paid under each scenario and the probability of each scenario.	▪ Forecast annual revenue growth rate of acquired entities (7-8%) ▪ Forecast EBITDA margin (13-14%)	The estimated fair value would increase if / (decrease) if: ▪ the annual revenue growth rate were higher / (lower); and / or ▪ the EBITDA margin were higher / (lower).

NOTE 12: ISSUED CAPITAL AND RESERVES

ACCOUNTING POLICY

(i) Ordinary shares

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

(ii) Treasury shares

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

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

(A) ISSUED CAPITAL

Movement in number of issued shares:	2017 $'000	2016 $'000
104,464,002 (SEPTEMBER 2016: 79,259,913) ORDINARY SHARES FULLY PAID	238,795	173,248

	NUMBER OF SHARES	ISSUE PRICE	TOTAL $'000
1 OCTOBER 2015	78,531,866		170,731
Dividend reinvestment plan issue of new shares - December 2015	534,464	$3.45	1,837
Dividend reinvestment plan issue of new shares - June 2016	193,583	$3.51	680
30 SEPTEMBER 2016	79,259,913		173,248
Dividend reinvestment plan issue of new shares - December 2017	37,906	$2.56	97
Issue of new shares under the Institutional Entitlement Offer and Placement	19,721,696	$2.66	52,457
Issue of new shares under the Retail Offer	4,716,573	$2.66	12,543
Transaction costs arising from issue of shares (net of tax)	-		(1,668)
Dividend reinvestment plan issue of new shares - June 2017	727,914	$2.91	2,118
30 SEPTEMBER 2017	104,464,002		238,795

(B) NATURE AND PURPOSE OF RESERVES

Total equity of the Group includes the following reserves:

	2017 $'000	2016 $'000
Asset revaluation reserve	3,460	4,228
Cash flow hedge reserve	(352)	(123)
Foreign currency translation reserve	-	(1)
Share based payments reserve	6,417	5,566
Reserve for own shares	(4,136)	(4,411)
	5,389	5,259

Nature and purpose of reserves:

(i) ***Asset revaluation reserve*** The asset revaluation reserve is used to recognise the changes to fair values of each property carried at fair value.

(ii) ***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.

(iii) ***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.

(iv) ***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.

(v) ***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 2017, the Group held 256,272 (2016: 568,100) of the Company's shares.

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.

In setting the Group's 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:

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

	NOTES	2017 $'000	2016 $'000
Total borrowings	11	109,590	65,112
Debt like items included within other balance sheet categories		2,853	2,801
Less: cash and cash equivalents	17	(22,789)	(5,417)
Net debt		89,654	62,496
Total equity		290,640	211,121
TOTAL DEBT AND EQUITY		380,294	273,617
GEARING RATIO		23.6%	22.8%
Underlying EPS		27.41	16.96
Full year dividend (cents)		15.00	10.00
DIVIDEND PAYOUT RATIO		55.0%	59.0%

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

	2017 $'000	2016 $'000
Final franked dividend for the year ended 30 September 2016 of 2 cents per fully paid share paid on 19 December 2016* (2016: 7 cents in respect of the year ended 30 September 2015)	1,585	5,477
Interim franked dividend for the year ended 30 September 2017 of 9 cents per fully paid share paid on 20 June 2017* (2016: 8 cents in respect of the year ended 30 September 2016)	9,336	6,302
	10,921	11,779

* 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	6,268	1,585

Since the year end, the directors recommended the payment of a final franked dividend to Ruralco Holdings Limited shareholders of 6 cents per fully paid ordinary share (2016: 2 cents). The aggregate amount of the proposed dividend, expected to be paid on 18 December 2017 out of 2017 profits, but not recognised as a liability at year end is $6,267,840.

DIVIDEND FRANKING ACCOUNT BALANCE

The amounts of franking credits calculated at 30% (2016: 30%) available for subsequent financial years are:

	2017 $'000	2016 $'000
FRANKING ACCOUNT BALANCE AT THE END OF THE FINANCIAL YEAR	36,280	29,220

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 $2,686,217 (2016: $679,371).

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.

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.

	2017 $'000	2016 $'000
Less than one year	23,666	14,584
Between one and five years	40,176	23,345
More than five years	6,380	2,186
	70,222	40,115

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 $28,684,257 (2016: $29,899,323).

Leases as lessor

The Group leases space in 8 of its warehouses and 5 office spaces for periods up to 5 years.

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

	2017 $'000	2016 $'000
Less than one year	2,149	1,948
Between one and five years	3,888	3,478
	6,037	5,426

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 $2,002,673 (2016: $2,142,542).

(B) FINANCE LEASE COMMITMENTS

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

	NOTE	2017 $'000	2016 $'000
Less than one year		768	1,156
Between one and five years		670	560
		1,438	1,716
Future finance charges		(60)	(52)
TOTAL LEASE LIABILITIES		1,378	1,664
REPRESENTING LEASE LIABILITIES:			
Current	11	733	1,121
Non-current	11	645	543
		1,378	1,664

NOTE 14: CAPITAL AND LEASING COMMITMENTS (continued)

(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:

	2017 $'000	2016 $'000
Livestock related commitments	5,571	18,528
Freight related commitments	1,151	1,331
	6,722	19,859

NOTE 15: CONTINGENT LIABILITIES

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

	2017 $'000	2016 $'000
GUARANTEES	25,416	26,111

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. Segment revenue, gross profit and EBITDA is net of revenues and expenses that relate to transactions with any of the Group's other segments. 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.

The Group comprises the following reportable segments:

- Rural Services: offers livestock agency, wool broking, real estate services and sells rural supplies,
- Water Services: supplies and installs water related products, provides irrigation and planning services, broker buying and selling of water entitlements,
- Live Export: supplies feeder and slaughter cattle from Australia to International markets, primarily in South East Asia,
- Financial Services: comprises finance broking and agricultural advisory services. During the current year, the investment in Ausure Ruralco and Agfarm Unit Trust have been moved to be reported under this segment, and
- Corporate & Other: comprises the Group's back office Corporate, Supply Chain and Procurement cost centres.

NOTE 16: SEGMENT REPORTING (continued)

	RURAL SERVICES		WATER SERVICES		LIVE EXPORT		FINANCIAL SERVICES		CORPORATE & OTHER		TOTAL	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
RESULTS												
Segment revenues	1,427,375	1,397,064	223,133	188,273	172,442	199,151	3,469	5,066	362	577	1,826,781	1,790,131
SEGMENT GROSS PROFIT	267,397	243,708	58,915	50,313	5,527	3,002	3,001	3,580	(227)	170	334,613	300,773
Share of net profit of equity accounted investees	123	17	-	-	-	-	1,018	(27)	-	-	1,141	(10)
UNDERLYING SEGMENT EBITDA	87,892	70,981	13,135	11,806	2,151	(3,803)	(448)	(2,242)	(37,297)	(35,235)	65,433	41,507
Depreciation & Amortisation	(4,230)	(3,630)	(2,886)	(2,339)	(28)	(152)	(92)	(78)	(3,254)	(3,206)	(10,490)	(9,405)
UNDERLYING SEGMENT EBIT	83,662	67,351	10,249	9,467	2,123	(3,955)	(540)	(2,320)	(40,550)	(38,441)	54,942	32,103
Finance costs											(5,586)	(5,440)
Non-recurring items											(5,209)	(14,016)
Income tax expense											(13,321)	(3,776)
PROFIT FOR THE PERIOD											30,826	8,870
ASSETS												
Segment assets	530,965	425,979	106,571	76,415	31,866	24,588	910	1,605	195,991	182,880	866,303	711,467
Investment in associates & joint ventures	458	334	-	-	-	-	18,046	8,471	-	-	18,504	8,805
TOTAL ASSETS											884,807	720,272
LIABILITIES												
Segment liabilities	388,984	372,810	46,343	22,203	37,445	30,269	3,990	3,064	117,674	80,805	594,436	509,151
TOTAL LIABILITIES											594,436	509,151
OTHER SEGMENT INFORMATION												
Acquisitions of non-current segment assets	19,126	12,549	38,952	-	-	-	-	-	-	-	58,078	12,549

Management have restated prior year comparatives to align with current year presentation as outlined in Note 2.

Segment profit / loss excludes the impact of non-recurring significant items. The current year total non-recurring significant items of $5.2 million relates primarily to costs arising from restructuring cost out initiatives, acquisitions and portfolio management activities.

It is noted the current period share of net profit of equity accounted investee is the underlying amount before the non-recurring items relating to a prior period adjustment in Agfarm's results.

Costs of $14.0 million in 2016 related primarily to costs arising from portfolio management activities undertaken 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.

NOTE 17: CASH FLOW INFORMATION

Total cash and cash equivalents is broken down as follows:

	NOTE	2017 $'000	2016 $'000
Cash on hand		115	117
Cash at bank		22,674	5,300
TOTAL CASH AT THE END OF THE YEAR		22,789	5,417
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH NET PROFIT:			
NET PROFIT AFTER TAX		30,826	8,870
NON-CASH AND NON-OPERATING ITEMS IN PROFIT FROM ORDINARY ACTIVITIES			
Depreciation and amortisation		10,490	9,405
Provision for impairment of receivables		(1,643)	3,002
Provision for make good		373	(152)
Interest charges		(31)	(4)
Share based payment expense		1,849	1,573
Revaluation of property plant and equipment (through profit or loss)		-	44
Loss / (profit) on disposal of assets		1,945	(112)
Share of associated entities (profit) / loss not received as distributions		(913)	10
Dividend income reclassified as investment income		(152)	(111)
CHANGES IN ASSETS AND LIABILITIES, NET OF THE EFFECTS OF PURCHASE AND DISPOSAL OF SUBSIDIARIES			
(Increase) / decrease in trade and other receivables		(14,890)	10,238
Increase in inventories and biological assets		(16,890)	(4,131)
Increase in trade and other payables		1,554	16,174
Increase / (decrease) in current and deferred taxes		2,512	(10,559)
Increase in employee benefits provision		900	4,087
Decrease in provisions and other liabilities		(1,791)	(245)
NET CASH FLOWS FROM OPERATING ACTIVITIES		14,153	38,089

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.

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:

	2017 $'000	2016 $'000
PERSONNEL EXPENSES		
Salaries and wages	156,490	144,019
Contributions to defined contribution plans	14,635	14,119
Share based payments (equity settled)	1,867	1,573
Termination benefits	553	2,599
Payroll tax	9,993	9,512
Other personnel expenses	11,263	11,228
TOTAL PERSONNEL EXPENSES	194,801	183,050

Employee benefit provisions recognised at balance date are as follows:

	2017 $'000	2016 $'000
CURRENT - EMPLOYEE BENEFITS		
Annual leave	11,337	9,672
Long service leave	10,247	8,957
	21,584	18,629
NON-CURRENT - EMPLOYEE BENEFITS		
Long service leave	3,167	3,112

(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:

	2017 $'000	2016 $'000
Short-term employee benefits	4,891	4,211
Post employment benefits	215	279
Termination benefits	-	763
Share-based payments	1,251	987
	6,357	6,240

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 Holdings Limited Long-term 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 and performance based vesting conditions are met. Participation in the incentive plan is at the Board's discretion.

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 ability to impact the performance of the Group.

Senior management plan

Under the Senior Management Share Plan, shares to the value of $25,000 will be provided to selected senior managers over 3 years as a non-performance related retention strategy, with 20% of the total amount allocated at the end of each of the first 2 years and the remaining 60% at the end of the third year. The senior manager must remain employed on the relevant vesting date in order to receive the shares.

Measurement of fair values

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

GRANT DATE	VESTING DATE	SHARE PRICE AT GRANT DATE $	DISCOUNT RATE %	EXPECTED DIVIDEND YIELD %	EXPECTED PRICE VOLATILITY %	S&P/ASX SMALL ORDINARIES TOTAL RETURN INDEX VOLATILITY %	CORRELATION TO TOTAL RETURN INDEX	FAIR VALUE $
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
1-Oct-16*	1-Oct-19	3.08	1.7	5.5	30	n/a	n/a	2.63

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

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

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.

2017

GRANT DATE	VESTING DATE	FAIR VALUE AT GRANT $	OPENING BALANCE $	GRANTED $	VESTED $	FORFEITED $	CLOSING BALANCE $
1-Oct-13	1-Oct-16	2.42	37,481	-	-	(37,481)	-
1-Oct-14	1-Oct-17	1.97	235,519	-	-	(235,519)	-
6-Jul-15	30-Sep-18	1.80	50,000	-	-	-	50,000
1-Oct-15	30-Sep-18	3.17	490,948	-	-	-	490,948
1-Oct-16	1-Oct-19	2.63	-	705,744	-	-	705,744
			813,948	705,744	-	(273,000)	1,246,692

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

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 $1.9 million (2016: $1.6 million).

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.

NOTE 19: GROUP COMPOSITION (continued)

ACCOUNTING POLICY (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 (%)	
		2017	2016
RURALCO HOLDINGS LIMITED – COMPANY	*		
A company incorporated in Australia			
SUBSIDIARIES			
Ag Concepts Advisory Pty Ltd	*	100.0	100.0
Ag Concepts Unlimited Pty Ltd	*	100.0	100.0
Agritech Rural Pty Ltd		65.9	65.9
Agritech Unit Trust		65.9	65.9
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	58.0
CIAA Pty Ltd		45.0	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
Fluid Technologies (NSW) Pty Ltd	*	100.0	-
Frontier International Agri Pty Ltd		75.0	70.0
Frontier International Northern Pty Ltd		75.0	70.0
GDL Real Estate Pty Ltd		64.7	64.7
Grant Daniel Long Pty Ltd		64.7	64.7
Great Northern Rural Services Unit Trust		60.0	-
Ingham Farm Centre Pty Ltd	*	100.0	100.0
Irrigation Tasmania Pty Ltd	*	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	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		60.0	62.6
Primaries Esperance Pty Ltd		60.0	-
Primaries of WA Pty Ltd	*	100.0	100.0
Primaries Property Pty Ltd	*	100.0	100.0
QFH Multiparts Pty Ltd		70.0	-
QNT Agencies Pty Ltd (formerly BGA Agriservices North Queensland Pty Ltd)		55.0	55.0
Queensland Rural Pty Ltd (formerly FNQG8 Pty Ltd)		57.0	55.0
Rahoom Pty Ltd		100.0	100.0
Rawlinson & Brown Pty Ltd	*	100.0	100.0

NOTE 19: GROUP COMPOSITION (continued)

(A) SUBSIDIARIES (continued)

		PERCENTAGE OWNED (%)	
		2017	2016
SUBSIDIARIES (continued)			
Relyon (Australia) Pty Ltd	*	100.0	100.0
Roberts Hawkins Pty Ltd		100.0	85.0
Roberts Huon Valley Pty Ltd		50.0	50.0
Roberts Irrigation Pty Ltd		100.0	-
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		100.0	63.0
Saffin Kerr Bowen Wilson Pty Ltd		100.0	63.0
Savage Barker & Backhouse Pty Ltd (formerly Queensland Rural Pty Ltd)	*	100.0	100.0
Southern Australian Livestock Pty Ltd		100.0	81.7
Stevens Egan Johnston Pty Ltd		71.0	71.0
ACN 009 591 271 Pty Ltd (formerly 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		100.0	77.0
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
TP Jones & Co Pty Ltd (formerly ACN 103 517 522 Pty Ltd)	*	100.0	100.0
Wex Water Pty Ltd		70.0	70.0
WMG Agriservices Pty Ltd (formerly Macintyre Rural Pty Ltd)		53.5	53.5

* denotes that the entities are party to the Deed of Cross Guarantee.
^ denotes companies that have sold 100% of its business assets during the financial year.

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

NOTE 19: GROUP COMPOSITION (continued)

ACCOUNTING POLICY (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 other than adding or removing entities to reflect acquisition and disposal activity.

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 2017 and the consolidated statement of financial position as at 30 September 2017 of the Closed Group after eliminating all transactions between members.

	2017 $'000	2016 $'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Revenue	1,287,746	1,322,716
Cost of goods sold	(1,044,190)	(1,092,979)
Depreciation expense	(4,585)	(4,150)
Amortisation expense	(4,397)	(3,823)
Personnel expenses	(151,966)	(149,451)
Administrative expenses	(9,403)	(12,114)
Property and equipment expenses	(24,301)	(25,992)
Motor vehicle expenses	(14,909)	(13,546)
Marketing and advertising expense	(5,306)	(6,068)
Data and telephony expenses	(3,062)	(3,131)
Bad debts expense	(160)	(1,424)
Other expenses	(3,881)	(3,728)
Finance costs	(5,302)	(7,810)
Net (loss)/gain on disposal of assets	(1,705)	631
Share of profit / (loss) of equity accounted for investees	913	(10)
PROFIT / (LOSS) BEFORE INCOME TAX	15,492	(879)
Income tax expense	(3,713)	(335)
PROFIT / (LOSS) AFTER TAX	11,779	(1,214)
Other comprehensive income after tax	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	11,779	(1,214)

NOTE 19: GROUP COMPOSITION (continued)

(B) DEED OF CROSS GUARANTEE (continued)

STATEMENT OF FINANCIAL POSITION	2017 $'000	2016 $'000
CURRENT ASSETS		
Cash and cash equivalents	19,038	(458)
Trade and other receivables	333,926	341,018
Inventories	92,825	78,096
Assets classified as held for sale	-	1,350
Other current assets	104	-
TOTAL CURRENT ASSETS	445,893	420,006
NON-CURRENT ASSETS		
Trade and other receivables	840	1,629
Investments and other financial assets	44,342	32,302
Property, plant and equipment	38,884	36,439
Deferred tax assets	14,304	14,421
Intangible assets	187,186	123,023
TOTAL NON-CURRENT ASSETS	285,556	207,814
TOTAL ASSETS	731,449	627,820
CURRENT LIABILITIES		
Trade and other payables	315,189	327,880
Loans and borrowings	3,425	3,703
Current tax liabilities	(638)	(1,861)
Employee benefits	17,072	14,532
Derivative financial instruments	34	168
Make good provision	48	173
Restructuring and onerous provisions	1,452	3,284
Deferred consideration	3,043	220
TOTAL CURRENT LIABILITIES	339,625	348,099
NON-CURRENT LIABILITIES		
Loans and borrowings	95,185	65,404
Deferred tax liability	7,985	7,671
Employee benefits	2,131	2,177
Make good provision	522	671
Deferred consideration	9,378	827
TOTAL NON-CURRENT LIABILITIES	115,201	76,750
TOTAL LIABILITIES	454,826	424,849
NET ASSETS	276,623	202,971
EQUITY		
Share capital	238,795	173,248
Reserves	9,658	8,662
Retained profits	28,170	21,061
TOTAL EQUITY	276,623	202,971
Retained profits at the beginning of the financial year	21,061	24,120
Profit after tax	11,779	(1,214)
Dividends provided for or paid	(2,394)	(3,217)
Transfers (to) / from reserves	(644)	4,979
Impact from (entrance) / exit from closed group	(1,632)	(3,607)
RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR	28,170	21,061

NOTE 19: GROUP COMPOSITION (continued)

(C) PARENT COMPANY

As at, and throughout the financial year ended 30 September 2017 the parent company of the Group was Ruralco Holdings Limited. The results, financial position and specific commitment and contingent liability disclosure is included below.

	2017 $'000	2016 $'000
RESULT OF THE PARENT ENTITY		
Profit for the period after tax	(26,022)	(22,047)
Other comprehensive income / (cost)	-	(3,420)
TOTAL COMPREHENSIVE COST FOR THE PERIOD	(26,022)	(25,467)
FINANCIAL POSITION OF THE PARENT ENTITY AT YEAR END		
Current assets	56,912	14,469
TOTAL ASSETS	242,205	177,860
Current liabilities	111,647	75,469
TOTAL LIABILITIES	114,521	78,143
TOTAL EQUITY OF THE PARENT ENTITY COMPRISING OF:		
Share capital	217,595	152,049
Retained earnings	(94,974)	(56,293)
Share based payments reserve	5,063	3,961
TOTAL EQUITY	127,684	99,717

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.

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	
		2017 %	2016 %	2017 $'000	2016 $'000
JOINT VENTURES					
Agfarm Unit Trust	Grain marketing	50	50	8,714	8,472
Ausure Ruralco Pty Ltd	Insurance broking	50	-	9,332	-
Western Riverina Fertilisers Pty Ltd	Rural merchandising	50	50	458	334
				18,504	8,806

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

	2017 $'000	2016 $'000
Balance at beginning of the financial year	8,806	8,916
Acquired during the year	8,785	-
Share of associated company's net (loss) / profit after tax	913	(10)
Dividends received	-	(100)
BALANCE AT END OF THE FINANCIAL YEAR	18,504	8,806

Summary financial information for equity accounted investees is as follows:

2017

	OWNERSHIP INTEREST %	ASSETS $'000	LIABILITIES $'000	REVENUE $'000	PROFIT AFTER TAX $'000
Agfarm Unit Trust	50	156,399	154,315	8,331	486
Ausure Ruralco Pty Ltd*	50	10,304	2,423	7,324	1,093
Western Riverina Fertilisers Pty Ltd	50	1,371	415	3,494	247
		168,074	157,153	19,149	1,826

2016

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

* Interest in Ausure Ruralco Pty Ltd (formerly Ausure Consolidated Brokers Pty Ltd) was acquired on 1 December 2016. Refer note 20 for further details.

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

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
NCI PERCENTAGE	**25.0%**	**30.0%**	**42.0%**	**42.0%**	**40.0%**	**37.4%**
Current assets	11,750	21,194	21,062	11,257	36,376	24,797
Non current assets	2,541	3,395	1,660	1,839	2,948	2,846
Current liabilities	(20,071)	(30,237)	(18,058)	(9,772)	(34,593)	(24,409)
Non current liabilities	200	(32)	(86)	(95)	(408)	(387)
NET ASSETS	(5,580)	(5,680)	4,578	3,229	4,323	2,847
CARRYING AMOUNT OF NCI	(1,395)	(1,704)	1,923	1,356	1,729	1,065
Revenue	176,791	203,808	36,234	30,891	149,759	131,293
Net Profit after tax	623	(5,522)	2,961	1,781	3,529	2,100
Other comprehensive income (OCI)	(132)	456	-	-	-	-
TOTAL COMPREHENSIVE INCOME	491	(5,066)	2,961	1,781	3,529	2,100
PROFIT ALLOCATED TO NCI	156	(1,657)	1,244	848	1,412	786
OCI ALLOCATED TO NCI	(33)	137	-	-	-	-
Cash flows from operating activities	(6,661)	7,780	519	3,600	3,265	2,607
Cash flows from investing activities	(43)	(18)	(1,401)	(24)	(2,848)	(1,393)
Cash flows from financing activities	21,683	4,733	2,261	(955)	11,741	(2,023)
NET INCREASE/(DECREASE) IN CASH	14,979	12,495	1,379	2,621	12,158	(809)

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 2017

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

ASSET ACQUISITION OF BUSINESSES ON THE FOLLOWING DATES:	PERCENTAGE ACQUIRED	TYPE	DATE ACQUIRED
Great Northern Rural Services (Parkquest Pty Ltd)	60%	Share	3 October 2016
Riverland Irrigation Services Pty Ltd	100%	Asset	1 November 2016
Hunter Irrigation (Tritab Pty Ltd)	100%	Asset	1 November 2016
Ausure Ruralco Pty Ltd (formerly Ausure Consolidated Brokers Pty Ltd)	50%	Equity Investment	1 December 2016
Water Trading Australia Pty Ltd	100%	Asset	1 December 2016
Newham Rural Supplies Pty Ltd	51%	Asset	1 February 2017
Mildura Irrigation Centre Pty Ltd	100%	Asset	1 February 2017
W. John Pearson & Co Pty Ltd	100%	Asset	1 February 2017
TP Jones Pty Ltd	100%	Asset	1 March 2017
Irrigation Tasmania Pty Ltd	100%	Share	1 March 2017
River Rain (Agriexchange Pty Ltd)	100%	Asset	1 March 2017
The Professionals (Waters & Atkin Rural Pty Ltd)	100%	Asset	1 March 2017
QFH Multiparts Pty Ltd	100%	Share	1 September 2017
Mallala (Chamston Pty Ltd)	100%	Asset	1 September 2017

The acquisition of the above-mentioned entities and businesses is consistent with the Group's strategy of broadening its geographic footprint in key markets, undertaking a step change in the Group's Financial Services business and building on the Group's market leading position in water.

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.

NOTE 20: BUSINESS COMBINATIONS (continued)

(A) ACQUISITIONS (continued)

(i) Acquisitions for the full year ended 30 September 2017 (continued)

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

$'000	GREAT NORTHERN RURAL	RIVERLAND IRRIGATION	NEWHAM RURAL SUPPLIES	MILDURA IRRIGATION	RIVER RAIN	TP JONES	IRRIGATION TASMANIA	QFH MULTI-PARTS	OTHER*	TOTAL
CONSIDERATION TRANSFERRED										
Cash	1,993	2,131	1,857	5,760	3,572	16,000	20,793	1,860	1,487	55,453
Deferred consideration	-	-	-	2,673	-	-	3,511	-	92	6,276
Contingent consideration	-	-	-	2,475	-	-	8,471	-	342	11,288
	1,993	2,131	1,857	10,908	3,572	16,000	32,775	1,860	1,921	73,017
IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED										
Cash balance acquired	-	-	-	-	-	(2)	1,321	63	-	1,382
Receivables	3,163	-	337	2,343	2,246	6,841	5,795	1,442	-	22,167
Inventories	2,375	630	684	499	449	3,577	4,897	2,907	365	16,383
Property, plant and equipment	142	390	149	118	58	783	1,510	360	405	3,915
Other assets	-	-	-	-	20	28	224	194	-	466
Other intangibles	166	147	65	655	43	214	1,237	-	317	2,844
WIP	-	93	-	-	-	-	2,234	-	29	2,356
Payables	(4,507)	-	-	(808)	-	(7,025)	(3,482)	(5,797)	-	(21,619)
Provisions	(235)	(181)	(119)	(211)	(333)	(234)	(822)	(93)	(172)	(2,400)
Other payables	(145)	-	-	-	(40)	-	(1,462)	(27)	(2)	(1,676)
Deferred revenue	-	(410)	(146)	-	-	-	(63)	-	-	(619)
	959	669	970	2,596	2,443	4,182	11,389	(951)	942	23,199
GOODWILL ON ACQUISITION	1,034	1,462	887	8,312	1,129	11,818	21,386	2,811	979	49,818

* All other acquisitions include Hunter Irrigation, Water Trading Australia, John Pearson, The Professionals and Mallala. These acquisitions are not individually material, and are disclosed in aggregate.

GREAT NORTHERN RURAL SERVICES

The goodwill is attributable to the knowledge and expertise of the workforce to service a major agriculture market and provide a retail footprint in the Geraldton region of Western Australia. The goodwill has been allocated to the Mainland Operations group of CGU's.

The results during the post-acquisition period to 30 September 2017 was a contribution of $18.2 million to revenue and to profit after tax of $0.2 million.

RIVERLAND IRRIGATION

The goodwill is attributable to the knowledge and expertise of the workforce to service the citrus, almond and wine grape markets and the location of the business acquired in the Riverland region of South Australia. The goodwill has been allocated to the Water group of CGU's.

The results during the post-acquisition period to 30 September 2017 was a contribution of $8.3 million to revenue and to profit after tax of $0.9 million.

Had the results of this business been included from the beginning of the financial year, a further $0.8 million in revenue and $0.1 million of the profit after tax would have been recognised as part of the Group's results.

NOTE 20: BUSINESS COMBINATIONS (continued)

(A) ACQUISITIONS (continued)

(i) Acquisitions for the full year ended 30 September 2017 (continued)

NEWHAM RURAL SUPPLIES

The goodwill is attributable to the knowledge and expertise of the workforce to service the livestock and horticulture markets and the location of the business acquired in the Bathurst region of New South Wales. The goodwill has been allocated to the Mainland Operations group of CGU's.

The results during the post-acquisition period to 30 September 2017 was a contribution of $3.9 million to revenue and to profit after tax of $0.3 million.

Had the results of this business been included from the beginning of the financial year, a further $2.0 million in revenue and $0.1 million of the profit after tax would have been recognised as part of the Group's results.

MILDURA IRRIGATION CENTRE

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 the Sunraysia district around the borders of New South Wales, South Australia and Victoria. The goodwill has been allocated to the Water group of CGU's.

The results during the post-acquisition period to 30 September 2017 was a contribution of $6.2 million to revenue and to profit after tax of $0.4 million.

Had the results of this business been included from the beginning of the financial year, a further $4.4 million in revenue and $0.3 million of the profit after tax would have been recognised as part of the Group's results.

RIVER RAIN

The goodwill is attributable to the knowledge and expertise of the workforce to service the citrus, almond and wine grape markets and the location of the business acquired in the Riverland region of South Australia. The goodwill has been allocated to the Water group of CGU's.

The results during the post-acquisition period to 30 September 2017 was a contribution of $5.0 million to revenue and to profit after tax of $0.4 million.

Had the results of this business been included from the beginning of the financial year, a further $3.6 million in revenue and $0.3 million of the profit after tax would have been recognised as part of the Group's results.

TP JONES

The goodwill is attributable to the knowledge and expertise of the workforce to service the horticulture, broadacre and viticulture markets and the location of the business acquired in Tasmania. The goodwill has been allocated to the Tasmanian Operations CGU.

The results during the post-acquisition period to 30 September 2017 was a contribution of $15.6 million to revenue and to profit after tax of $0.2 million.

Had the results of this business been included from the beginning of the financial year, a further $11.1 million in revenue and $0.1 million of the profit after tax would have been recognised as part of the Group's results.

IRRIGATION TASMANIA

The goodwill is attributable to the knowledge and expertise of the workforce to service the cropping and livestock production markets and the location of the business acquired primarily across the Tasmania region. The goodwill has been allocated to the Water group of CGU's.

The results during the post-acquisition period to 30 September 2017 was a contribution of $23.6 million to revenue and to profit after tax of $1.0 million.

Had the results of this business been included from the beginning of the financial year, a further $16.9 million in revenue and $0.7 million of the profit after tax would have been recognised as part of the Group's results.

QFH MULTIPARTS

The goodwill is attributable to the knowledge and expertise of the workforce to service a region hub in an important agriculture market and provide a retail footprint in the Katanning region of Western Australia. The goodwill has been allocated to the Mainland Operations group of CGU's.

QFH Multiparts was acquired 1 September 2017. As such the post-acquisition results are not considered material to the Group and not reflective of the full year results had the business been included from the beginning of the financial year.

NOTE 20: BUSINESS COMBINATIONS (continued)

(A) ACQUISITIONS (continued)

(ii) Acquisitions for the full year ended 30 September 2016

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

ACQUISITION OF BUSINESSES ON THE FOLLOWING DATES:	DATE ACQUIRED
Mackay Rural Supplies Pty Ltd	1 October 2015
A&B Rural Supplies Pty Ltd	1 October 2015
DDG Rural Pty Ltd	1 October 2015
Herbert Valley Rural Pty Ltd	1 October 2015
Statewide Irrigation & Rural Supplies Pty Ltd	1 February 2016
KNM General Pty Ltd	15 April 2016
Complete Ag & Seed Supplies	1 May 2016
B & K Walker Pty Ltd	1 July 2016
GA & FJ Fox Pty Ltd	1 August 2016

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

(B) NEW BUSINESS ESTABLISHED

2017

BUSINESS NAME	DATE ESTABLISHED
Roberts Irrigation Pty Ltd	1 July 2017
Primaries Esperance Pty Ltd	4 July 2017

2016

BUSINESS NAME	DATE ESTABLISHED
CIAA Pty Ltd	23 March 2016
Wex Water Pty Ltd	13 September 2016
Moora Rural Supplies Pty Ltd	13 September 2016

(C) DISPOSAL OF OPERATIONS

2017

(i) Disposal of Tasmania Farm Equipment Pty Ltd

On 28 February 2017, the Group disposed of its 100% interest in Tasmania Farm Equipment Pty Ltd. $2,072,186 of proceeds were received for the interest in the business resulting in a $1,794,000 loss impact on disposal.

2016

(i) Disposal of Roberts Don Mac Pty Ltd

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

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:

	2017 $	2016 $
Purchase of goods from subsidiaries by associates	268,198	392,889
Purchase of goods from subsidiaries by directors and their related entities	-	6,447
Interest paid by subsidiaries to their related entitles	55,550	58,893
Interest paid to subsidiaries by their related entities	37,656	42,471

(B) OUTSTANDING BALANCES AT REPORTING DATE

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

	2017 $	2016 $
CURRENT RECEIVABLES		
- Other related parties	668,015	486,670
NON-CURRENT RECEIVABLES		
- Other related parties	3,549	3,549
LOANS AND BORROWINGS		
- Other payable to related parties	629,918	1,002,030
Receivable from joint ventures and associates	85,618	93,343

Amounts repaid to related parties in relation to related party loans was $444,987 (2016: $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.

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 select 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, 31.6% (2016: 33.0%) 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 $4,218,825 (2016: $7,453,226) 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.

2017

		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
DERIVATIVE FINANCIAL LIABILITIES									
Derivative financial instruments	389	389	-	389	-	-	-	-	-
NON-DERIVATIVE FINANCIAL LIABILITIES									
Bank loans	109,590	115,392	-	14,998	100,394	-	-	-	-
Other loans	2,370	2,392	-	2,392	-	-	-	-	-
Trade and other payables	304,379	304,379	-	304,379	-	-	-	-	-
Contingent consideration	11,288	11,288	-	2,646	8,642	-	-	-	-
Loans from related parties	630	630	630	-	-	-	-	-	-
Finance lease liabilities	1,378	1,536	-	599	350	175	132	48	232
TOTAL FINANCIAL LIABILITIES	430,024	436,006	630	325,403	109,386	175	132	48	232

NOTE 22: FINANCIAL RISK MANAGEMENT (continued)

(B) LIQUIDITY RISK (continued)

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
DERIVATIVE FINANCIAL LIABILITIES									
Derivative financial instruments	168	168	-	168	-	-	-	-	-
NON-DERIVATIVE FINANCIAL LIABILITIES									
Bank loans	65,112	68,972	-	23	68,851	98	-	-	-
Other loans	2,156	2,175	-	2,175	-	-	-	-	-
Trade and other payables	294,179	294,179	-	294,179	-	-	-	-	-
Loans from related parties	1,002	1,002	1,002	-	-	-	-	-	-
Finance lease liabilities	1,663	1,887	-	1,288	291	172	97	39	-
TOTAL FINANCIAL LIABILITIES	364,280	368,383	1,002	297,833	69,142	270	97	39	-

(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 2017, 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:

	2017		2016	
	POST TAX PROFIT $'000	EQUITY $'000	POST TAX PROFIT $'000	EQUITY $'000
AUD/USD +10%	-	599	-	1,002
AUD/USD -10%	-	(599)	-	(819)

(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.

2017

		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
FINANCIAL ASSETS									
Cash	1.45%	22,789	-	-	-	-	-	-	22,789
Trade receivables (interest bearing)	17.25%	-	10,475	2,823	-	-	-	-	13,298
Loans to related parties	5.10%	2	352	-	-	-	-	1,312	1,666
TOTAL FINANCIAL ASSETS		22,791	10,827	2,823	-	-	-	1,312	37,753
FINANCIAL LIABILITIES									
Bank loans	2.80%	-	14,590	95,000	-	-	-	-	109,590
Other loans	9.00%	-	2,370	-	-	-	-	-	2,370
Loans from related parties	3.55%	630	-	-	-	-	-	-	630
Finance lease liability	4.39%	-	574	321	154	111	39	179	1,378
TOTAL FINANCIAL LIABILITIES		630	17,534	95,321	154	111	39	179	113,968
NET EXPOSURE TO INTEREST RATE RISK		22,161	(6,707)	(92,498)	(154)	(111)	(39)	1,133	(76,215)

NOTE 22: FINANCIAL RISK MANAGEMENT (continued)

(D) INTEREST RATE RISK (continued)

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
FINANCIAL ASSETS									
Cash	1.45%	5,417	-	-	-	-	-	-	5,417
Trade receivables (interest bearing)	6.87%	6,460	52,784	-	-	-	-	-	59,244
Loans to related parties	3.73%	30	2,539	-	-	-	-	-	2,569
TOTAL FINANCIAL ASSETS		11,907	55,323	-	-	-	-	-	67,230
FINANCIAL LIABILITIES									
Bank loans	2.92%		22	65,000	90	-	-	-	65,112
Other loans	0.90%	-	2,156	-	-	-	-	-	2,156
Loans from related parties	3.92%	1,002	-	-	-	-	-	-	1,002
Finance lease liability	5.67%	-	1,121	275	154	82	31	-	1,663
TOTAL FINANCIAL LIABILITIES		1,002	3,299	65,275	244	82	31	-	69,933
NET EXPOSURE TO INTEREST RATE RISK		10,905	52,024	(65,275)	(244)	(82)	(31)	-	(2,703)

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:

	2017		2016	
	POST TAX PROFIT $'000	EQUITY $'000	POST TAX PROFIT $'000	EQUITY $'000
+ 100 basis points	(2,161)	-	(836)	-
- 100 basis points	2,161	-	836	-

NOTE 23: EVENTS AFTER THE BALANCE SHEET DATE

The Group has agreed to acquire 100% of the business assets of Southern Agricultural Solutions Pty Ltd, a four branch rural services business located in the southern highlands and capital regions of NSW, for consideration of $3.2million. The acquisition completed on 1 December 2017 and will form part of the Rural Services segment.

Excluding the transaction noted above, there are no matters or circumstances that have arisen since 30 September 2017 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.

NOTE 24: AUDITORS' REMUNERATION

	2017 $	2016 $
AUDIT SERVICES		
Audit and review of financial statements - KPMG	520,750	483,800
Other regulatory audit services - KPMG	34,500	33,200
	555,250	517,000
OTHER SERVICES		
Tax compliance services - KPMG	136,527	133,890
Other non-assurance services - KPMG	125,000	196,100
	261,527	329,990

DIRECTORS' DECLARATION

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 71-122 and the Remuneration Report in the Directors' Report, set out on pages 51-67 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 2017 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 CEO and CFO for the financial year ended 30 September 2017.
4. The Directors draw readers' attention to Note 1(a) of 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 AM
Chairman, Ruralco Holdings Limited

Travis Dillon
Managing Director & CEO, Ruralco Holdings Limited

Dated at Sydney on the 5th December 2017

TO THE SHAREHOLDERS OF RURALCO HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the Financial Report of Ruralco Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 September 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The Financial Report comprises:

- Consolidated statement of financial position as at 30 September 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The Group consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

BASIS FOR OPINION

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

The Key Audit Matters we identified are:

- Valuation of goodwill
- Valuation of biological assets
- Valuation of trade receivables
- Acquisition of a portfolio of businesses during the year

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Goodwill ($215 million)

Refer to Note 10 to the financial report.

The key audit matter

A key audit matter for us was the Group's annual testing of goodwill and intangible assets for impairment, given the size of the balance (being 24% of total assets). Continued growth through the Group's acquisition strategy has resulted in increased goodwill and intangibles arising from acquisition. We focused on the significant forward-looking assumptions the Group applied in their value in use model, including:

- forecast cash flows, growth rates and terminal growth rates – As the Agribusiness industry is seasonal in nature (climate and commodity pricing) it leads to the risk of inaccurate assumptions. Further the Group underwent restructuring in preceding periods including within the Water CGU. A number of the initiatives were adopted included reducing working capital within the business and leveraging the Ruralco network to grow the revenues of the Cash Generating Unit (CGU).
- forecast growth rates and terminal growth rates – In addition to the uncertainties described above, the Group's models are highly sensitive to small changes in these assumptions, reducing available headroom across a number of CGUs. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy;
- discount rate - these are complicated in nature and vary according to the conditions and environment the specific CGU is subject to from time to time.

We involved valuation specialist to supplement our senior audit team members in assessing this key audit matter.

KEY AUDIT MATTERS (continued)

Valuation of Goodwill ($215 million) (continued)

How the matter was addressed in our audit

Working with our valuation specialist our procedures included:

- Considering the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards;
- Comparing the forecast cash flows contained in the value in use model to Board approved forecasts;
- Assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. We noted as part of the restructure undertaken within the Water CGU in the preceding year that a number of revenue growth initiatives and working capital reduction measures were adopted. We have performed a retrospective assessment of the ability of the Group to successfully execute these strategies;
- Considering the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within reasonable possible ranges, to identify those CGUs at higher risk of impairment and to focus our procedures;
- Assessing the critical input to the forecast cash flows, being the earnings assumptions, against publicly available industry studies noting forecast climate patterns and commodity prices;
- Checking the consistency of the growth rates to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry in which they operate;
- We independently developed a discount rate range considered comparable using publicly available market data for comparable entities;
- Assessing the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Valuation of biological assets ($18 million)

Refer to Note 8 of the financial statements.

The key audit matter

The Group's policy is to record biological assets at fair value as required by the relevant accounting standard. This is a key audit matter due to the significant judgement involved in assessing the Group's:

- market price per kilogram given the lack of depth in the live export cattle market;
- kilogram weight gain per day as actual weight can only be precisely measured on purchase and sale;
- estimated number of head of cattle given the variability of mortality rates.

These key inputs are used to calculate the fair value at 30 September 2017 (being 2% of total assets).

We focused on understanding the key inputs and assessing them based on current market trends and historical results. Accordingly, we involved senior team members and a valuation specialist.

How the matter was addressed in our audit

Working with our valuation specialist our procedures included:

- Testing the key control of reconciling the records of number and weight purchased and number of cattle sold against the amount recorded in the general ledger;
- Assessing the accuracy of previous Group estimates, including mortality rate and weight gain per day assumptions to inform our evaluation of estimates incorporated in the current year model and our knowledge of the current business conditions;
- Considering the sensitivity of the fair value model by varying key assumptions, including; livestock weight gain per day, market price per kilogram and mortality rate within a reasonable possible range based on historical results. We also compare these to publicly available industry research for consistency;
- Challenging the weight gain, price per kilogram and mortality rate assumptions against the historical outcomes of similar programs operated by the Group and publicly available industry research;
- Assessing whether the methodology used by the Group in obtaining a fair value for the biological assets was in line with the accounting standards requirements;
- Assessing the Group's disclosures for consistency with accounting standards and our understanding of the Group's analysis.

KEY AUDIT MATTERS (continued)

Valuation of Trade Receivables ($394 million)

Refer to Note 6 of the financial statements.

The key audit matter

Our audit effort and attention focused on accounting for the valuation of trade receivables as a key audit matter due to:

- The quantum of debtors outstanding at 30 September 2017 (being 47% of total assets);and
- Unfavourable changes in regional climate patterns may lead to recoverability issues of customers located within similar regions due to poor trading results.

We focused on assessing the Group's estimate of the expected loss based on debtor ageing relative to credit terms and historical debtor recoverability. Accordingly, we involved senior team members.

How the matter was addressed in our audit

Our procedures included:

- Testing of the review and approval of managements' expected loss model;
- Assessing the completeness and accuracy of reports used by the Group to monitor and determine debtor recoverability. This included testing a sample of specific customers' details against the underlying invoices;
- Assessing the integrity of the expected loss model used, including the accuracy of historical write-offs used to calculate the expected loss;
- Challenging the Group's assumptions of recoverability for certain regional customers expected to be affected by unfavourable weather conditions, against forecast climate patterns provided by independent industry research;
- Assessing the Group's disclosure included in Note 8 to the financial report for consistency with accounting standards and our understanding of the Group's analysis.

Acquisition of a portfolio of businesses during the year

Refer to Note 20 of the financial statements.

The key audit matter

Identification and measurement of assets acquired and liabilities assumed as part of the acquisitions is a key audit matter due to:

- Business combinations require more audit effort due to the bespoke nature of each transaction;
- The judgement required by the Group to forecast post acquisition earnings to determine the fair value of contingent consideration;
- The judgement involved in identification and valuation of intangible assets recognised on acquisition. Key inputs into the model include customer attrition rates, margin attributable to the customer and discount rates.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.

How the matter was addressed in our audit

Our procedures included:

- For all transactions we read the sale and purchase agreement to understand the structure and key terms and conditions of bespoke acquisition
- For the Mildura and Irrigation Tasmania transactions we assessed the Group's determination of contingent consideration by checking key inputs into the contingent consideration fair value calculation to the Group's pre-acquisition due diligence and sale and purchase agreement terms;
- We assessed if the identifiable intangible assets were recognised in line with the requirements of the accounting standards;
- For all transactions where identifiable intangible assets were recognised on acquisition we challenged customer attrition rates, discount rates and margins, based on our knowledge of similar businesses within the Group and comparison to peer businesses within the industry;
- Assessing the adequacy of the Group's disclosure in respect of business acquisitions in accordance with accounting standards.

OTHER INFORMATION

Other Information is financial and non-financial information in Ruralco Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

OTHER INFORMATION (continued)

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

REPORT ON THE REMUNERATION REPORT

Opinion

In our opinion, the Remuneration Report of Ruralco Holdings Limited for the year ended 30 September 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 51 to 67 of the Directors' report for the year ended 30 September 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

Anthony Travers
Partner

KPMG
Sydney

5 December 2017

FIVE YEAR REVIEW

FOR THE YEAR ENDED 30 SEPTEMBER 2017

RURALCO HOLDINGS LIMITED
ABN 40 009 660 879

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
FINANCIAL POSITION					
Total assets	884,807	720,272	698,126	656,990	580,487
Total liabilities	594,167	509,151	475,653	435,022	420,490
Total equity	290,640	211,121	222,473	221,968	159,997
RESULTS					
Total revenue	1,826,800	1,790,140	1,599,862	1,355,887	1,133,116
Operating profit before interest, depreciation, amortisation and income tax	59,304	27,492	40,943	33,869	25,565
Interest on borrowings	4,667	4,025	4,664	5,153	5,700
Depreciation and amortisation	10,490	9,405	8,297	7,445	5,432
Operating profit before income tax	44,147	12,646	27,982	21,271	14,433
Operating profit attributable to members of Ruralco Holdings Limited	22,420	4,296	14,057	10,565	5,738
DIVIDENDS					
Total dividends paid and declared	10,935	11,779	13,120	11,654	10,912
Dividends per ordinary share	15.0 cents	10.0 cents	16.0 cents	16.0 cents	20.0 cents
STATISTICS					
Issued ordinary fully paid shares ($)	104,464,002	79,259,913	78,531,866	77,291,069	55,019,284
Share price at 30 September ($)	2.74	3.17	3.60	3.41	3.35
Market capitalisation ($'000)	286,231	251,254	282,715	263,563	184,315
Net tangible assets per share ($)	$0.72	$0.81	$1.12	$1.29	$1.41
Basic earnings (cents per share)	23.51	5.44	18.03	15.27	10.49
Number of permanent employees	1,983	1,960	1,976	1,871	1,428

SUBSTANTIAL SHAREHOLDER DETAILS AS AT 30 NOVEMBER 2017 WERE:

HOLDERS OF RELEVANT INTEREST	NUMBER OF SHARES HELD	% OF SHARES
Neale Edwards Pty Ltd and its related entity	22,360,395	21.4%
Perpetual Investments Ltd	7,674,232	7.3%
Investors Mutual Ltd	7,400,000	7.1%
Regal Funds Management Pty Ltd	7,095,173	6.8%

DISTRIBUTION OF SHAREHOLDERS AS AT 30 NOVEMBER 2017 WERE:

RANGE OF INVESTORS	NUMBER OF HOLDERS	ORDINARY SHARES HELD
1-500	2,737	661,544
501-1,000	732	552,017
1,001-5,000	1,684	4,202,697
5,001-10,000	621	4,656,221
10,001-100,000	693	16,959,393
100,001 and over	43	77,432,130

20 LARGEST HOLDERS OF ORDINARY SHARES AS AT 30 NOVEMBER 2017 WERE:

	NAME	NUMBER OF SHARES	% OF ISSUED CAPITAL
1.	Neale Edwards Pty Ltd	19,076,473	18.26
2.	HSBC Custody Nominees (Australia) Limited	13,092,659	12.53
3.	National Nominees Limited	7,612,014	7.29
4.	J P Morgan Nominees Australia Limited	7,190,115	6.88
5.	Citicorp Nominees Pty Limited	5,493,529	5.26
6.	HSBC Custody Nominees (Australia) Limited – A/C 2	3,878,499	3.71
7.	UBS Nominees Pty Ltd	3,381,848	3.24
8.	Bona Vista Estate Pty Ltd	3,283,922	3.14
9.	CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	2,291,247	2.19
10.	Brispot Nominees Pty Ltd <House Head Nominee A/C>	1,702,042	1.63
11.	BNP Paribas Noms Pty Ltd <DRP>	1,684,248	1.61
12.	UBS Nominees Pty Ltd – A/C 2	1,138,572	1.09
13.	Next Step Consultancy (Australasia) Pty Ltd <The Next Step A/C>	808,587	0.77
14.	Sheedy Super Pty Ltd <Sheedy Super A/C>	767,534	0.73
15.	Dean Whitestone Pty Ltd	500,000	0.48
16.	Mr Douglas Fenton-Lee + Mrs Carol Adele Fenton-Lee <Super Fund A/C>	472,271	0.45
17.	Trones Investments Pty Ltd	401,792	0.38
18.	Kaplan Equity Limited	350,626	0.34
19.	CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	321,838	0.31
20.	Y G P Grain & Hardware Pty Ltd	316,759	0.30
	TOTAL TOP 20 HOLDERS	73,764,575	70.59
	TOTAL REMAINING HOLDERS BALANCE	30,699,427	29.41

FINANCIAL CALENDAR

FOR THE YEAR ENDED 30 SEPTEMBER 2017

RURALCO HOLDINGS LIMITED
ABN 40 009 660 879

2018

ANNUAL GENERAL MEETING FOR 2017 YEAR END	2 February 2018
2018 HALF YEAR END	31 March 2018
ANNOUNCEMENT OF RESULTS FOR HALF YEAR ENDING 31 MARCH 2018	15 May 2018
RECORD DATE FOR INTERIM DIVIDEND	1 June 2018
INTERIM DIVIDEND PAYABLE	19 June 2018
2018 YEAR END	30 September 2018
ANNOUNCEMENT OF RESULTS FOR YEAR ENDING 30 SEPTEMBER 2018	13 November 2018

Note: These dates may be subject to change

CORPORATE DIRECTORY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

RURALCO HOLDINGS LIMITED
ABN 40 009 660 879

REGISTERED OFFICE

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

EXECUTIVE DIRECTOR

Travis Dillon

NON-EXECUTIVE DIRECTORS

Richard (Rick) Lee
Elizabeth Johnstone
Trudy Vonhoff
Michael Millner

COMPANY SECRETARY

Ilona Alsters

SHARE REGISTRY

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AUDITOR

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BANKERS

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

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