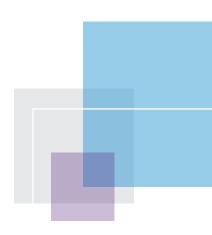
### 2014 ANNUAL REPORT



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\$1,356m
OPERATING REVENUE FOR THE 12 MONTHS TO 30 SEPTEMBER 2014

\$286m

MARKET CAPITALISATION
AS AT 30 NOVEMBER 2014

2,108
EMPLOYEES
AS AT 30 SEPTEMBER 2014

\$43.5m
UNDERLYING EBITDA
(EARNINGS BEFORE INTEREST EXPENSE, TAX, DEPRECIATION AND AMORTISATION)



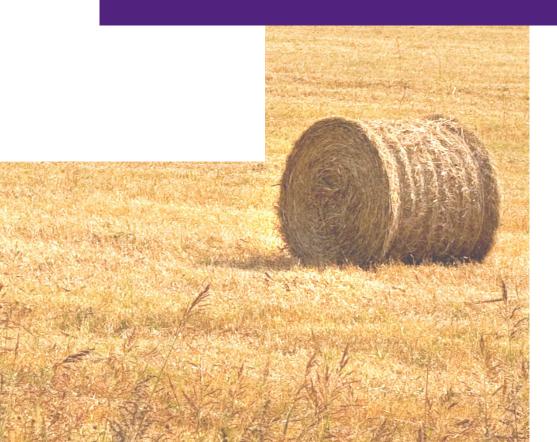
4,285
SHAREHOLDERS
AS AT 30 NOVEMBER 2014







Through considered strategic ventures, Ruralco Holdings Limited has established a solid business platform catering to the diverse needs of rural and regional Australia.



## RURALCO'S MAJOR ACTIVITIES ARE:

WOOL BROKING & LIVESTOCK AGENCY

**LIVE EXPORT** 

WATER SERVICES GRAIN MARKETING

FINANCIAL SERVICES

RURAL SUPPLIES





### RURALCO STRUCTURE

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:

273C Kennedy Drive, Cambridge, Tasmania, 7170.

A description of the nature of the Group's operations and its principal activities is included in the Review of Operations on pages 9-11.

The Financial Report was authorised for issue by the Directors on 15 December 2014.

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 are available at the Investor Information menu on our website (www.ruralco.com.au).

### CHAIRMAN'S REPORT

The 2014 financial year was another pleasing year for the Company, further consolidating its position as a leading Australian agribusiness.

The strong results achieved for the 2014 financial year reflect the resilience of the network and emphasises the increasing quality and diversity of our earnings.

The Directors have declared a fully franked dividend of 8 cents per share, payable on 14 January 2015 bringing total dividends to 16 cents per share fully franked. The Dividend Reinvestment Plan will apply to this dividend. The dividend reflects part year earnings on new investments whereas the new shares issued during the year to acquire these assets will fully participate in both the interim and final dividend.

#### Strategy

Ruralco Holdings Limited is delivering on its strategic agenda with significant investments in water management and live export during the year.

The acquisition in February 2014 of Total Eden, a leading retailer of water products and designer of end to end solutions, significantly expands Ruralco's water management platform.

Frontier International Agri commenced live cattle shipments in May and has performed soundly to deliver in excess of 40,000 cattle in the final five months of the financial year.

Both businesses contribute to expanding the activity portfolio, reduce earnings volatility risk and fully leverage the distribution network.

#### The Board

Four new Directors joined the Company and two Directors resigned during the year. John Tuskin was appointed a Director of the Board on 1 October 2013. Bruce Dixon resigned on 17 April 2014 and Michele Allan resigned on 16 May 2014.

Ross Burney, Elizabeth Johnstone and Trudy Vonhoff were appointed as Directors of the Board on 1 September 2014.

Ross Burney is Chief Executive Officer of Taverners Group and a Director of Kaplan Equity Ltd, Qube Holdings Ltd and Oncard International Ltd. Ross was previously a Director of The Maryborough Sugar Factory Ltd and Turners and Growers Ltd and brings over 20 years' experience as an accountant and investment manager with a strong knowledge of the agricultural supply chain.

Elizabeth Johnstone was one of Australia's leading lawyers. She is currently a Director of ASX Compliance Pty Ltd, the KinCare Group of Companies, Macquarie University Hospital Operations Ltd and the Royal Flying Doctor Service, (South East Section). Elizabeth was a corporate partner and practice head for company law and governance at a top tier legal firm focusing on corporate advisory work for listed companies. She is

a previous Business and Professional Women's Association/QANTAS Business Woman of the Year.

Trudy Vonhoff is a Director of AMP Bank Limited and Tennis NSW. She has held senior Executive positions with AMP and Westpac where she was head of Commercial & Agribusiness Banking, and prior to that was head of Regional & Agribusiness Banking. Trudy brings to the Group a strong financial and risk management background.

These appointments provide further support to the Company's strategic growth agenda and strengthen our capabilities with respect to the development of a number of key initiatives for the Company.

As new appointments to the Board, Ross Burney, Elizabeth Johnstone and Trudy Vonhoff will retire from office and be eligible for election at the upcoming Annual General Meeting ("AGM") in February 2015. Michael Millner and I will also retire by rotation in accordance with the Constitution and be eligible for re-election at the upcoming AGM.

Further information with respect to the AGM is contained in the Notice of Meeting.

#### Corporate Governance

The Board is committed to achieving high standards of corporate governance practice and supports the ASX Corporate Governance Council's principles of Good Corporate Governance and Best Practice. We adopted a policy in 2012 with respect to diversity, and I am pleased to advise this policy is being implemented with an increasing number of women on our Board and in senior management roles. We continue to pursue opportunities to incorporate diversity principles into the recruitment and appointment process including partnering with a disability employment service.

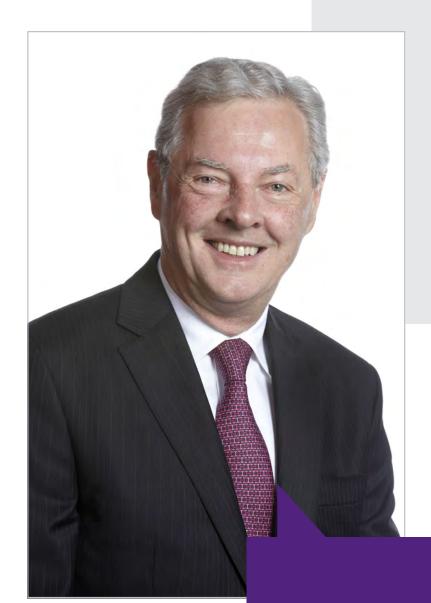
The Company's performance in relation to these principles is reported later in this Report. The Company and your Directors continue to reassess the appropriateness of its corporate governance structures and processes including the Board and Committee Charters which are available on the Ruralco Holdings Limited website (www.ruralco.com.au).

#### Conclusion

To the dedicated Ruralco Holdings Limited staff, joint venture partners and members, I would like to acknowledge your tremendous contribution and thank you for your support and hard work throughout the year.

Thank you to our shareholders – your support is greatly appreciated.

The coming year will bring new challenges however Australian agribusiness fundamentals continue to be attractive and the Company's increasing diversity of earnings will assist the Group maintain its momentum into the new year.



"Solid results achieved during the year reflect the resilience of the network."

RICHARD ENGLAND CHAIRMAN





"Our business continues to deliver on the key strategic initiative of sector expansion and diversification."

JOHN MAHER
MANAGING DIRECTOR & CEO

## REVIEW OF OPERATIONS

#### GROUP PERFORMANCE OVERVIEW

Sales revenue for the year of \$1,355.9m represents a 21% increase on the prior corresponding period ("pcp"). Gross profit of \$257.1m was up 26% on the pcp driven by:

- Rural Supplies' sales revenue lift of 14% together with the stronger margins delivered a 28% increase in gross
  profit. This reflected the part-year contribution of Total Eden's water products segment and the expanded footprint
  achieved over the past three years across both the broadacre and horticulture sectors;
- Agency activities increased gross profit by 19%, headlined by a 33% lift in livestock gross profit principally driven by a 25% increase in cattle and sheep volume handled;
- Real Estate increased gross profit by 11%. The rural property segment generated increased activity levels with beef, dairy and intensive irrigation properties prominent. Regional residential and lifestyle property sales were also consistent, catching onto strength in metropolitan markets; and
- Water Services' 95% lift in gross profit included second half benefit from the Total Eden acquisition, however the
  existing network also increased, led by a significant lift from water broking. This was due to greater demand for
  irrigation water across a number of sectors including rice, almonds, citrus and dairy in response to both increased
  production planning and drier seasonal conditions.

Negatively impacting results were:

- Bank costs increased by 14%1 on the pcp;
- · CFO and IT costs increased by 20% on the pcp due to increased capability investment; and
- Financial Services' gross profit eased by 5% on the pcp due to the continuing focus on reducing the seasonal finance book (down \$8m on the pcp) in favour of off-balance sheet products. This impact on finance earnings was mitigated by a 22% lift in insurance activity gross profit on the pcp.

Reported net profit after tax ("NPAT") of \$10.6m included net expense of \$4.9m (post tax) related to non-recurring items, with the major items relating to Total Eden acquisition costs and strategy project costs. Other items included restructuring costs resulting from completing consolidation of the back office to the Sydney processing hub, establishment costs for live export and other network growth initiatives.

#### **ACTIVITY PERFORMANCE**

#### **RURAL SUPPLIES**

Rural Supplies delivered a strong result with sales revenue up 14% to \$1,135m together with stronger margins delivering a 28% increase in gross profit to \$123.1m. This was despite a dry first quarter (October – December 2013) outside of Tasmania and continuing drought in Queensland and northern New South Wales exacerbated by a poor finish to the southern winter cropping season.

To add further span to the network, Rodwells established greenfield outlets at Cobram (Victoria, Riverina), Heyfield (Victoria, Gippsland) and Culcairn (New South Wales), and Territory Rural established a Broome (Western Australia) rural supplies branch in association with Total Eden's existing outlet in the region.

#### **WATER SERVICES**

Water Services' gross profit was up 95% on the pcp. The Ruralco water businesses have made a significant contribution throughout the year with an expanded platform arising from the acquisition of Total Eden and the existing network performing strongly with a significant lift in water broking.

The acquisition of the Total Eden business in February 2014 positioned the Company as a leading player in the Australian water solutions market, significantly expanding the water management platform. The integration of Total Eden is proceeding well with identified synergies on track to the original business case and back office, procurement and supply chain consolidation progressing.

In May 2014, Ruralco Water upgraded its National Water Exchange platform to include new products such as forward water contracts and permanent entitlement sales. Innovative solutions and continued investment in staff training has positioned Ruralco Water as a leading player in the provision of water broking services in the Murray Darling Basin.

Margins and gross profit remained steady for the other water services businesses Roberts and Archards Irrigation.





#### **AGENCY**

Agency also delivered a strong result with gross profit up 19% on the pcp.

Specific growth initiatives have added further capability and reach to the Company's existing agency network including the acquisition of the well-established agency business Peter Dargan Livestock (Wangaratta and Corowa in the Victoria Riverina); the commencement of livestock and real estate agency business Northern Livestock & Property (Moura, Roma and Julia Creek in Queensland); and an increased equity stake to 100% in two leading agency businesses being Davidson Cameron Group with nine network branches (New South Wales) and Primaries of WA with its sizeable network of livestock, wool and real estate agents (Western Australia).

#### Livestock

Livestock gross profit was 33% above the pcp. Livestock indicators stabilised at five year averages with median prices and moderating Australian dollar encouraging strong international demand for animal protein. The 25% increase in cattle and sheep volume handled reflected higher activity levels which were geographically spread across the business and reflect ongoing network development in key staff and customer additions combined with improving grower confidence levels given strong export beef, lamb and live cattle demand.

#### Wool

Wool gross profit was down 9% on the pcp. Trading conditions for wool broking were challenging with south eastern parts of Australia experiencing a tough first half due to lower average clip sizes and wool received into store but unsold due to weak prices. The Eastern Market Indicator ("EMI") was down 11% exacerbated by the production of finer wools, with these products being harder hit by price due to an oversupply in the market. Seasonal conditions have improved in recent months which should have a positive impact on production and pricing for the coming year.

#### Real Estate

Real Estate gross profit was up 11% on the pcp. An overall increase in average sale prices and slight increases in sales numbers combined to deliver a strong result for the Real Estate business. The rural property segment generated increased activity levels particularly with beef, dairy and intensive irrigation properties. Nationally, regional residential markets continue to show signs of improvement. Ongoing low interest rates, steady employment numbers and a generally healthy economic outlook should continue to support this market segment. Despite continued dry conditions in northern Australia, good growth was generated in the pastoral cattle segment and Northern Territory's residential market.

## REVIEW OF **OPERATIONS**



#### **GRAIN MARKETING**

Agfarm continued to deliver positive results despite intensifying competition and a second consecutive year of high grain prices, which diminishes demand for the pooled product. Part of this success lies in a commitment to delivering innovative solutions including an online grain marketing platform.

During the year, Agfarm's new input finance product, Accelerate, was successfully piloted and has been launched in time for the 2015 cereal cropping season. Distributed through the Company's branch and agronomy network and with the financial support of Agfarm joint venture partner, CHS Inc, Accelerate enables growers to finance their cropping inputs purchased through the Company outlets and then access Agfarm's expertise and products to market their harvested grain.

#### FINANCIAL SERVICES

Financial Services' gross profit of \$14.5m was 5% lower than the pcp.

Ag Concepts Unlimited's Mecardo information system continues to occupy a unique position in the marketplace through the provision of comprehensive market analysis to assist farmers with their risk management and decision making.

#### LIVE EXPORT

Live Export gross profit reflects Frontier's solid entry to the market with in excess of 40,000 head of live cattle shipped from May 2014 with a significant portion sourced from within the Ruralco Holdings Limited network. The business has received a positive customer response during its first year and is proving its capabilities in livestock procurement, logistics, sales and marketing. The business continues to grow its order pipeline across both feedlot and breeder cattle categories.

#### **OUR PEOPLE**

Ruralco Holdings Limited continues to be one of the largest employers within the Australian agribusiness industry.

Our workforce is comprised of talented and dedicated people across Australia. The Company aims to support our people with challenging and rewarding work, with the flexibility required in today's world.

Our people are passionate about the agricultural industry and the communities each business serves.

#### Safety

We believe that all injuries are preventable and we are continually reviewing and improving our safety management systems to meet our goal of zero harm. In 2014, a full review of our safety management system commenced. This will continue over a 12 month period to ensure our people are able to work in an environment where they can arrive for work and return home in the same condition to their families and friends every night.

Recently, we focused our attention on the key hazard of 'working with or handling livestock', improving the knowledge and skills for all relevant employees.

#### **Talent**

Attracting and retaining quality staff is a key focus for the business. Providing our people with the vocational and professional development required to progress within their career and add even more value to the business is an ongoing priority.

Additionally we supported a number of employees to study higher level learning in courses including a Certificate IV in Agriculture.

Ongoing development and succession planning are critical to maintaining a robust workforce to support the Company's growth initiatives in coming years.

#### Share Plan

Eligible employees receive the opportunity to participate in the General Employee Share Plan.

<sup>1</sup> For consistent comparison purposes, FY13 prior year reports Agfarm as an Associate. (Agfarm ceased being a controlled entity on 1 August 2013).





## CORPORATE SOCIAL RESPONSIBILITY

Ruralco Holdings Limited is committed to acting in a socially responsible manner not simply because it is part of our responsibility as a leading Australian business, but because it underpins our reason for operating – supporting local communities. We understand the positive impacts community support has to local communities and broader stakeholder networks including shareholders and staff.

#### **ECONOMIC**

Ruralco Holdings Limited has more than 4,000 shareholders and over 2,000 employees, making it one of Australia's largest publicly listed agribusinesses and industry employers. Consequently, the Company has a responsibility to a broad group of people to ensure a sustainable future for the business. A Corporate Code of Conduct guides all actions and decisions carried out within the Company. These guiding principles ensure all stakeholders – staff, customers, shareholders, suppliers and members of the public – are treated with the respect they deserve and that business is conducted in an ethical manner.

We aim to support economic development in the communities in which we operate and assist local, regional and national organisations who can contribute to growing the economies our employees and customers live and work in.

#### **EXTERNAL**

A key element of the Company strategy is commitment to local communities. The Company's diverse businesses located across Australia are key supporters of local community organisations, with over \$2m donated to various local charities and groups throughout the year. Support extends from donations to local hospitals and schools through to major charitable organisations including the Royal Flying Doctors and The Cancer Council, enabling organisations to provide resources necessary to support their valuable work. Ruralco Holdings Limited supports its independent member network by facilitating store openings and other events which help raise valuable funds for the communities they serve.

The efforts of our local businesses are supplemented by the Company's direct philanthropy including staff participation in the MS Mega Swim for MS Research; The Primary Club of Australia cricket match; the Fred Hollows Coast Trek; and Movember.

When partnering with service providers, the Company's preference is to secure the services of providers who also support local communities and charities.

Community contribution extends to staff and members volunteering their time to help local organisations, product donations and speaking at schools.

The support Ruralco Holdings Limited businesses and members provide to their communities help to make a positive impact to the lives of the people in those communities. This support not only provides much needed funds to a variety of organisations, it also provides opportunities for people to connect around common and shared interests. An example of this is the three year sponsorship deal involving Platinum Operations and CRT with the Adelaide Crows Football Club. This provides an opportunity to help primary school children improve their skills in AFL.

We are privileged to have the ongoing support of our Ambassador, Lee Kernaghan OAM who greatly assists the Group in fundraising activities. Throughout the year Lee provided support at a number of events, including the WMG Agriservices CRT store opening in Moree, New South Wales, raising much needed funds for the "We're for the Bush" Drought Appeal supporting drought-stricken farmers in New South Wales.

#### INTERNAL

Ruralco Holdings Limited supports diversity in all its forms. Through our Diversity Policy, management continues to focus on improving the gender balance within leadership roles including an increased participation of women in the senior management positions.

Other diversity initiatives include partnering with a disability employment service to actively recruit people with a disability.

#### **ENVIRONMENT**

Commitment to conducting all business activities within a sustainable manner is a key focus for the Company. The Company is conscious of continuing to reduce energy and water usage, encouraging sustainable initiatives not only in the workplace but also throughout the network

The Company is investigating options to transition its fleet to more fuel efficient vehicles, and training staff in efficient driving techniques.

The Company is working towards improved energy efficiency through a variety of projects to reduce greenhouse emissions, increase recycling and partnering with procurement partners who are focused on seeking environmentally friendly agricultural solutions for our network and customers.

### EXECUTIVE TEAM



**JOHN MAHER**BAGSC (Hons), MBA, GAICD, FAIM

#### **Managing Director and CEO**

Appointed as Managing Director in October 2006, John is responsible for the parent Company and all branded entities that form the largest network of independently owned stores and regional companies in agribusiness and real estate throughout Australia.

John has over 25 years experience in Australian agribusiness in a number of roles, including executive positions at Wesfarmers Limited, Australian Meat and Livestock Corporation (now MLA) and organisations involved in international marketing of Australian agricultural commodities and rural consultancy.

In his role as Managing Director, John chairs a number of management committees including the Business Development Committee and the IT Governance Committee. John sits on a number of Ruralco Holdings Limited's subsidiary Boards, including Agfarm Pty Ltd, and is also a Director of AuctionsPlus Pty Ltd.



**RUTH MARTIN**CA, BA in Accounting

#### **Chief Financial Officer**

Ruth joined the Company in December 2013. Ruth's finance career spans almost 30 years. She has previously held senior finance roles with Microsoft, Stockland and Sydney Airport Corporation Limited after 12 years with one of the big 4 accounting firms.

Ruth is responsible for all reporting, treasury, IT, transactional services, credit, indirect procurement and property.



ANGIE SOMANN-CRAWFORD BA LLB, GAICD, CSA (Cert)

#### General Manager Corporate Services (including Company Secretary & General Counsel)

Angie is Ruralco Holdings Limited's General Counsel and was appointed Company Secretary on 3 May 2011, having acted in the role in 2010.

In her role as General Counsel, Angie is responsible for all of the Group's legal functions and has over 14 years legal experience. Prior to being appointed General Counsel, Angie was the Group's Legal Counsel. She joined the Company in July 2008 with a background in corporate and commercial law, having worked as an associate at a boutique law firm specialising in complex commercial law.

Angie is also responsible for human resources and risk.



GREG O'∩EIL

General Manager – CRT, Group Marketing &

Communications

Greg has over 30 years experience with CRT and is responsible for the merchandise business of the CRT/Town & Country membership, as well as marketing and communications for the Ruralco Holdings Limited Group. Greg has held various senior positions with the Company including marketing, category and state management and, since 1996, general management.





RICK MAYBURY BAS (Ag), Adv Dip BM

#### General Manager – Rural Supplies & Water Services

Rick joined the Company's Rural Supplies & Water Services division in 2009 after seven years with Rawlinson & Brown, one of the Company's specialist rural businesses based in NSW. Rick has held national roles for Ruralco Holdings Limited including Crop Protection Category Manager and National Merchandise Manager. In his current role, Rick is accountable for the Rural Supplies and Water Services strategy, the national procurement team, the groups supply chain and logistics operations, and the water services arm of Total Eden and Ruralco Water Brokers.



STEVE WILLIAMS
AssocDip Mktg

#### General Manager - Total Eden Networks

Steve was appointed to the Company Executive Management Team in September 2014 as General Manager–Total Eden Networks. Steve has more than twelve years senior management experience, ten of which are in the FMCG and apparel industries; most recently as Marketing Director Independent Distillers 2009-2011, and previously as Brand Director & Marketing Director at Levi Strauss Australia & New Zealand 2002-2008.



TRAVIS DILLON Adv Dip RBM, MAICD

#### General Manager - Rural Retail

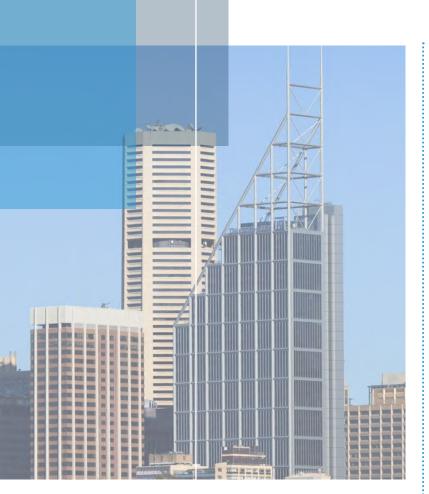
Travis joined the Company in 2007 and was appointed General Manager – Rural Retail in September 2014. Prior to this appointment, Travis had the role General Manager – Mainland Operations from 2012. Travis is responsible for businesses involved in the Rural Retail sector of the Group in which the Company has equity participation. These businesses consist of joint venture and 100% owned operations around Australia, and include some iconic rural supplies brands such as Roberts, Rodwells, Primaries of WA, GDL and Davidson Cameron & Co.

Travis has been involved in the agribusiness industry for over 20 years and has extensive experience in agronomy, branch and category management.



# RURALCO 2014 ANNUAL REPORT

### DIRECTORS' REPORT



The Directors present their report on the Group consisting of Ruralco Holdings Limited (the Company) and the entities it controlled for the year ended 30 September 2014. The Company and its controlled entities together are referred to as the Group in this Report.

#### **DIRECTORS**

The Directors who served on the Company Board during the financial year and up to the date of this Report were Richard England, John Maher, Michael Millner, Bruce Dixon, Michael Allan, John Tuskin, Ross Burney, Elizabeth Johnstone and Trudy Vonhoff. Director profiles, including their qualifications, experience, special responsibilities and past directorships are outlined below.

Mr Maher was appointed to the role of Managing Director on 2 October 2006. At the AGM held on 13 February 2014, Mr Dixon and Dr Allan retired by rotation, stood for reelection and were re-elected, and Mr Tuskin stood for reelection and was re-elected. On 17 April 2014 Mr Dixon resigned from the Board, and on 16 May 2014 Dr Allan resigned from the Board. On 1 September 2014 Ross Burney, Elizabeth Johnstone and Trudy Vonhoff were appointed to the Board.

The Directors of the Ruralco Holdings Limited also serve on the boards of the Comany's subsidiary companies Roberts Limited and Combined Rural Traders Pty Ltd, except Mr Tuskin, who is not a Director of Roberts Limited.

#### INFORMATION ON DIRECTORS



RICHARD A F ENGLAND FCA. MAICD

Non-executive Chair. Member of the Audit, Risk & Corporate Governance Committee, Investment Committee and the Nomination & Remuneration Committee.

Appointed to the Board as Chairman on 9 July 2002, Richard became Deputy Chairman at the time of the merger with Roberts Ltd in 2006 and was re-appointed Chairman on 5 February 2007. Richard brings to the Company over

30 years experience in the accounting and financial services profession as well as broad management experience.

Until 1984, Richard spent most of his professional career with Peat Marwick and Ernst & Young and its predecessor firms, first becoming a partner in 1982. He practiced in the areas of Corporate Recovery and Restructuring. Richard is currently Chairman of Chandler Macleod Group Limited. He is a Non-executive Director of Macquarie Atlas Roads Limited, Nanosonics Limited and Japara Healthcare Limited.



JOHN S MAHER BAg Sc (Hons), MBA, GAICD, FAIM

#### Managing Director and CEO.

Appointed as Managing Director in October 2006, John is responsible for the parent Company and all branded entities that form the largest network of independently owned stores and regional companies in agribusiness, water services and real estate throughout Australia.

John has over 25 years experience in Australian agribusiness in a number of roles, including executive positions at Wesfarmers Limited, Australian Meat and Livestock Corporation (now MLA) and organisations involved in international marketing of Australian agricultural commodities and rural consultancy.

In his role as Managing Director, John chairs a number of management committees including the Business Development Committee and the IT Governance Committee. John sits on a number of the Company's subsidiary Boards, including Agfarm Pty Ltd, and is also a Director of AuctionsPlus Pty Ltd.



MICHAEL J MILLNER

Non-executive Director. Chair of the Investment Committee.

Michael was appointed a Non-executive Director in 2003, he resigned in June 2006 and was re-appointed in February 2007. Michael is a Director and Deputy Chairman of Brickworks Limited and, until 1 October 2012, was a Director and deputy Chairman of Washington H Soul Pattinson and Company Limited, a substantial shareholder in the Company.

Michael has extensive experience in the investment industry and is a Councillor of the Royal Agricultural Society of New South Wales and is Chairman of the Royal Agricultural Society of New South Wales (RAS) Foundation.



JOHN H TUSKIN MAICD

Non-executive Director. Member of the Investment Committee and Audit, Risk & Corporate Governance Committee.

Appointed to the Board on 1 October 2013, John is the Managing Director of TP Jones & Co Pty Ltd, the CRT member in Youngtown and Longford, Tasmania. John is also a Non-executive Director of XLD Grain Pty Ltd, an independent grain trading business based in Tasmania, and previously served as Chairman of the CRT National Council. John has also been involved at state level with Agsafe and the Rural Industry Training Board.

### DIRECTORS' REPORT



ELIZABETH JOHNSTONE LLB, MA (Hons), BA (Hons), FAICD

Non-executive Director. Chair of the Audit, Risk & Corporate Governance Committee, Member of the Nomination and Remuneration Committee.

Elizabeth was appointed to the Board on 1 September 2014. Elizabeth is currently a Director of ASX Compliance Pty Ltd, the KinCare Group of Companies (Chair), Macquarie University Hospital Operations Ltd and the Royal Flying Doctor Service (South East Section).

Elizabeth was previously a corporate partner and practice head for company law and governance at a top tier legal firm, and is a former Business and Professional Women's Association/QANTAS Business Woman of the Year.



TRUDY VONHOFF MBA, BBus (Hons), GAICD, SF Fin

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

Appointed to the Board on 1 September 2014 Trudy brings over 30 years experience in financial services, including senior executive positions in Westpac Banking Corporation leading the businesses of Commercial & Agribusiness Banking; Retail Banking; and Technology & Operations. Trudy is a Non-executive Director of AMP Bank Limited and Tennis NSW, and a member of the NSW Government Industry Advisory Group for Procurement.



ROSS BURNEY

Non-executive Director, Member of the Investment Committee.

Ross was appointed to the Board on 1 September 2014. Ross is CEO of Taverners Group and a Director of Kaplan Equity Ltd. Ross is currently a Director of Qube Holdings Ltd and Oncard International Ltd (Chair), and was previously a Director of The Maryborough Sugar Factory Ltd (MSF Sugar) and Turners and Growers Ltd. Ross has over 20 years experience as an accountant and investment manager, together with a deep knowledge of the agricultural supply chain.

#### **BRUCE DIXON**

BA (Econ) MAICD

Non-executive Director. Chair of the Nomination & Remuneration Committee.

Bruce was appointed to the Board on 16 February 2012. Bruce is the CEO of Spotless Group Ltd and prior to that was Managing Director/CEO of Healthscope Ltd, and until June 2012 was a Non-executive Director of Greencross Ltd.

Bruce resigned from the Board on 17 April 2014.

#### MICHELE ALLAN

BAppSc MMgmtTec, DBA, MComm Law, FAICD

Non-executive Director. Chair of the Audit, Risk & Corporate Governance Committee.

Appointed to the Board on 15 March 2012, Michele has held board positions at William Angliss Institute, Grains and Legumes Nutrition Council, CRC Hearing, Meat and Livestock Australia, Grape and Wine Research and Development Corporation, Innovation Australia, Grain Growers Limited and Tasmanian Irrigation Pty Ltd.

Michele was previously CEO and Managing Director of Patties Foods Limited and Group General Manager Risk and Sustainability for Amcor Limited.

Michele resigned from the Board on 16 May 2014.

#### **Company Secretary**



ANGIE SOMANN-CRAWFORD BA LLB, GAICD, CSA (Cert)

Angle is the Company's General Counsel and was appointed Company Secretary on 3 May 2011.

Details of Angie's experience are contained in the Executive biographies on page 14.



SUSANNAH BALL BALLB

Susannah was appointed Acting Company Secretary on 1 September 2014 when Angie commenced maternity leave, and previously acted in the role in 2012. Susannah is a member of the Company's legal team and commenced with the Group in May 2010, previously working as a lawyer with a national law firm.

#### Principal Activities

During the year the principal activities of the Group were sales and marketing of products to rural and related industries (merchandising) and agency services in relation to real estate, livestock, wool, grain, water, fertiliser and financial services.

#### **Results of Operations**

Total revenue was \$1,355.9 million in FY14, up  $21\%^1$  on the same period last year.

Net profit after tax ("NPAT") including significant items attributable to equity holders was \$10.6 million for the year ended 30 September 2014. This is an increase of 86% on the same period last year. Earnings per share of 15.3 cents was an increase of 46% on FY13.

The Company's trading is structured into two key segments:

- Rural Services encompassing CRT, Rural Supplies, Rural Retail and Water Services
- Financial Services

Further information on the operations and financial position of Ruralco Holdings Limited and its business strategies and prospects is set out in the Review of Operations on pages 9-11 of this Annual Report.

#### **Risk Management**

The Board oversees the establishment, implementation and annual review of the Group's risk management system. Management is responsible for assessing, monitoring and managing risk for the Group. The Chief Executive Officer and Chief Financial Officer have provided assurance, in writing to the Board, that the financial reporting, risk management and associated compliance and controls have been assessed and found to be operating effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

Further details of the Group's risk management system, including the Risk Management Policy are available on the Company's website (www.ruralco.com.au).

Material business risks for the Group may arise from matters such as actions by competitors, government policy changes, the impact from loss of key staff, environment, occupational health and safety, property, financial reporting and the purchase, development and use of information systems.

<sup>1</sup> For consistent comparison purposes, FY13 prior year reports Agfarm as an Associate. (Agfarm ceased being a controlled entity on 1 August 2013).



## DIRECTORS' REPORT

#### Dividend

A final dividend of 8 cents per share will be paid on 14 January 2015. Further details of the dividends paid are set out on page 117 (Five Year Review) of this Annual Report.

#### Significant Changes in the State of Affairs

During the course of the year, the following changes occurred:

- The Company issued 22,271,785 shares as part of a capital raising.
- On 28 February 2014, the Company acquired the Total Eden Group. Total consideration paid was \$60.1m.
- On 1 September 2014 the registered office of the Company (and a number of subsidiaries) changed from 2 Collins Street Hobart to 273C Kennedy Drive, Cambridge in Tasmania.
- On 19 September 2014, Ruralco Holdings Limited sold its 12.04% stake in Elders Limited.

#### **Future Developments and Results**

Information on the development of the Group and likely developments in future years appears in the Chairman's Report and Review of Operations sections of this Annual Report. The Directors believe that to include further information on strategic matters and expected results of the Ruralco Holdings Limited Group in this Report would likely result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this Report.

#### **Options**

No rights or options over issued shares or interests in the Company or a controlled entity are held by any of the Non-executive Directors. The rights or options held by other Key Management Personnel including Mr John Maher as Managing Director are set out under the section detailing their remuneration and incentive plans.

#### **Meetings of Directors**

During the year ended 30 September 2014, the number of meetings of the Board of Directors and each Board Committee and the number of meetings attended by each of the Directors were as follows:

	Board		Audit, Risk & Corporate Governance Committee		Nomina Remun Comn	eration	Investment Committee		
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended	
R A F England	14	14	6	5	3	3	5	4	
M J Millner	14	13	6	6	3	3	5	5	
J S Maher	14	14	-	6^	-	-	-	5^	
B Dixon*	7	6	-	2^	2	2	-	-	
J Tuskin	14	14	1	6^	-	1^	5	4	
M Allan**	8	8	4	4	-	-	-	-	
R Burney#	2	2	-	-	-	-	-	-	
E Johnstone#	2	2	-	-	-	-	-	-	
T Vonhoff#	2	2	-	-	-	-	-	-	

<sup>^</sup> Attended by invitation

#### Directors' Shareholdings

At 30 September 2014, the relevant interests of the Directors in shares of Ruralco Holdings Limited were:

	Ruralco Holdings Limited – Ordinary Shares							
	As at 30 September 2013	Acquired during the year	Disposed during the year	Balance as at 30 September 2014				
R A F England	66,540	15,475	-	82,015				
M J Millner	20,000	6,978		26,978				
J S Maher	481,452	438,449	-	919,901				
B Dixon*	-	-	-	-				
J Tuskin	16,184	5,646	-	21,830				
M Allan**	-	-	-	-				
R Burney*^	-	-	-	10,300,085				
E Johnstone#	-	-	-	-				
T Vonhoff#	-	-	-	-				

<sup>\*</sup> Resigned on 17 April 2014

<sup>\*</sup> Resigned on 17 April 2014

<sup>\*\*</sup> Resigned on 16 May 2014

<sup>#</sup> Appointed 1 September 2014

<sup>\*\*</sup> Resigned on 16 May 2014 \* Appointed 1 September 2014

<sup>^</sup> R Burney's relevant interests reflect Kaplan Equity Limited and its management entities' interests of 10,115,031 shares and Grantully Investments Pty Limited's interest of 185,054 shares. Mr Burney is a Director of both entities.

### DIRECTORS' REPORT

#### Dehentures

As at 30 September 2014 and also at the date of this Report, Directors do not have any holdings in unsecured notes issued by Roberts Limited, a controlled entity of Ruralco Holdings Limited.

#### Retirement, Election and Continuation in Office of Directors

In accordance with the Company Constitution, at each AGM the following Directors must retire from office:

- One third of the Directors (or a number nearest one third). The Directors to retire will be those who have been longest in office since their last election. This does not apply to the Managing Director;
- Directors must not hold office past the third AGM following their appointment or election or three years, whichever is longer; and
- Any other Director appointed to fill a casual vacancy or as an addition to the existing Directors must also stand for election at the next AGM.

Mr England and Mr Millner will retire by rotation as Directors at the next AGM and each being eligible, offer themselves for re-election. Mr Burney, Ms Johnstone and Ms Vonhoff, being new appointments to the Board during 2014, will also stand for election at the next AGM. Details are included in the Notice of Meeting.

#### Indemnities and Insurance

The Company has paid insurance premiums in respect of Directors' and Officers' liability for current and former Directors of Ruralco Holdings Limited, its controlled entities and related bodies corporate.

Those officers of the Company that are covered by insurance include the current Directors, Secretaries, Executive Officers and former Directors. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

Clause 38 of the Company's Constitution provides that Ruralco Holdings Limited must indemnify Directors and Secretaries (and may indemnify Executive Officers) against any liability incurred in that capacity in defending any proceedings, whether civil or criminal, in which judgment is given in their favour or where they are acquitted or in connection with any relief granted for proceedings under the Corporations Act 2001.

The Company has entered into Access Deeds with current and former Directors of Ruralco Holdings Limited and some subsidiaries on terms which comply with 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.

#### Directors' and Key Management Personnel Remuneration

The details are set out in the Remuneration Report which appears on pages 24-41 and forms part of this Report.

#### **Directors' Interests in Contracts**

No contract involving Directors' interests was entered into since the end of the previous financial year or existed at the end of the financial year other than the transactions detailed in note 32 to the consolidated financial statements.

#### Proceedings on Behalf of the Company

No proceedings have been brought on behalf of Ruralco Holdings Limited or any related entities, nor any application made under section 237 of the Corporations Act 2001.

#### **Environmental Regulation and Performance**

The Group has an ongoing commitment to conduct its business activities with respect to the environment while continuing to meet expectations of shareholders, employees, customers and suppliers. The Group is committed to achieving a level of environmental performance which meets or exceeds Commonwealth, State or local regulatory requirements.

The Directors are not aware of any material breaches of environmental regulations during the year, and to the date of this Report, under any applicable environmental law of the Commonwealth or of a State or Territory.

#### **Corporate Governance**

The Company's Corporate Governance Statement is contained on pages 42-54 and forms part of this Directors' Report.

#### Auditor's Independence

The Auditor's Independence Declaration for the year ended 30 September 2014 has been received and can be found on page 55 and forms part of this Directors' Report.

#### Non-audit Services

The Group may engage the external auditor on assignments or projects additional to its statutory audit duties where the external auditor's expertise and experience with the Group are of benefit. The amounts paid to the external auditor (KPMG) for the audit and non-audit services provided throughout the year are set out in note 7 of the consolidated financial statements

The Board of Directors, in accordance with advice from the Audit, Risk & Corporate Governance Committee, is satisfied that the provision of non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 and APES 110. All non-audit services are reviewed and approved by the Audit, Risk & Corporate Governance Committee prior to commencement to ensure they do not adversely affect the independence of the auditors.

#### Proceedings on behalf the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company.

#### Remuneration Report

The Remuneration Report on pages 24-41 forms part of this Directors' Report.

#### **Rounding of Amounts**

This Company is of a kind referred to in Class Order 98/0100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar unless otherwise stated.

Signed in accordance with a resolution of the Board.

Richard HErgand

Richard A F England Chairman

J. S. Maher

John S Maher Managing Director

Dated at Sydney this 15th day of December 2014







## REMUNERATION REPORT

#### SECTION 1: LETTER FROM THE NOMINATION & REMUNERATION COMMITTEE CHAIR

The Ruralco Holdings Limited Nomination & Remuneration Committee presents the Remuneration Report for the year ended 30 September 2014. The Remuneration Report outlines the remuneration arrangements for Key Management Personnel ("KMP") comprising the Group Executives and the Non-executive Directors.

Ruralco Holdings Limited's Board is committed to a remuneration framework which ensures that the Company attracts and retains a high quality Executive team who are appropriately rewarded for achieving financial outcomes for the Company which provide shareholders with satisfactory returns. To achieve this, a significant portion of Executive remuneration is "at risk" and subject to the Company's performance. The Company's remuneration policy and structure for its Group Executives comprises a combination of the following two main components:

- a fixed component which is the total base salary and includes compulsory employer superannuation contributions; and
- a variable "at risk" component which is performance based and comprises a part cash, part share-based short-term incentive ("STI") plan that is linked to both the performance of the Company and individual performance, and a long-term incentive ("LTI") program under which Executives, at the discretion of the Board, are offered performance rights which vest if the Company achieves certain hurdles over a three year period.

The combination of fixed and variable "at risk" remuneration ensures that the Company's remuneration policies are consistent with generally accepted best practice.

#### **Events and Board Decisions Affecting Remuneration**

KMP fixed annual remuneration was increased effective 1 January 2014, based on business and individual performance and aligned to market remuneration levels. The "at target" pay levels for KMP are set with reference to other ASX companies and peers. The weighted average KMP fixed remuneration increase was 3.7%.

Subsequent to 30 September 2014, the Remuneration and Nomination Committee have met and the Directors approved a STI bonus relating to key Executives totaling \$618,200 that was in relation to service provided during the 2014 financial year.

#### **Changes to Key Management Personnel**

There have been a number of changes to the Executive Management Team during the 2014 financial year. Richard Norton was appointed General Manager Network Development effective 3 February 2014 and ceased to be a KMP on 20 May 2014. He was no longer a member of the Executive Management Team from that date. Ruth Martin was appointed Chief Financial Officer effective 9 December 2013 whereupon she became a KMP. Allan Barr ceased to be a KMP on 3 September 2014 as a result of a revised Executive Management Team structure. Steve Williams was appointed General Manager - Total Eden Networks effective 3 September 2014 whereupon he became a KMP.

Non-executive Director John Tuskin was appointed as a Director on 1 October 2013. Non-executive Director Bruce Dixon resigned as a Director on 17 April 2014. Non-executive Director Michele Allan resigned as a Director on 16 May 2014.

On 1 September 2014, the Company announced the appointment of Trudy Vonhoff, Ross Burney and Elizabeth Johnstone as Non-executive Directors. All three Non-executive Directors are considered KMP from this date.

For the period that these Directors and Executives were considered KMP's, their remuneration has been included within this Report.

#### 2014 Financial Performance

As described in the Review of Operations, there was a solid earnings recovery in FY14 driven by encouraging growth in both sales revenue and margin achieved despite the sustained drought in Queensland and northern NSW. Profit from operating activities grew from \$21.1m to \$28.6m.

This result included a part-year contribution from the Total Eden acquisition and Frontier live export business.

FY14 operational cash flow was strong which together with additional funding from a capital placement in December 2013 resulted in a Net Debt reduction to \$37.9m, which was 29.7% lower than last year.

On behalf of the Committee, I recommend this year's Remuneration Report to you.

CIV Julion

Trudy Vonhoff

Chair of the Nomination and Remuneration Committee

#### SECTION 2: INTRODUCTION (AUDITED)

The Remuneration Report forms part of the Directors' Report. The Remuneration Report details the remuneration of the Company's 'Key Management Personnel' ("KMP") in accordance with disclosure requirements prescribed in the Australian Accounting Standards, the Corporations Act 2001 and the ASX Corporate Governance Principles and Recommendations.

KMP are persons having authority and responsibility for planning, directing and controlling the activities of the Group, whether directly or indirectly. For the purposes of this Report, the Company has determined KMP are the Directors and members of the Executive Management team, as set out below.

#### **Key Management Personnel during the financial year Executive Management Team** Position Name Position Richard A F England Chairman John Maher Managing Director and CEO Michael J Millner Non-Exec Director Angie Somann-Crawford General Manager Corporate Services (including Company Secretary and General Counsel) John H Tuskin⁵ Non-Exec Director Travis Dillon General Manager Rural Retail Trudy Vonhoff<sup>6</sup> Non-Exec Director Greg O'Neil General Manager CRT, Group Marketing & Communications Ross Burney<sup>6</sup> Non-Exec Director Rick Maybury General Manager Rural Supplies & Water Services Elizabeth Johnstone<sup>6</sup> Non-Exec Director Ruth Martin Chief Financial Officer Bruce Dixon1 Non-Exec Director Steve Williams General Manager Total Eden Networks Michele Allan<sup>2</sup> Non-Exec Director Allan Barr<sup>3</sup> General Manager - Tasmanian Operations Richard Norton<sup>4</sup> General Manager - Network Development

Ceased to be KMP from 17 April 2014

<sup>Ceased to be KMP from 16 May 2014
Ceased to be KMP from 3 Sept 2014</sup> 

<sup>4</sup> Ceased to be KMP from 20 May 2014

<sup>5</sup> Became KMP on 1 October 2013

<sup>6</sup> Became KMP on 1 September 2014



## REMUNERATION REPORT

### SECTION 3: REMUNERATION POLICY, GOVERNANCE AND FRAMEWORK (AUDITED)

The Board recognises that in order for the Group to prosper, it must be able to attract, motivate and retain key employees. The Company's approach to remuneration, as documented in its Remuneration Policy, plays a significant role in the attraction, motivation and retention of key employees.

The key principles of the Remuneration Policy are:

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

On advice from the Nomination & Remuneration Committee, the Board is responsible for reviewing and proposing changes to the Remuneration Policy, as required.

No changes were made to the Remuneration Policy during the reporting period. The Board believes that the payment of remuneration as specified in this Report and as paid in prior years to the Directors and to Executives of the Group has been beneficial to the Group's earnings and to shareholder wealth, and accurately reflects the Group results achieved.

Key financial and market related indicators are incorporated as performance criteria in the reward structure in order to link performance and reward. The Group's overall performance in the current and past 4 years is as follows.

	2014	2013	2012	2011	2010
Total revenue	1,355,887	1,133,116	1,136,314	1,003,186	902,666
Operating profit before interest, depreciation, amortisation and income tax	33,869	25,565	41,175	40,203	30,842
Operating profit attributable to members of Ruralco Holdings Limited (\$000)	10,565	5,738	13,849	14,979	12,053
Total dividends paid (\$000)	11,654	10,912	10,418	9,354	7,700
Share price at 30 September	\$3.41	\$3.35	\$3.40	\$3.25	\$2.64

The Committee also has responsibility for:

- recommending the Managing Director's package and determining the Managing Director's reward framework;
- reviewing KMP remuneration;
- reviewing the Executive reward framework and the principles applicable to the calculation of the Short-Term Incentives ("STI") and any Long-Term Incentives ("LTI") awarded; and
- $\bullet\,$  setting and assessing the various key performance indicators for any STI or LTI to be paid.

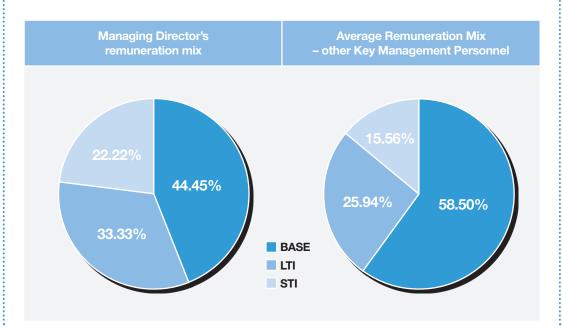
The Managing Director's and Executive reward frameworks are discussed in detail below.

#### SECTION 4: REWARD FRAMEWORK OVERVIEW (AUDITED)

Each Executive received a base salary during the year ended 30 September 2014. In addition, a STI may be earned based on an individual meeting Key Performance Indicators ("KPIs") during the year, with each of these weighted. Executives may also participate in an equity-based LTI plan. Further detail regarding the reward framework are summarised in section 7 of this Report.

Remuneration levels are reviewed annually and upon change of position. Individual remuneration is determined by the Group's remuneration mix policy, referencing available market data and consideration of individual factors. The remuneration mix policy is outlined in the table below.

	Policy remuneration mix (% of total maximum remuneration)						
Role	Total fixed remuneration	Target short-term incentive	Long-term incentive (grant value)				
Managing Director	44.45%	50% of total fixed remuneration	75% of total fixed remuneration				
Executives	58.50%	30% of total fixed remuneration	50% of total fixed remuneration				





## REMUNERATION REPORT

#### SECTION 5: 2014 REWARD OUTCOMES (AUDITED)

#### **Total Fixed Remuneration**

Each Executive received a base salary during the year ended 30 September 2014. The weighted average salary increase for the Executive Management Team (including the Managing Director) from 2013 to 2014 was 3.7%.

#### **Short-term Incentives**

The Remuneration and Nomination Committee have met and the Directors approved an STI bonus relating to key Executives totaling \$618,200 that was in relation to service provided during the 2014 financial year.

Details of the vesting profile of the STI cash bonuses awarded as remuneration to each Executive of the Company relating to 2014 are detailed below.

	FY 2014 Short-term incentive bonus							
Name	Included in remuneration \$ (A)	% achieved in year	% forfeited in year (B)					
John Maher	336,488	81.67%	18.33%					
Angie Somann-Crawford	23,625	25.00%	75.00%					
Greg O'Neil	92,339	100.00%	0.00%					
Travis Dillon	80,641	65.00%	35.00%					
Allan Barr	46,857	64.92%	35.08%					
Rick Maybury	38,250	42.50%	57.50%					
Richard Norton	-	0.00%	100.00%					
Ruth Martin	-	0.00%	100.00%					
Steve Williams	-	0.00%	100.00%					

- (A) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria.
- (B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

#### Long-term incentives

#### **Managing Director**

On 1 October 2013, the Managing Director's 2010 grant of Performance Rights reached their TSR Measurement Date. The testing conducted by Guerdon and Associates ranked Ruralco Holdings Limited at the 49th percentile of the comparator group of companies. 100% of the Performance Rights vested resulting in an allocation of 199,165 fully paid ordinary shares in the Company.

In relation to the additional grant of tenure related Performance Rights to the Managing Director (September 2012), 125,000 Performance Rights were tested against the relevant budgeted EBITDA and revenue hurdles as at 30 September 2014 and vested.

#### Executives

No long-term incentives vested for Executives in the 2014 reporting period, with the exception of those employees who received rights under the senior Management Plan (refer Section 7) and shares granted to T Dillon at the discretion of the Board.

#### SECTION 6: DISCLOSURE TABLE FOR EXECUTIVES (AUDITED)

		5	Short-te	rm	Post Employment	Share Based Payments	Othe	r			
	Date	Cash Salary \$	Cash Bonus \$	Non- monetary Benefits' \$	Super- annuation \$	Share based payments" \$	Termination Benefits \$	Long Service Leave \$	Total \$	Proportion of remuneration performance related %	Proportion of remuneration share based payment related %
John S Maher	2014	799,000	336,488	32,735	25,011	614,450	-	-	1,807,684	53	34
Managing Director and CEO	2013	775,000	120,000	47,304	25,033	758,456	-	-	1,725,793	51	44
Angie Somann- Crawford	2014	209,383	23,625	-	19,445	33,604	-	-	286,057	20	12
General Manager Corporate Services (including Company Secretary and General Counsel)	2013	256,259	40,000	-	23,234	24,862	-	-	344,355	19	7
Greg O'Neil	2014	263,397	92,339	9,706	42,968	36,521	-	-	444,931	29	8
General Manager – CRT, Group Marketing & Communications	2013	259,276	-	23,824	41,646	25,828	-	4,306	354,880	7	7
Travis Dillon	2014	375,641	80,641	21,996	34,983	58,040	-	-	571,301	24	10
General Manager - Rural Retail	2013	370,030	36,082	29,263	33,532	29,676	-	-	498,583	13	6
Allan Barr <sup>1</sup>	2014	216,628	46,857	12,726	20,065	38,617	-	-	334,893	26	12
General Manager – Tasmanian Operations	2013	227,523	-	28,804	20,564	20,854	-	6,008	303,753	7	7
Rick Maybury	2014	262,150	38,250	15,167	24,421	32,829	-	-	372,817	19	9
General Manager Rural Supplies & Water Services	2013	239,063	25,000	20,109	21,665	16,136	-	-	321,973	13	5
Richard Norton <sup>3</sup>	2014	96,111	-	-	8,890	-	5,923	-	110,924	-	-
General Manager  – Network Development	2013	-	-	-	-	-	-	-	-	-	-
Ruth Martin <sup>2</sup>	2014	334,652	-	4,592	15,975	22,162	-	-	377,381	6	6
Chief Financial Officer	2013	-	-	-	-	-	-	-	-	-	-
Steve Williams <sup>4</sup>	2014	19,499	-	-	1,565	-	-	-	21,064	-	-
General Manager  – Total Eden Networks	2013	-		-	-	-	-	-	-	-	-

 $<sup>^{\</sup>star} \quad \text{Non-monetary benefits are in the form of salary sacrifice arrangements such as motor vehicles and additional superannuation.}$ 

<sup>\*\*</sup> This amount is an accounting expense for performance rights.

\*\*\* Directors & Officers liability insurance premium is not included in non-monetary benefits as we cannot reasonably allocate.

No longer KMP from 3 September 2014.
 Appointed 9 December 2013
 Appointed 3 February 2014, no longer KMP from 20 May 2014
 Appointed 3 September 2014



## REMUNERATION REPORT

#### **Equity Interests in the Company**

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially by key management personnel of the Group, including their personally related parties, are set out below:

30 September 2014	Balance at 1-Oct-13 <sup>(i)</sup>	Granted as compensation or rights	Other changes	Balance at 30-Sep-14 <sup>(ii)</sup>
Key management personnel				
Directors				
R A F England	66,540	-	15,475	82,015
M J Millner*	20,000	-	6,978	26,978
B Dixon	-	-	-	-
J Tuskin	16,184	-	5,646	21,830
M Allan	-	-	-	-
R Burney	-	-	-	10,300,085
E Johnstone	-	-	-	-
T Vonhoff	-	-	-	-
Executives				
J S Maher	481,452	324,165	114,284	919,901
A Somann-Crawford	1,791	2,702	626	5,119
G O'Neil	5,426	-	-	5,426
T Dillon**	4,968	29,590	-	34,558
A Barr	671	-	-	671
R Maybury	1,740	898	-	2,638
S Williams	-	-	-	-
R Norton	-	-	-	-
R Martin	-	-	-	
Total	598,772	357,355	143,009	11,399,221

Adjusted to reflect additional performance rights vested at 30 September 2013 issued in the current year.

The table above represents shareholdings at date of resignation or retirement and appointment.

The table above includes shareholdings held by employees who were KMP during the financial year but not at balance date.

<sup>\*</sup> M J Millner is no longer a Director of Soul Patterson therefore shareholding represents personal equity interests only.

<sup>\*\* 2010</sup> Performance Rights approved at Board discretion. On grant date the share price of the Group was \$3.18.

<sup>\*\*\*</sup>R Burney's relevant interests reflect Kaplan Equity Limited and its management entities' interests of 10,115,031 shares and Grantully Investments Pty Limited's interest of 185,054 shares. Mr Burney is a Director of both entities.

#### Performance rights holdings

The number of performance rights in the Company held during the financial year by key management personnel is set out below:

30 September 2014	Balance at 1-Oct-13 <sup>(i)</sup>	Granted	Vested	Forfeited	Other changes (ii)	Balance at 30-Sep-14
Key management personnel						
J S Maher	824,917	185,030	(199,165)	-	(125,000)	685,782
A Somann-Crawford	47,365	44,910	(2,702)	-	-	89,573
G O'Neil	84,515	45,121	-	(31,525)	-	98,111
T Dillon	89,270	60,018	(29,590)	-	-	119,698
A Barr*	42,892	37,481	-	-	-	80,373
R Maybury	23,572	39,011	(898)	-	-	61,685
S Williams	-	-	-	-	-	-
R Norton**	-	-	-	-	-	-
R Martin	-	64,371	-	-	-	64,371
Total	1,112,531	475,942	(232,355)	(31,525)	(125,000)	1,199,593

The table above represents shareholdings at date of resignation or retirement and appointment.

<sup>\*</sup> Allan Barr no longer a KMP effective 3 Sept 2014. \*\*Richard Norton no longer a KMP effective 20 May 2014.

Adjusted to reflect additional performance rights vested at 30 September 2013 issued in the current year.
 Performance rights vested at 30 September 2014, not yet issued.



## REMUNERATION REPORT

#### SECTION 7: REMUNERATION ELEMENT DISCLOSURE (AUDITED)

Detail regarding remuneration elements in framework

Element		Managing Director	Executives				
Total fixed remuneration			cludes base salary, superannuation ally and, if required, adjusted for the				
Short-term Incentives	General	The STI is a cash-bonus opportunity, based on performance outcomeasured over a single financial year.					
	KPIs	Each STI has hurdles which must be met in order to receive the STI hurdles are established on the basis that they provide in the Executives based on the short-term goals of the Group. The differ for each KMP and include an occupational health compliance gateway and financial measures involving profit per at both the Group level and the individual business unit leve the Executive is responsible. Financial measures can include underlying Profit Before Tax ("uPBT"), growth of underlying Before Interest, Tax, Depreciation and Amortisation ("uEBITD in underlying EBITDA Return on Capital Employed ("uROCE year, attaining working capital management measures plus which is at the Managing Directors discretion.					
	Maximum opportunity level	50% of TFR	30% of TFR				
	Performance assessment	70% of the Managing Director's STI is based on quantitative financial performance with an ROE hurdle or an alternative test based on uEBITDA and revenue.  30% of the Managing Director's STI is for qualitative performance having regard to the following criteria:  (a) Maintain a satisfactory safety performance (b) Team development and succession planning (c) How well the Board considers that the Managing Director is performing his role as Chief Executive Officer in anticipating and responding to competitor activity.	A STI is offered for each financial year and is calculated in the following December. If required hurdles are met the Executive receives the monetary payment in cash in the following February provided they are still employed on the payment date.  If an Executive joins the Company prior to 30 June in a financial year, the STI is paid pro-rata to the financial year.				
Discretionary bonus		A discretionary bonus in addition to the target STI may be payable in accordance with the terms of the Managing Director's contract of employment, following a determination by the Board that extraordinary, unforeseen or unusual circumstances have arisen and have been dealt with by the Managing Director to the advantage of Ruralco Holdings Limited during the performance period, capped at 50% of the maximum STI payable in respect of a performance period. The Board's exercise of its discretion to award the discretionary bonus is separate and in addition to the STI conditions set out in the Managing Director's contract of employment.	N/A				

Element		Managin	g Director	Exec	cutives		
Long-term Incentives	General	Long-term incentives are in the form of Performance Rights. Each Performance Right is a right to acquire one ordinary fully paid Ruralco Holdings Limited share, at no cost, subject to satisfaction of specified performance conditions.					
				anything for the Pe of the Performance			
		They must not botherwise dispos	e hedged, sold, t ed of or dealt with	re conditional and transferred, mortg i. The Board has a arameters to cont	aged, charged o dopted a policy i		
	Maximum opportunity level	75%	of TFR	50%	of TFR		
	Performance measures	See subsequent	table				
	Performance assessment	The first testing date for Performance Rights occurs in October with the third financial year after the Grant Date. Each test date per performance right grant is identified at each grant date.					
		For grants subsequent to those granted 1 October 2009 the rights are only tested 3 years thereafter. Subject to each performance hurdle an service condition, those Performance Rights that do not vest for testin will expire. The Board has the discretion to approve or waive performance hurdle conditions for Executive grants.					
	Vesting	When Performance Rights vest they give rise to an allocation of ordinary shares in the Company on a 1 for 1 basis.					
		All shares required for the LTI plan are purchased on market.					
	Ceasing employment	upon ceasing em where the Exect Company for bre not satisfy the per	ployment, howeve utive ceases emp each, misconduct	he vesting of LTI per no LTI Performan loyment due to to neglect or a crim r has acted frauduli lisrepute.	ice Rights will ves ermination by th inal offence, doe		
	Change of control	Performance Rig been granted to yet vested will, of unless the Board otherwise, vest	thts in respect of the Managing Directory despite any control in its absolute disc	e end of a Perforne that Performance ector at that time lary provision in the retion (acting reason levant performane dule.	Period which had not which had not be LTIP Rules and bnably) determine		
		Maximum	number of Perfo	rmance Rights tha	at may vest		
		Period during which Capital Event occurs	Three year Performance Period ending 30 Sept 2013	Three year Performance Period ending 30 Sept 2014	Three year Performance Period ending 30 Sept 2015		
		1 Oct 2012 to 30 Sept 2013	All	Two-thirds	One-third		
		1 Oct 2013 to 30 Sept 2014	All	All	Two-thirds		
		1 Oct 2014 to 30 Sept 2015	All	All	All		
		Executives are er subject to Board		amount over the p	erformance perio		



## REMUNERATION REPORT

#### **Detail regarding LTI plan performance conditions**

**Managing Director** For the LTI offers made to the Managing Director 1 October 2010 The Board has determined that Performance Rights from 2010 onwards, the Board has determined that are only to vest upon meeting the performance vesting will be determined according to a Return hurdles of the Company's Total Shareholder Return on Equity (ROE) test, with minimum or threshold performance hurdles of 8.5%, 9% and 9.5% (TSR) performance relative to the TSR of a comparator group of companies. average annual ROE, respectively, required to be For all Performance Rights in an offer to vest, the met over the relevant 3-year performance periods Company's TSR must equal or exceed the TSR of before any Performance Rights vest. 20% of the the Company at the 75th percentile of the Managing Director's Performance Rights will vest comparator group. Half of the Performance Rights if the threshold performance hurdles are achieved. will vest where the Company's TSR performance matches the TSR of the Company at the median Performance Rights will vest pro rata on a sliding scale to 100% vesting if the Company achieves 12.5%, 13% and 13.5% ROE, respectively, or better, of the comparator group, and no Performance Rights will vest where the Company's TSR is below for the 2010, 2011 and 2012 offers. An alternative the TSR of the Company at the median of the performance condition in respect of the 2010, 2011 comparator group. The number of Performance and 2012 offers of Performance Rights may also Rights to vest where the Company's TSR be negotiated between the Board and the Managing performance is between the median and 75th Director, relating to the Company's total shareholder percentile of the comparator group increases from return measured against the comparative returns 50% to 100% on a linear basis (an additional 2% for a selection of ASX companies ("TSR Measure"). vesting for each 1 percentile increase in relative Once the TSR Measure has been decided, the TSR performance) Managing Director may elect for these offers of Performance Rights to be assessed against the In the case of the Executive Management team TSR Measure, instead of the ROE test referred to Performance Rights, the comparator group consists of 26 ASX companies, being the 10 companies above Ruralco Holdings Limited and 10 companies As at the test date the Managing Director can elect below Ruralco Holdings Limited based on market to ask for his LTI to be tested either on an ROE test capitalisation at the Grant Date (excluding listed or a TSR test. The TSR measure may be calculated property trusts and similar entities) plus 6 other on three alternative basis: companies which the Board considers are the (a) The small ordinaries accumulation index Company's major peers. Comparable peer companies were not considered by the Board in (b) A comparator group of fourteen agricultural related ASX companies determining remuneration outcomes in 2014 as the (c) The Executives comparator group ROE gateway was not met. The Committee considered the three TSR measures For the offers made to the Executive Management and resolved to apply the small ordinaries team, additional vesting criteria required the accumulation index. On this basis the Company's Company's return on shareholder's equity to be on TSR over a three year period was 49%. Small average greater than 10% for the relevant 3-year ordinaries accumulation index over the same period performance period. was negative 8%. It was proposed to have a performance condition that provides for 50% vesting matching index performance and 100% vesting for achieving index plus a specified additional compound return over the three years either index plus 5% or index plus 7.5%. Either test would provide 100% vesting on the 2010 tranche. 1 October 2011 As above For the LTI offers made to the Executive Team in 2011, vesting will be determined according to the Company's ROE performance, with average annual ROE of at least 9% required over the 3-year performance period before any Performance Rights vest. 20% of the Performance Rights will vest if this threshold performance hurdle is achieved. Performance Rights will then vest pro rata on a sliding scale to 100% vesting if the Company achieves 13% ROE, or better.

Effective Date	Managing Director	Executives
1 October 2012	As above	For the LTI offers made to the Executive Team in 2012, vesting will be determined according to the Company's ROE performance, with average annual ROE of at least 9.5% required over the 3-year performance period before any Performance Rights vest. 20% of the Performance Rights will vest if this threshold performance hurdle is achieved. Performance Rights will then vest pro rata on a sliding scale to 100% vesting if the Company achieves 13.5% ROE, or better. An alternative performance measure, being the TSR Measure, will apply to the 2012 offers if the Managing Director has elected that the TSR Measure applies to the 2012 offer.
1 October 2013	For the LTI offer made to the Managing Director in 2013, vesting will be determined on a TSR measure comparing the Company's total shareholder return with the S&P/ASX Small Ordinaries total return Index over the 3 years to 1 October 2016. Under this test:  No Performance Rights will vest if the Company's TSR is less than the increase in the index  Fow of the Performance Rights will vest if the Company's TSR matches the index return  Fow of the Performance Rights will vest if the Company's TSR exceeds the index return plus an additional 24.23% over the 3 year performance period (this is equivalent to the index return plus an additional compound average annual return of 7.5% over the 3 years)  Vesting will increase on a pro rata basis where the Company's TSR performance over the 3 years is between the index and the level at which	For the LTI offers made to the Executive Team in 2013, vesting will be determined according to the Company's TSR performance by comparing total TSR against the S&P/ASX Small Ordinaries total return index over the 3-year performance period to October 2016. No performance rights will vest if the Company's TSR is less than the increase in the comparable index. 50% will vest if the Company's TSR matches the index return. 100% will vest if the Company's TSR exceeds the index return plus an additional 24.23% over the 3 year performance period.



# REMUNERATION REPORT

#### **Performance Rights Testing**

Grant Date	Test date	Vesting outcome %	No of shares vested
1 October 2010 (Managing Director grant)	1 October 2013	100%	199,165
1 October 2010 (Executive grant)	1 October 2013	ROE gateway not met	29,590

#### Award of Performance Rights to the Managing Director

#### Long-term Incentive Plan

Mr Maher was granted Performance Rights over ordinary shares by Ruralco Holdings Limited after shareholder approval was received at the AGM of 2 February 2009. Subsequent grants have been made in accordance with the Long-term Incentive Plan. The performance hurdles required to be met are explained on pages 32-35 (Long-term Incentives) of this Report.

The Managing Director's LTI Performance Rights grants are detailed below:

Grant Date	LTI % of Salary	LTI\$ (A)	Ave share price* (B)	No. granted (A)/(B)	Vested	Lapsed	First date award is tested	Fair Value Per Share#
1-Oct-10	75%	525,000	\$2.64	199,165	199,165	0	1-Oct-13	\$2.54
1-Oct-11	75%	581,250	\$3.26	178,462	0	0	1-Oct-14	\$2.73
1-Oct-12	75%	600,000	\$3.48	172,290	0	0	1-Oct-15	\$2.83
1-Oct-13	75%	618,000	\$3.34	185,030	0	0	1-Oct-16	\$2.41

<sup>\*</sup> The average closing price of Ruralco Holdings Limited shares over the 5 trading days prior to the Grant Date.

<sup>\*</sup> This fair value is used to calculate the value of performance rights when granted. The fair value at grant date is independently determined using Monte Carlo simulation techniques which take into account the exercise price, the term of the rights, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the rights.

#### **Managing Director's Additional Performance Rights**

In addition to the LTI Performance Rights, the Managing Director was granted 400,000 Performance Rights in September 2012, to vest in four tranches, pursuant to his employment contract effective 10 September 2012 as follows:

Grant Date	No. granted	Date award is tested	Vested	Lapsed	Fair Value Per Share <sup>#</sup>
10-Sep-12	50,000	30-Sep-12	50,000	_	\$3.46
10-Sep-12	75,000	30-Sep-13	75,000	_	\$3.22
10-Sep-12	125,000	30-Sep-14	125,000	_	\$3.03
10-Sep-12	150,000	30-Sep-15	-	_	\$2.86

Vesting of these Performance Rights is subject to the Managing Director continuing in employment with the Company and satisfaction of specified EBITDA and revenue performance hurdles, as determined at the discretion of the Board. Of these Performance Rights, 50,000 were tested as at 30 September 2012 and vested; 75,000 were tested as at 30 September 2013 and vested; 125,000 were tested as at 30 September 2014 and vested; and 150,000 are to be tested on 30 September 2015.



# REMUNERATION REPORT

#### Award of Performance Rights to the Executive Management Team - Long-term Incentive Plan

Grants of Performance Rights were made to members of the Executive Management team. The number of Performance Rights granted was determined by dividing their LTI component by the average closing price of Ruralco Holdings Limited shares over the 5 trading days prior to the Grant Date.

The performance hurdles for the Executive Management Performance Rights are explained on pages 32-35 (Long-term Incentives) of this Report.

The Performance Rights granted to Executive Management Team members are detailed below:

Name	Grant Date	No. Granted	Vested	Lapsed	Test date	Fair Value Per Share#	Value of shares lapsed
Greg O'Neil	1-Oct-10	31,525	-	31,525	1-Oct-13	\$1.31	\$105,924
	1-Oct-11	26,897	-	-	1-Oct-14	\$2.67	_
	1-Oct-12	26,093	-	-	1-Oct-15	\$2.79	_
	1-Oct-13	45,121	-	-	1-Oct-16	\$2.42	_
Travis Dillon	1-Oct-10	29,590	29,590	-	1-Oct-13	\$1.31	_
	1-Oct-11	26,713	-	-	1-Oct-14	\$2.67	_
	1-Oct-12	32,967	_	-	1-Oct-15	\$2.79	_
	1-Oct-13	60,018	_	-	1-Oct-16	\$2.42	_
Angie Somann-	1-Oct-11	22,107	-	-	1-Oct-14	\$2.67	-
Crawford	1-Oct-12	22,556	_	-	1-Oct-15	\$2.79	_
	1-Oct-13	44,910	_	-	1-Oct-16	\$2.42	-
Rick Maybury	1-Oct-12	20,388	_	-	1-Oct-15	\$2.79	_
Waybary	1-Oct-13	39,011	_	-	1-Oct-16	\$2.42	_
Allan Barr	1-Oct-11	22,088	_	-	1-Oct-14	\$2.67	-
	1-Oct-12	20,804	_	-	1-Oct-15	\$2.79	-
	1-Oct-13	37,481	_	-	1-Oct-16	\$2.42	-
Ruth Martin	1-Oct-13	64,371	-	-	1-Oct-16	\$2.42	_
Richard Norton	-	-	-	-	-	-	-
Steve Williams	-	-	-	-	-	-	-

<sup>\*</sup> This fair value is used to calculate the value of performance rights when granted. The fair value at Grant Date is independently determined using Monte Carlo simulation techniques which take into account the exercise price, the term of the rights, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the rights.

Subsequent to balance date the 1 October 2011 performance rights lapsed.

#### Senior Management Share Plan

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

On 30 June 2009 and 20 December 2010, five senior Managers selected by the Managing Director were made offers under the Senior Management Share Plan. On 21 December 2011 and 31 October 2012, six senior Managers selected by the Managing Director were made offers under the Senior Management Share Plan. On 14 November 2013, eight senior Managers selected by the Managing Director were made offers under the Senior Management Share Plan. The terms of the offer were those given shareholder approval at the AGM of 2 February 2009. Three current members of the Executive management team received offers under the Senior Management Share Plan on 30 June 2009 and two current members of the Executive management team received offers under the Senior Management Share Plan on 20 December 2010. One current member of the Executive management team received an offer under the Senior Management Share Plan on 21 December 2011. Details of these offers, including the annual accounting expense values of the shares, for current members are set out below.

Shares issued under this plan to employees in their capacity as senior management at the grant date are listed below.

Name	Grant Date	\$ Value over 3 years	End of Year 1 20%	End of Year 2 20%	End of Year 3 60%
Travis Dillon	30-Jun-09	15,000	3,000	3,000	9,000
Angie Somann-Crawford	2-Oct-10	15,000	3,000	3,000	9,000
Rick Maybury	1-Oct-11	15,000	3,000	3,000	9,000

#### **SECTION 8: CONTRACTS (AUDITED)**

#### **Service Contracts and Termination**

In accordance with Board policy, the service contracts for the Managing Director and the Executive Management team have no fixed term. The contracts outline the remuneration to be paid at the commencement of the contract and how remuneration levels are to be reviewed from year to year. Contract terms are reviewed periodically and revised if required. Specific details of the service contracts are set out in the table below.

Name	Contract commencement	Notice period initiated by employee	Notice period initiated by employing company*
<b>Executive Director</b>			
John Maher	10-Sep-12	6 months	12 months
Other Executives			
Angie Somann-Crawford	5-Aug-13	3 months	6 months
Greg O'Neil	Jan-07	3 months	6 months
Travis Dillon	1-Aug-12	3 months	6 months
Rick Maybury	1-Aug-12	3 months	6 months
Ruth Martin	9-Dec-13	3 months	6 months
Steve Williams	4-June-12	3 months	3 months
Richard Norton	3-Feb-14	3 months	6 months
Allan Barr	28-Nov-11	3 months	6 months

<sup>\*</sup> Under this scenario termination notice payments would total \$1.765m



# REMUNERATION REPORT

#### SECTION 9: NON-EXECUTIVE DIRECTOR FEES (AUDITED)

The Non-executive Directors receive fees (including statutory superannuation) and are entitled to be reimbursed for reasonable expenses. Their fees are set by the Board, having regard to companies of similar complexity and size, and are within the aggregate set by shareholders.

The remuneration consists of a base fee, with the Chair and Members of each of the committees receiving additional amounts commensurate with their responsibilities. The Company's fee policy is set out in the table below.

Non-executive Director policy fees FY2014				
Role / committee	Board fees	Committee Chair fees \$	Committee member fees \$	
Chair of the Board (base fee)	\$180,000		ee fees are not payable to the ir of the Board	
Non-executive Director (base fee)	\$66,306	Additional com	mittee fees paid as below	
Audit, Risk & Corporate Governance		\$24,090	\$6,022	
Nomination and Remuneration		\$12,045	\$6,022	
Investment		\$12,045	\$6,022	

Non-executive Directors have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes. This does not prevent Directors holding shares in Ruralco Holdings Limited, subject to the Securities Trading Policy available at www.ruralco.com.au.

The current maximum aggregate fee pool is \$700,000, as last approved by shareholders at the AGM held 9 February 2006. For the reporting period, the total amount paid to Non-executive Directors was \$538,970, as set out in the following table. This amount includes superannuation and fees to Non-executive Directors in their capacity as Directors of subsidiary boards.

			Short-	term		Post Employment	Long-term	
	Date	Cash Salary \$	Extraordinary Fee^ \$	Cash Bonus \$	Non- monetary Benefits \$	Super- annuation Benefits \$	Termination Benefits \$	Tota
R A England	2014	160,288	70,000	_	-	21,405	-	251,69
Chair	2013	146,789	80,000	_	-	20,579	-	247,36
Member: Audit, Risl	k & Corporate	Governance, No	mination and R	emuneration and l	nvestment Cor	nmittee.		
M J Millner	2014	82,725	_	-	-	7,707	-	90,43
Non-Exec Director	2013	75,943	-	-	-	6,904	-	82,84
Member: Nomination	on and Remur	neration, Investme	ent Committee a	and Audit, Risk & 0	Corporate Gove	ernance Commit	tee.	
S M Smith	2014	_	-	-	-	-	-	
Non-Exec Director	2013	58,372	_	_	-	5,268	-	63,64
Former Chair: Inves	tment Comm	ittee; Former Me	mber: Audit, Ris	k & Corporate Go	vernance Comi	mittee.		
B Dixon	2014	40,113	-	-	-	3,710	-	43,8
Non-Exec Director	2013	64,046	-	_	-	5,895	-	69,94
Former Chair: Nomi	ination and Re	emuneration Con	nmittee.					
M Allan	2014	50,037	-	-	-	4,628	-	54,66
Non-Exec Director	2013	75,046	_	_	-	6,801	-	81,8
Former Chair: Audit	, Risk & Corp	orate Governanc	e Committee.					
J Tuskin	2014	74,804	-	-	-	6,978	-	81,78
	2013	_	-	-	-	_	-	
Non-Exec-Director	2010							
Non-Exec-Director  Member: Audit, Risl		Governance Co	mmittee; Memb	er: Investment Co	mmittee.			F F(
Member: Audit, Risl		e Governance Co 5,046	mmittee; Memb	er: Investment Co	mmittee.	479	-	5,52
Non-Exec-Director  Member: Audit, Risl T Vonhoff Non-Exec Director	k & Corporate		mmittee; Memb - -	er: Investment Co - -	mmittee. - -	479 -	- -	5,52
Member: Audit, Risl T Vonhoff Non-Exec Director	k & Corporate 2014 2013	5,046 –	-	-	-	-	- - tive 1 October 2014).	5,52
Member: Audit, Risl T Vonhoff Non-Exec Director Chair: Nomination a	k & Corporate 2014 2013	5,046 –	-	-	-	-	- - tive 1 October 2014). -	
Member: Audit, Risl T Vonhoff Non-Exec Director Chair: Nomination a R Burney	k & Corporate 2014 2013 and Remunera	5,046 – ation Committee;	-	-	-	ommittee (effec	- - tive 1 October 2014). - -	5,52
Member: Audit, Risl T Vonhoff Non-Exec Director Chair: Nomination a R Burney	2014 2013 2013 and Remunera 2014 2013	5,046 – ation Committee; 5,046 –	Member: Audit,	- Risk & Corporate - -	Governance C	committee (effect 479	_ _ tive 1 October 2014). _ _	
Member: Audit, Risl T Vonhoff Non-Exec Director Chair: Nomination a R Burney Non-Exec Director	2014 2013 2013 and Remunera 2014 2013	5,046 – ation Committee; 5,046 –	Member: Audit,	- Risk & Corporate - -	Governance C	committee (effect 479	_ _ tive 1 October 2014). _ _ _	

Non-exec Director S Smith resigned on 24 July 2013. Non-exec Director B Dixon resigned on 17 April 2014. Non-exec Director M Allan resigned on 16 May 2014.

Non-exec Director J Tuskin appointed on 1 October 2014.

Non-exec Director T Vonhoff appointed on 1 September 2014.

Non-exec Director R Burney appointed on 1 September 2014.

Non-exec Director E Johnstone appointed on 1 September 2014.

Non-exec Director E Johnstone appointed on 1 September 2014.

^The Chair received an extraordinary fee for his additional duties and workload while the Company pursues a number of strategic objectives.



# CORPORATE GOVERNANCE STATEMENT

The Board is committed to driving shareholder value growth and considers maintaining excellent corporate governance to be both integral in its delivery and in the best interests of the Company and its stakeholders. The Company's governance philosophy is based on the view that governance is not just a matter for the Board, and that a good governance culture must be fostered throughout the Company. The Board believes it has the necessary mix of skills and experience to oversee the high standard of corporate governance, integrity and accountability that is required.

Reflective of the nature, scale and complexity of the Company's operations, the Board has established a transparent and high quality corporate governance framework comprising codes, policies and charters under which the Company operates. The framework outlines the Company and Management's commitment to act ethically, openly, fairly and diligently when promoting the interests of stakeholders such as shareholders, employees, CRT and Town & Country members, customers and broader community interests.

Copies of the documentation referred to in this Corporate Governance Statement are publicly available on the Company's website (www.ruralco.com.au) and can be accessed within the Corporate Governance section.

The Board reviews its corporate governance codes, policies and charters to ensure practices are in place that remain in line with best practice and continue to encourage the growth of shareholder value.

The Company's corporate governance practices for the year ended 30 September 2014, and at the date of this Financial Report, are outlined in this Corporate Governance Statement. Other than where explicitly stated otherwise, the Board believes that the Company's policies and practices comply with the Australian Securities Exchange ("ASX") Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles").

Ruralco Holdings Limited acknowledges the Corporate Governance Council's amendments to the ASX Principles released on 30 June 2010. The Company complies with the revised ASX Principles and is developing and implementing recommendations in key areas in line with the new reporting requirements, including gender diversity and Board member renewal and selection processes.

# PRINCIPLE 1: THE BOARD LAYS FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### Role of the Board

The Board's fundamental role is to represent the shareholders. The Board is accountable to them for creating and delivering value through the effective governance of the business and through setting and reviewing the Company's strategic direction and monitoring the implementation of that strategy by Management.

The Board's roles and responsibilities are formalised in a Board Charter which is available on the Company's website (www.ruralco.com.au). The Charter is reviewed at least annually to ensure it remains appropriate given the operations of the business and the responsibilities and composition of the Board.

Pursuant to the Board Charter, the Board has specifically reserved for its decision matters such as:

- establishing the Company's vision, mission, values and ethical standards;
- appointing (or removing) the Managing Director and determining his or her terms and conditions of service:
- where appropriate, approving the appointment (or removal) of senior Executives who report directly to the Managing Director;
- approval of the overall strategy and operating budgets of the business at least annually;
- monitoring and assessing Management's performance in achieving strategies and budgets approved by the Board;
- monitoring the financial performance of the Company:
- assessing and reviewing Company performance and communicating related updates to shareholders and other stakeholders;
- the acquisition, establishment, disposal or cessation of any significant business of the Company;
- determination of matters in accordance with, and any changes to, approved delegations of authority by the Board; and
- the issue of any shares, options, equity instruments or other securities in the Company.

For other matters, the Board has delegated authority to the Managing Director, who is free to take all decisions and actions consistent with his delegations and which, in the opinion of the Managing Director, are in the best interests of the Company. The Managing Director remains accountable to the Board for authority that is delegated and for the performance of the business. In addition, a delegations policy sets out the decision-making powers which may be exercised at various levels of management.

#### **Board Committees**

The Board has delegated specific matters to three Board Committees that assist in discharging and exercising its responsibilities by examining various issues and making recommendations to the Board. Those Committees are:

- Audit, Risk & Corporate Governance Committee (Additional information – refer discussion at ASX Principles 4 and 7);
- Nomination & Remuneration Committee (Additional information

   refer discussion at ASX Principles 2 and 8); and
- Investment Committee (formerly known as the Capital Expenditure Review Committee).

Each Committee is governed by a charter under which authority is delegated by the Board and which sets out matters relevant to the composition, responsibilities and administration of those Committees. The Audit, Risk & Corporate Governance Committee charter and Nomination & Remuneration Committee charter are available on the Company's website (www.ruralco.com.au).

The Board may also delegate specific responsibilities to ad hoc Committees from time to time.

All Committees review matters on behalf of the Board and (subject to the terms of the relevant charter):

- Refer matters to the Board for decision, with a recommendation from the Committee (where the Committee acts in an advisory capacity); or
- Determine matters (where the Committee acts with delegated authority), which it then reports to the Board.

The details of each Board Committee members' respective skills, qualifications as well as the number of Committee meetings that were held over the reporting period and the attendance of Committee members at these meetings are set out in the Directors' Report on pages 16-23. The members of each Board Committee as at the date of this Financial Report are shown in the table below.

#### **Letters of Appointment**

At the time of joining the Company, Directors and senior Executives are provided with letters of appointment setting out the key terms and conditions of their appointment including such matters as their duties, rights, responsibilities and expectations of the role and remuneration.

#### Performance Evaluation of Senior Executives

The Managing Director's compensation arrangements and performance is reviewed, monitored and evaluated by the Board and the Nomination & Remuneration Committee on an annual basis, against annually established and mutually agreed performance criteria.

The senior Executives' compensation arrangements and performance is reviewed, monitored and evaluated by the Managing Director in conjunction with the Nomination and Remuneration Committee or Board Chair against annually established and mutually agreed performance criteria. A formal performance review methodology is also in place.

The Managing Director provides the Nomination & Remuneration Committee with an overview of individual senior Executive performance and compensation recommendations for Committee assessment and review.

### PRINCIPLE 2: THE BOARD IS STRUCTURED TO ADD VALUE

#### Composition of the Board

The Board determines its size within the limits provided in the Company's constitution, which currently provides for a minimum of three Directors and a maximum of nine Directors. The size of the Board is reviewed annually and currently comprises seven Directors, with six Non-executive Directors, including the Chair and one Executive Director, being the Managing Director.

	Audit, Risk & Corporate Governance Committee	Nomination & Remuneration Committee	Investment Committee
R A F England	Member	Member	Member
M J Millner	-	-	Chair
J S Maher	-	-	-
J Tuskin	Member	-	Member
R Burney	-	Member	Member
E Johnstone	Chair	Member	-
T Vonhoff	Member	Chair	-



# CORPORATE GOVERNANCE STATEMENT

Details of the term of office held by each Director and the skills, experience and expertise relevant to the position of Director held by each Director in office at the date of this Annual Report is contained in this Annual Report.

The Board is structured to ensure that it consists of Directors who have a proper understanding of the business and who can add value in the context of Ruralco Holdings Limited's business. The Board considers that all Directors have an understanding of Ruralco Holdings Limited's business and the industry within which it operates, and that the Directors' diverse range of skills and experience is appropriate to discharge its responsibilities and duties.

Pursuant to the Board Charter:

- the Board should include an appropriate number of Directors who satisfy the criteria for independence set out in the Company's Policy on Independence of Directors;
- the Board should comprise a majority of Nonexecutive Directors; and
- the Chair of the Board is appointed by the Board and is to be an independent Non-executive Director in accordance with the criteria for independence set out in the Company's Policy on Independence of Directors

In line with the Board Charter, the respective roles of Chair and Managing Director are separated.

#### Skills, Knowledge, Experience and Attributes of Directors

Although the shareholders appoint Directors, the Board seeks to ensure that the Directors have a broad range of experience and commercial expertise or appropriate professional qualifications. Board members must have (or develop) a thorough understanding of the business conducted by the Company and be able to bring value to the Board's deliberations.

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern the business. The Board and its Committees actively work to ensure that they continue to have the right balance of skills, experience, independence and Company and industry knowledge to discharge their responsibilities in accordance with the highest standards of governance.

Directors must demonstrate unquestioned honesty and integrity, preparedness to question, challenge, and critique, and a willingness to understand and commit to the highest standards of governance. Each Director must ensure that no decision or action is taken that places their interest in front of the interest of the business

Further, Directors must be prepared to and are expected to commit sufficient time and resources in order to satisfactorily perform their role effectively.

#### Independence

The Board is conscious of the need to have independent Directors but must also ensure that Board members can add value in the context of the Company's businesses. Therefore, the Board seeks to ensure that the Board comprises Directors who have a strong understanding of Ruralco Holdings Limited's core business whilst also being able to bring independent views and judgment to the Board's deliberations.

The Board has a policy on Independence of Directors and in defining the characteristics of an independent Director, the Board uses the ASX Principles, (including considerations highlighted in Box 2.1 'relationships affecting independent status') together with its own consideration of the Company's operations and business, applying appropriate materiality thresholds on a case-by-case basis with reference to each Director. The Independence Policy is available on the Company's website (www.ruralco.com.au).

When assessing Director independence the Company adopts the following test:

'Is this Director independent of Management and free of any business or other relationships with the Company that could materially interfere, or could reasonably be perceived to materially interfere with the exercise of objective, unfettered and independent judgment of Directors?'

Information about any such relationships, including any related financial or other details, is assessed by the Board to determine whether the relationships could, or could reasonably be perceived to, materially interfere with the exercise of a Director's unfettered and independent judgment.

The Board considers that Executive postings, substantial shareholdings, acting in a professional advisory capacity, material business relationships, serving as a long-term Director, being a material

supplier or customer or having a material contractual relationship are all indicative of a Director lacking the appropriate independence.

The Board has a majority of independent Directors (and consequently the Board's composition complies with ASX Principle 2.1).

Director	Status
R England	Independent
M Millner	Non independent
J Maher	Non independent
J Tuskin	Independent
R Burney	Non independent
E Johnstone	Independent
T Vonhoff	Independent

The Board has adopted a number of policy measures to ensure that independent judgment is achieved and maintained in respect of its decision-making processes. These include:

- the Chair is an independent Director;
- Directors are entitled to seek independent professional advice at the Company's expense, subject to approval by the Board;
- Directors who have a conflict of interest in relation to a particular item of business must absent themselves from the Board or Committee meeting before commencement of discussion on the topic; and
- Non-executive Directors are able to confer on a needs basis without Management in attendance.

Ruralco Holdings Limited does not consider the appointment of substantial shareholder nominees Mr Millner and Mr Burney to the Board as detrimental to the Company's interests. Mr Millner and Mr Burney have significant experience and expertise in business and bring a broad depth of knowledge to the Board. The Board feels that it has an appropriate mix of skills to provide the required depth of knowledge and industry experience to meet the Board's responsibilities and objectives.

The Chair, Mr England, and Directors, Mr Tuskin, Ms Johnstone and Ms Vonhoff are considered to be independent by determination of the Board, having regard to the Company's policy on independence of Directors. Mr England has been a Director for 12 years and 5 months, and Chairman for 6 years and 10 months. The Board does not consider Mr England's term as a Director or as Chairman to effect his independence. Mr Tuskin was appointed to the Board on 1 October 2013, and Mr Burney, Ms Johnstone and Ms Vonhoff were appointed on 1 September 2014 as part of a process of Director and Board renewal initiated following an externally facilitated Board review.

 $\mbox{Mr}\mbox{ John Maher, the Managing Director, is the only Executive on the Board.}$ 

The Board regularly assesses the independence of its Non-executive Directors. Where a Directors' independence status changes, the Company provides timely disclosure to the market of the change.

#### **Nomination & Remuneration Committee**

The Board has established a Nomination & Remuneration Committee that assists the Board with Board structural and performance matters.

The members of the Committee as at the date of this Financial Report and details of their respective skills, qualifications, the number of Committee Meetings that were held over the reporting period and the attendance of Committee members at these meetings are set out in the Directors' Report on pages 16-23.

The Committee has a written Charter which sets out its structure, roles, responsibilities, resource access protocols (internal and external), meetings process, Board reporting requirements and performance evaluation requirements. The Charter is available on the Company's website (www.ruralco.com.au).

Under its Charter, the Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities with regard to:

- Making recommendations to the Board on;
  - The criteria to be adopted for assessing the skills, expertise and experience required of a Company Director;
  - Board size, composition and tenure of Directors;
  - Induction and education of Directors, including continual education and development;
- Determining the criteria for assessing the skills and experience required for a Company Director;
- Setting and following procedure for the selection of new Directors for nomination;
- Recommendations to the Board on candidates for appointment as Directors to ensure appropriate candidates are put forward as replacements for retiring Directors;
- Reviewing and making recommendations on the performance of the Board, including the provision of assistance to the Chair (if requested) in reviewing the performance of individual Directors:
- Conducting reviews of the Board's succession plans to enable and maintain an appropriate mix of skills, experience, expertise and diversity;
- Coordinating the Board's review of the Chair's performance;
- Conducting a formal review of the Board's composition, size and performance;
- Reviewing and considering matters of conflict of interest;



# CORPORATE GOVERNANCE STATEMENT

- Formulating strategies and making recommendations to the Board on gender diversity and diversity in general; and
- Monitoring achievement against gender diversity objectives.

The Committee is structured so that it consists of at least three Non-executive Directors, with the Chair appointed by the Board. The Committee is chaired by Ms Vonhoff. The other Committee members are Mr England, Ms Johnstone and Mr Burney.

The current composition of the Committee has a majority of independent Directors, and consequently the Committee's composition complies with ASX Principle 8.2.

#### **Director Selection, Appointment and Re-election**

The procedures for the appointment and removal of Directors are ultimately governed by the Company's Constitution. The Board may appoint Directors to fill casual vacancies that occur, or to add additional persons to the Board up to the maximum number (currently nine) prescribed by the Constitution. If the Board appoints a new Director during the year, that person will stand for election by shareholders at the next AGM, but that Director will not be taken into account in determining the number of Directors who are to retire by rotation.

Directors do not have a prescribed fixed term of office but are subject to the retirement provisions contained in the Constitution, Company policies and the ASX listing rules. At least one third of Directors retire at each Annual General Meeting and Directors must submit themselves to shareholders for re-election at least every three years. Shareholders are provided with relevant information on the candidates standing for election in the Notice of Meeting.

The Board has delegated to the Nomination & Remuneration Committee the responsibility for recommending to the Board candidates to be nominated to act as new Directors, and for recommending to the Board the re-appointment of retiring Directors.

The Committee regularly reviews the composition of the Board to ensure that there is an appropriate mix of abilities and experience to serve the interests of shareholders. Any recommendations are presented to the full Board.

In considering the selection, appointment and reelection of Directors, the Nomination & Remuneration Committee assesses candidates against a range of criteria developed for the role and in doing so considers, among other things, their background, knowledge of the Company's business and industry, business experience, personal attributes and professional skills. Following this assessment, the Committee provides its recommendation to the Board for assessment and actioning.

Board support for re-appointment is not automatic. Retiring Directors who are seeking re-election are subject to a performance appraisal overseen by the Nomination & Remuneration Committee, or its Chair.

Where appropriate, external consultants may be engaged to identify potential new candidates and to review the suitability of candidates for appointment based on formally adopted criteria for Director selection.

The term in office as at 30 September 2014 and year in which each Non-executive Director was re-elected by shareholders is as follows:

Non-executive Director	Term in Office	AGM last re-elected
R A F England	12 years 5 months	2013
M J Millner	7 years 10 months*	2013
J Tuskin	1 year 1 month	2014
R Burney	1 month	-
E Johnstone	1 month	-
T Vonhoff	1 month	-

\*Note: Mr Millner was a Director of the Company prior to the merger in 2006. His term in office is based on his current appointment.

#### **Induction and Professional Development**

The Company provides an induction programme to assist new Directors to gain an appropriate understanding of, among other things:

- The Company's financial, strategic, operational and risk management position;
- · The Company's culture and values;
- The respective rights, duties and responsibilities and roles of the Board and senior Executives;
- The role of Board Committees;
- · Meeting arrangements; and
- Director interaction with each other, senior Executives and other stakeholders.

The induction facilitates the respective appointee's full and active participation in decision making at the earliest opportunity.

All Directors are expected to maintain the skills required to discharge their obligations to the Company.

Directors are regularly provided with papers, presentations and briefings on Company business and on matters that may affect Company operations.

#### **Board and Director Performance Evaluation**

The Board is committed to transparency in determining Board membership and in assessing the performance of Directors. The Board conducts annual evaluations of its performance, the performance of its committees, the Chair, individual Directors and the key governance processes that support the Board's work. This process enables the Board to identify any scope to improve its effectiveness and assists in the Board's ongoing Director development program. In particular, the process:

- Compares the Board's performance with the requirements of the Board Charter including its role and composition, engagement with management, shareholders and stakeholders:
- Assists in setting the goals and objectives of the Board for the upcoming year; and
- Underpins any desirable improvements to the Board Charter.

#### **Board Access to Information and Independent Advice**

All Directors have access to Company employees, advisors and records.

Directors may meet independently with management at any time to discuss areas of interest or concern.

Each Director may obtain independent professional advice at the Company's expense, to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. Directors are entitled to reimbursement of all reasonable costs where a request for reimbursement of the cost of such advice is approved by the Chair. In the case of a request made by the Chair, approval is required from the Board.

#### Indemnities and Insurance

The Company has paid insurance premiums in respect of Directors and officers' liability for current and former Directors of Ruralco Holdings Limited, its controlled entities and related bodies corporate.

Those officers of the Company who are covered by insurance include current Directors, Secretaries, Executive Officers and former Directors. The contract of insurance prohibits disclosure of the nature of the liability insured against the amount of the premium paid.

Clause 38 of the Company's Constitution provides that Ruralco Holdings Limited must indemnify Directors and Secretaries (and may indemnify any other officers of the Company) against any liability incurred in that capacity, subject to certain exceptions.

The Company has entered into and proposes to enter Indemnity and Access Deeds with current and former Directors and Secretaries of the Company and its subsidiaries on terms which comply with the Corporations Act. The Company has not entered into any agreement to indemnify its auditor or paid any insurance premiums in respect of its auditor.

#### Meetings of the Board and Conduct of Meetings

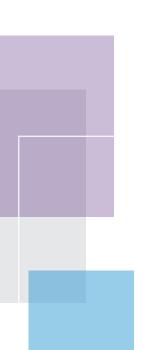
Details of Directors' respective attendance at Board meetings are set out in the Directors' Report on page 21.

The Chairman and Managing Director establish meeting agendas to ensure adequate coverage of key issues during the year. senior Executives attend Board meetings by invitation and are also available to be contacted by Directors between meetings.

The Board and its Committees have the ability to meet without the Managing Director or senior Executives present. Such sessions could, for example, deal with management performance and remuneration issues, Board performance evaluation issues and discussions with external and internal auditors to promote a robust independent audit process.

## PRINCIPLE 3: THE BOARD PROMOTES ETHICAL AND RESPONSIBLE DECISION MAKING

The Board is firmly of the view that the reputation and integrity of the Company, the Board and employees will only be maintained through conducting its operating and corporate activities based on adopting the highest ethical standards.



**DIRECTORS' REPORT:** 

# CORPORATE GOVERNANCE STATEMENT

In recognition of the above, the following codes and policies have been adopted:

- Directors' Code of Conduct (including Securities Trading Policy);
- Corporate Code of Conduct and Business Ethics;
- · Whistleblowing Policy; and
- Fair Dealing and Compliance with the Competition and Consumer Act.

#### Directors' Code of Conduct and Corporate Code of Conduct and Business Ethics

The Directors' Code of Conduct guides Directors and promotes high ethical and professional standards and responsible decision making practices. In addition, the Company has adopted a Corporate Code of Conduct and Business Ethics for all employees (which includes Directors).

These respective codes are available on the Company's website (www.ruralco.com.au) and address, among other things;

- Ethical conduct and expected behaviours based on the principles of openness, mutual respect, fairness, honesty and integrity;
- Compliance with the law;
- Trading in Ruralco Holdings Limited securities;
- · Continuous disclosure compliance;
- Privacy:
- · Intellectual property;
- Integrity of records;
- Improper payments, gifts, entertainment and travel;
- Confidentiality of information;
- Conflicts of interest and disclosure protocols;
- Protection of Ruralco Holdings Limited assets;
- · Personal transactions; and
- Whistleblower protection.

The Corporate Code of Conduct and Business Ethics are actively promoted throughout the Company and are easily accessible to new and existing employees via the Company's intranet.

Consultants, contractors and business partners are also expected to act in accordance with the Code.

#### Whistleblower Policy

Ethical and responsible decision-making is also promoted by the Company's Whistleblower Policy.

This policy is designed to encourage employees to confidently and responsibly raise any concerns and report instances of unethical, fraudulent, non-compliant, suspicious or improper conduct without being subject to victimisation, harassment or discriminatory treatment. This can be done anonymously via an externally hosted website and hotline. The policy formalises the Company's commitment to absolute confidentiality and fairness in dealing with all matters raised and to support and protect those who report violations in good faith.

#### Fair Dealing and Compliance with the Competition and Consumer Act

The Company's Code with respect to Fair Dealing and Compliance with the Competition and Consumer Act guides persons dealing with the Company, including employees, through the legal requirements as well as the Company's expectations. It provides a list of "do's and don'ts" to assist employees on a day-to-day basis.

#### Securities Trading Policy

The Board encourages Key Management Personnel (including Directors) and employees to own the Company's securities to further align their interests with the interests of shareholders. Details of Directors' shareholdings are set out in the Directors' Report.

The Board has adopted a Securities Trading Policy which regulates dealing by Key Management Personnel (including Directors) and employees in shares and other securities issued by the Company. The rationale for the Policy is to establish a best practice procedure relating to buying and selling Ruralco Holdings Limited securities that provides protection to the Company, Directors and employees to ensure they do not abuse, and do not place themselves under suspicion of abusing, inside information that they have or may be thought to have, especially in periods leading up to an announcement of the Company's results, and to explain the type of conduct that is prohibited under the Corporations Act.

The Securities Trading Policy further aims to ensure that Company officers and employees are aware of the legal restrictions on trading Ruralco Holdings Limited shares while a person is in possession of unpublished price-sensitive information. Additionally, the policy is intended to minimise any chance that misunderstandings or suspicions that Company officers and employees may be trading while in possession of unpublished price-sensitive information. The Company's officers and employees who are in possession of price-sensitive information must not procure others to trade in Ruralco Holdings Limited shares.

The Company's Securities Trading Policy regulates dealings by the following persons in Ruralco Holdings Limited securities:

- Key Management Personnel (which includes Directors and senior Executives):
- Designated Persons, defined as Key Management Personnel, all employees at a Director level or higher, Commercial Managers, Group Financial Accountants and any other employee specifically designated by the Managing Director from time to time, and members of their immediate family or household.

All Key Management Personnel and Designated Persons are prohibited from trading in Ruralco Holdings Limited shares or other securities while in possession of unpublished Company price-sensitive information which is not generally available. Price-sensitive information is information which a reasonable person would expect to have a material effect on the price or value of securities.

Accordingly, a Key Management Personnel or Designated Person must not deal in Ruralco Holdings Limited's securities if they are in possession of unpublished information that, if generally available, might affect the price of the Company's securities. Subject always to this, the Board has established a policy that Key Management Personnel and Designated Persons may trade in the Company's securities at any time, but shall not deal in the Company's securities in the following periods:

- From the date that is the end of the half year to 24 hours after the Company announces the results for that half year; and
- From the date that is the end of the full year to 24 hours after the Company announces the results for that full year.

Prior to trading in Ruralco Holdings Limited securities, the Chair must notify the Chair of the Audit, Risk & Corporate Governance Committee, a Director must notify the Chair, the Company Secretary must notify the Managing Director and senior Executives or employees must notify the Company Secretary, of their intention to trade. Directors must advise the Company which in turn advises the ASX of any transactions conducted by them in the Company's securities within five business days after the transaction occurs.

Under the Policy, Key Management Personnel and Designated Persons may be permitted, with approval, to trade in Ruralco Holdings Limited securities during a closed period where that person is not in possession of inside information and is experiencing financial hardship or is affected by some other exceptional circumstance. In these circumstances, the Chair must seek approval from the Chair of the Audit, Risk & Corporate Governance Committee, a Director must seek approval from the Chair, the Company Secretary must seek approval from the Managing Director and senior Executives or employees must seek approval from the Company Secretary, before undertaking any trading.

Ruralco Holdings Limited's Securities Trading Policy is available on the Company's website (www.ruralco.com.au).

#### **Diversity Policy**

The Board has formalised its oversight role in relation to diversity practices in line with the revisions to the ASX Principles. In December 2012 the Board approved a Diversity Policy which is being implemented throughout the Company. The Board has set and assesses annually the gender diversity objectives set out in the policy. It will also, through the Audit, Risk & Corporate Governance Committee, consider diversity issues and propose strategies for recommendation to the Board; a Company wide diversity report will be provided to the Board annually. Currently the female to male ratios are: Board 28% female and the senior Executive 28% female.

## PRINCIPLE 4: THE BOARD SAFEGUARDS THE INTEGRITY OF FINANCIAL REPORTING

The Board has established an Audit, Risk & Corporate Governance Committee.

The members of the Committee as at the date of this Financial Report and details of their respective skills, qualifications, the number of Committee meetings that were held over the reporting period and the attendance of Committee members at these meetings are set out in the Directors' Report.

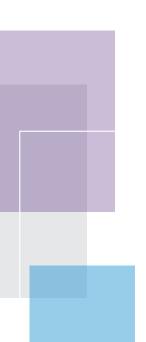
Senior Executives and internal and external auditors attend Committee meetings on invitation by the Committee.

The Committee has a written charter which sets out its structure, roles, responsibilities, resource access protocols (internal and external) meeting process, Board reporting requirements and performance evaluation requirements.

Under its charter, the Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities in relation to financial reporting, risk management, internal control and compliance.

Broadly, the Committee is responsible for:

- Overseeing the Company's financial reporting and financial reporting systems;
- Overseeing and assessing the effectiveness of enterprise-wide risk management and compliance systems and the internal control framework;
- Monitoring the activities and performance of the internal audit function;
- Overseeing the procedures for the selection and appointment (or removal) of the external auditor;
- Monitoring the activities and performance of the external auditor and coordinating its operation with the internal audit function:



**DIRECTORS' REPORT:** 

# CORPORATE GOVERNANCE STATEMENT

- Overseeing and assessing the independence of the external and internal auditors;
- Reviewing the Company's corporate governance policy documentation; and
- Providing full reports to the Board on all matters relevant to the Committee's full responsibilities.

The charter and the Company's Policy on the Appointment of External Auditors are available on the Company's website (www.ruralco.com.au).

The Committee's charter provides that the Committee is structured so that it consists of at least three Non-executive Directors, a majority of the Committee must be independent Directors and the Committee Chair must be an independent Director who is not also Chair of the Board. The current Committee composition complies with the charter.

The Board considers that all members of the Committee are financially literate and that the Committee possesses sufficient financial expertise and knowledge of the industry in which the Company operates. The Committee is chaired by Elizabeth Johnstone (an independent Non-executive Director with relevant experience). The other Committee members are Mr England, Ms Vonhoff and Mr Tuskin all of whom are independent Non-executive Directors.

#### External Auditor

One of the chief functions of the Audit, Risk & Corporate Governance Committee is to review and monitor the performance and independence of the external auditor. The Company's external auditor for the financial year was KMPG who were appointed as external auditors by shareholders at the 2009 AGM. The Committee has established guidelines to ensure the independence of the external auditor. The external audit partner is rotated at least every five years and the auditor is required to make an independence declaration annually. KPMG has provided an independence declaration for the financial year ended 30 September 2014. The independence declaration forms part of the Directors' Report and is set out on page 55 of this Report.

Information about the total remuneration of the external auditor, including details of remuneration for any non-audit services, is set out in note 6 to the Financial Report.

The Committee is satisfied that the level of non-audit work carried out by the external auditor is compatible with maintaining audit independence taking into account the Committee's related guidelines.

The KPMG audit partner attends the Company's AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

# PRINCIPLE 5: THE BOARD MAKES TIMELY AND BALANCED DISCLOSURE

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the securities market. The Board is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act and by doing so, ensuring that shareholders and investors have equal and timely access to material information about the Company including its financial position, performance, ownership and governance.

To ensure compliance with these obligations, the Company has established a Disclosure Compliance Policy which sets out the measures adopted by the Board to ensure its continuous disclosure obligations are met and to attribute accountability at a senior Executive level for that compliance. In particular, the Policy sets out how information will be identified and considered for disclosure and then (if necessary) disclosed by the Company to the market. The Policy is available on the Company's website (www.ruralco.com.au).

The Company's policy is designed to ensure that the Company:

- Provides timely and accurate information equally to all shareholders and market participants regarding the Company including its financial situation, performance, ownership, strategies, activities and governance; and
- Adopts channels for disseminating information that are fair, timely and cost-efficient.

The Disclosure Compliance Policy is designed to facilitate the Company's compliance with its obligations under the Listing Rules by:

- Providing guidance as to the types of information that may require disclosure, including examples and practical application of the Rules;
- Providing quantitative and qualitative materiality guidelines and interpretative guidance to assist in determining whether information is, or may be, material:
- Providing guidelines and interpretative guidance to assist in determining whether information is, or may be, confidential pursuant to the Listing Rules;

- Providing practical guidance for dealing with market rumours, market analysts and the media;
- Identifying the correct channels for passing on potentially market-sensitive information as soon as it comes to hand; and
- Establishing regular occasions at which senior Executives and Directors are actively prompted to consider whether there is any potentially market-sensitive information which may require disclosure.

The Company's website (www.ruralco.com.au) contains copies of ASX releases covering such publications as Annual Financial Reports, half year results, Notices of Meetings, media releases and analyst briefings, with the latter released prior to the commencement of the briefing.

Significant ASX announcements (such as announcements of financial results, market guidance or major transactions) are to be approved by the Board.

Under the Disclosure Compliance Policy, the Company Secretary, as the nominated disclosure officer, has the responsibility for overseeing and coordinating the disclosure of information to the ASX and for administering the Policy.

The Board periodically reviews the Disclosure Compliance Policy and practices and protocols governing investor/analyst briefings, major announcements and media communications to ensure they are effective and remain consistent with relevant regulations and best practice in the market place.

## PRINCIPLE 6: THE BOARD RESPECTS THE RIGHTS OF SHAREHOLDERS

The Company regards clear and transparent communication with its shareholders, trading members and other stakeholders as a core element of best practice corporate governance. The Company is committed to delivering communications that are in plain, easily understood language with the primary aim of ensuring that all its stakeholders can find the information they need, read it, understand it, and use it in a useful and practical way.

Accordingly, the Board has adopted a Communications Policy which requires communication with shareholders in an open, balanced, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The Policy is available on the Company's website (www.ruralco.com.au).

The Board is committed to monitoring ongoing developments that may improve the Company's shareholder communication practices, including technological developments, regulatory changes and the continuing development of market place 'best

practice' and, whenever reasonably practicable, to implement changes to the Company's communication protocols to reflect any such developments.

The Company's website (www.ruralco.com.au) is a key part of the Company's communication strategy with shareholders and the market and is a valuable source of information. It has been designed to enable information to be obtained in a clear and readily accessible manner. The Company has a dedicated Corporate Governance section on the Company's website which supplements the communication to shareholders in the Annual Report regarding the Company's corporate governance policies and practices.

Company announcements (including analyst briefing material and media releases) are made available on the Company website (www.ruralco.com.au) immediately following confirmation of their release to the market.

In addition to its formal disclosure obligations under the ASX Listing Rules, the Board also uses a number of additional means of communication with shareholders.

These include:

- The Half-year and Annual Reports;
- Posting media releases, public announcements, Notices of General Meetings and voting results, and other investor related information on the Company's website (www.ruralco.com. au); and
- Annual General Meetings ("AGM").

#### **Annual General Meeting**

The Company's AGM is a major forum for shareholders to ask questions about the performance of the Company and also provides an opportunity for shareholders to provide feedback to the Company about information provided to shareholders.

The Board encourages and welcomes shareholder attendance at, and participation in, the AGM at which the external auditor is available to answer shareholder questions about the conduct of the audit and preparation and content of the Independent Audit Report.

Shareholders are encouraged to use this opportunity to ask questions of the Board and the external auditor.

The Notice of Annual General Meeting is provided to all shareholders and posted on the Company website (www.ruralco.com.au).

To encourage participation in General Meetings, the Board has adopted Guidelines for Notices of Meetings. They provide clear procedures which the Company will follow to ensure that shareholders have the opportunity to attend and vote in a fully informed manner on the matters to be considered at General Meetings.



# CORPORATE GOVERNANCE STATEMENT

# PRINCIPLE 7: THE BOARD RECOGNISES AND MANAGES RISK APPROACH TO RISK MANAGEMENT

The Board and Management clearly recognise that the Company's continued growth and success is dependent on responsibly managing its risks, with their effective identification and management regarded as critical to achieving the Company's operational and strategic goals. Accordingly, understanding the material business risks faced by its business, and its tolerance for risk, are key factors in Company strategy formulation and in all decision-making processes.

The Board believes in a measured approach to risk management and has overall responsibility for reviewing and overseeing the Company's risk management strategy and control framework and ensuring that Management has developed and implemented a robust risk management system.

The Company has established policies for the oversight and management of material business risks formalised in a Risk Management Statement and a Risk Management Policy both of which are available on the Company's website (www.ruralco.com.au). These documents:

- Govern the steps taken in the Company's risk management process;
- Detail the responsibilities of the key stakeholders involved:
- Outline the core principles of the Company's risk framework including how material business risks, via a formalised risk register, are identified, classified, analysed, rated and hierarchically ranked and quantified (as extreme, high, moderate and low risks); and
- Highlight Management action plans and timelines for risk mitigation.

Each identified risk is assessed for potential consequences, inherent risk and residual risk and is allocated to a 'risk owner'. Each risk and its key controls are evaluated and reassessed by senior Management and other groups within the Company on a regular basis and the risk register is updated to reflect this reassessment.

#### Risk Management Roles and Responsibilities

To assist the Board in fulfilling its corporate governance responsibilities in relation to risk management, internal control and compliance, the Board has delegated the

oversight of risk management to the Audit, Risk & Corporate Governance Committee. In addition, the Board specifically requires the Managing Director (together with senior Executives) to implement a system of control for identifying and managing risk.

The functions and responsibilities of the Audit, Risk & Corporate Governance Committee are set out in its charter and specifically encompass ensuring Management has established a risk management framework that includes policies and procedures to effectively identify, treat and monitor material business risks. More broadly, the Committee's responsibilities are to:

- Review, recommend and oversee implementation of the risk management process, particularly the internal controls, policies and procedures the Company uses to identify business risks;
- Provide assistance and guidance on risk management process;
- Review the efficacy of internal control framework generally, including the interaction between risk management and internal audit;
- Provide advice to the Board on any non-compliance with the risk management framework;
- Monitor the activities and effectiveness of the internal audit function:
- Ensure risk management is promoted throughout the Company, particularly to senior Managers and their direct reports to ensure it is embedded within the overall Company culture; and
- Providing full reports to the Board on all matters relevant to these responsibilities.

In addition to an annual re-assessment, the major risks are a regular focus area for senior management with the risks and resultant controls being subject to a regular review process. Material risks and the effectiveness of risk management plans are escalated to the Audit, Risk & Corporate Governance Committee and/or the Board as appropriate. During the risk reporting process the detailed risk register outlining the key risks to achieving business and strategic objectives and the status of mitigating actions are reviewed. Beyond formal reporting, the identification, assessment and management of risks is also integrated

into key business decision-making activities such as strategy development, projects and change initiatives.

#### Internal Audit

The Company uses the services of external accounting firms to further support the Company's risk management system and to reinforce the Company's ongoing commitment to ensuring sound risk management and corporate governance principles are adopted and functioning Company-wide. The internal audit function is independent of the external auditor, has full access to Management and the right to seek information and explanation.

The Audit, Risk & Corporate Governance Committee oversees, formally approves and regularly reviews the scope of the internal audit function to ensure that its activities remain aligned with changes to the Company's business and risk profile. The Committee reviews the performance of internal audit on an annual basis as well as assessing its ongoing independence. The Committee also has access to the internal auditor without the presence of Management.

Accordingly, the internal audit function provides independent and objective feedback on the Company's system of risk management, internal compliance, control framework and governance. Working closely with the Audit, Risk & Corporate Governance Committee and Management, internal audit adopts a targeted risk-based approach in formulating its audit plan to align its activities to the material business risks across the Company.

Their activities including assisting the Board, Audit, Risk & Corporate Governance Committee and Management with, among other things:

- Assessing the design and operating effectiveness of controls for key business processes to mitigate business risks identified in the Company's risk register;
- Monitoring material business risk management;
- Review the Company's risk register annually;
- Ensuring compliance with the Company's Risk Management Policy;
- Providing guidance on existing controls and their adequacy to the respective risk; and
- Monitoring, in particular, the financial risks within the Group.

Management is responsible for ensuring appropriate corrective actions are taken on reported improvement areas arising from internal audit activity. The status of Management's actions and corrective action close-out activities are reported to and monitored by the Audit, Risk & Corporate Governance Committee.

#### Managing Director and Chief Financial Officer Assurance

As required by section 295A of the Corporations Act 2001, the Managing Director and Chief Financial Officer have declared that, in their opinion:

- The financial records for the financial year have been properly maintained in accordance with section 286 of the Corporations Act:
- The financial statements and the notes referred to in section 295(3)(b) of the Corporations Act for the financial year comply with the accounting standards;
- The financial statements and notes for the financial year give a true and fair view of the financial position and performance in accordance with section 297 of the Corporations Act; and
- Any other matters that are prescribed by the regulations for the purposes of section 295A of the Corporations Act in relation to the financial statements and the notes for the financial year are satisfied.

In addition, in accordance with Recommendation 7.3 of the ASX Principles, the Managing Director and Chief Financial Officer, also have stated to the Board, in respect of the Ruralco Holdings Limited Group for the financial year, that in their opinion:

- The declaration given in accordance with section 295A is founded on a sound system of risk management and internal compliance and control; and
- The system is operating effectively in all material respects in relation to financial reporting risks.

The statement given in accordance with Recommendation 7.3 (above) regarding the risk management and internal compliance and control system provides a reasonable, but not absolute level of assurance and does not imply a guarantee against adverse events or more volatile outcomes arising in the future.

## PRINCIPLE 8: THE BOARD REMUNERATES FAIRLY AND RESPONSIBLY

The Company is committed to ensuring that it has both competitive remuneration practices and sound remuneration policies that offer appropriate and fair rewards and incentives in order to attract, motivate and retain key Executives whilst also demonstrating a clear and aligned relationship between their performance and remuneration.

Details on the Company's remuneration policies and practices are set out in the Remuneration Report which forms part of the Directors' Report attached to the Financial Report. The Remuneration Report includes details of remuneration of Directors and other Key Management Personnel of the Company and details of the Company's Long-term Incentive Plans.



# CORPORATE GOVERNANCE STATEMENT

The Board has established a Nomination & Remuneration Committee that assists the Board in reviewing remuneration policies and practices across the Company and ensures appropriate succession planning is taking place.

The members of the Committee as at the date of this Financial Report and details of their respective skills, qualifications, the number of Committee meetings that were held over the reporting period and the attendance of Committee members at these meetings are set out in the Directors' Report on pages 16-23.

The Committee has a written charter which sets out its structure, roles, responsibilities, resource access protocols (internal and external), meeting process, Board reporting requirements and performance evaluation requirements.

The charter is available on the Company's website (www.ruralco.com.au).

Under its charter, the Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities with regard to:

- Reviewing and making recommendations to the Board with respect to the remuneration framework for Non-executive Directors taking into account market practices and trends, the level of complexity of the Ruralco Holdings Limited business and the commitments required of each Non-executive Director:
- Reviewing and approving the remuneration and incentive framework, including any proposed equity incentives, for the Managing Director and senior Executives;
- Reviewing and making recommendations to the Board on remuneration and all incentive awards of the Managing Director and senior Executives;
- Reviewing and making recommendations to the Board on the Company's remuneration policies, succession plans and human resource practices generally; and
- Providing full reports to the Board on all matters relevant to the Committee's responsibilities.

The Committee is structured so that it consists of at least three Non-executive Directors, with the Chair

appointed by the Board. The Committee is chaired by Ms Vonhoff. The other Committee members are Mr England, Mr Burney and Ms Johnstone.

The current composition of the Committee has a majority of independent Directors (and consequently the Committee's composition complies with ASX Principle 8.2).

The remuneration of Non-executive Directors is structured separately from that of Executive Directors and senior Executives.

Non-executive Directors receive a cash fee for service and do not have any entitlement to any performance-based remuneration or participation in any share-based incentive schemes. This policy reflects the differences in the role of the Non-executive Directors, which is to provide oversight and guide strategy, and that of Management, which is to operate the business and execute the Company's strategy. Non-executive Directors are not entitled to retain a retirement benefit beyond the statutory superannuation obligations.

The remuneration packages of the Managing Director and senior Executives may include a Short-Term Incentive component that is linked to the overall financial and operational performance of the Company and based on the achievement of specific Company and individual/team goals. The Managing Director and senior Executives may also be invited to participate in the Company's Long-Term Incentive Plan. The longterm benefits of the Long-Term Incentive Plan are conditional upon the Company achieving certain performance criteria. Accordingly, the Managing Director's and senior Executives' remuneration packages incorporate a balance between fixed and incentive pay, reflecting both short and long-term performance objectives which the Board regard as appropriate for the Company's circumstances and

Further details of the Company's remuneration policies and remuneration are set out in the Remuneration Report on pages 24-41 in the Directors' Report.

# JRALCO 2014 ANNUAL REPORT

# AUDITOR'S INDEPENDENCE DECLARATION

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

To: The Directors of Ruralco Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2014 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.

KPMG

Anthony Jones

Partner

Dated at Sydney this 15th day of December 2014



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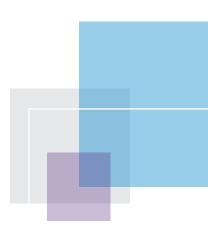
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DIRECTORS' DECLARATION

INDEPENDENT AUDITOR'S REPORT





## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Notes	2014 \$'000	2013 \$'000
_			
Revenue	3	1,355,887	1,133,116
Other income	4	357	5,342
Costs of goods sold	5	(1,098,750)	(924,215)
Depreciation and amortisation expenses	5	(7,445)	(5,432)
Personnel expenses	5	(144,937)	(121,355)
Property and equipment expenses		(23,211)	(17,936)
Motor vehicle expenses		(16,496)	(14,713)
Other expenses		(36,834)	(33,671)
Results from operating activities		28,571	21,136
Share of net profits of equity accounted investees (net of income tax)	14	938	817
Finance costs	5	(8,238)	(7,520)
Profit before income tax		21,271	14,433
Income tax expense	6	(7,049)	(3,992)
Profit for the period		14,222	10,441
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value movement in investment in listed equities		6,423	(7,564)
Revaluation of property, plant and equipment		(933)	-
Tax on items that will not be reclassified to profit or loss		(1,647)	2,269
Total items that will not be reclassified to profit or loss		3,843	(5,295)
Items that may be reclassified to profit or loss:			
Changes in the fair value of cash flow hedges		(2,804)	-
Foreign currency translation differences		11	_
Tax on items that may be reclassified to profit or loss		838	_
Total items that may be reclassified to profit or loss		(1,955)	=
Total comprehensive income for the period		16,110	5,146
Total profit attributable to:			
Equity holders of the Company		10,565	5,738
Non-controlling interests		3,657	4,703
Total profit for the period		14,222	10,441
Total comprehensive income attributable to:			
Equity holders of the Company		12,453	443
Non-controlling interests		3,657	4,703
Total comprehensive income for the period		16,110	5,146
Earnings per share (cents per share)	-		. =
- Basic	9	15.27	10.49
- Diluted	9	15.27	10.49

# URALCO 2014 ANNUAL REPORT

## RURALCO HOLDINGS LIMITED ABN 40 009 660 879

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2014

	Notes	2014 \$'000	2013 \$'000
		Ψ 000	\$ 000
Current assets			
Cash and cash equivalents	10	26,890	26,694
Trade and other receivables	11	332,813	303,724
Inventories	12	101,040	92,288
Biological assets	13	7,526	-
Current tax assets	20	-	2,546
Assets held for sale	16	1,750	2,528
Total current assets	_	470,019	427,780
Non-current assets			
Trade and other receivables	11	7	1,081
Investments in equity accounted investees	14	8,653	12,929
Other financial assets	15	229	6,172
Property, plant and equipment	16	42,815	41,538
Intangible assets	17	121,978	78,851
Deferred tax assets	21	13,289	12,136
Total non-current assets		186,971	152,707
Total assets	_	656,990	580,487
Current liabilities			
Trade and other payables	18	339,116	316,272
Loans and borrowings	19	37,673	71,358
Current tax liabilities	20	2,856	-
Provisions	22	16,716	12,213
Total current liabilities		396,361	399,843
Non-current liabilities			
	10	07.150	0.040
Loans and borrowings  Deferred tax liabilities	19 21	27,159	9,248
		7,890	8,615
Provisions	22 _	3,612	2,784
Total non-current liabilities	-	38,661	20,647
Total liabilities	_	435,022	420,490
Net assets		221,968	159,997
Equity			
Share capital	23	166,289	99,565
Retained earnings	20	34,483	39,426
Reserves	0.4	•	7,799
	24 _	10,792	
Total equity attributable to equity holders of the Company Non-controlling interests		<b>211,564</b> 10,404	<b>146,790</b> 13,207
Total equity			
iotal equity	_	221,968	159,997

#### **RURALCO HOLDINGS LIMITED** ABN 40 009 660 879

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2014

Balan				At	tributable	to equi	tv noide			inv				
Balan						Cash		Foreign		Share				
Balan		leguad	Retained	Capital	Asset revaluation	flow		currency	Fair		Reserve for own		Non- controlling	
Balan		capital \$'000	earnings	reserve	reserve \$'000		reserve		reserve		shares \$'000	Total \$'000		equity
	ce at 1 October 2013	99,565	39,426	2,179	7,809	-	2,800	-	(5,295)	1,284	(978)	146,790	13,207	159,997
	comprehensive income	е												
Prof	it for the period	-	10,565	-	-	-	-	-	-	-	-	10,565	3,657	14,222
Othe	er comprehensive incom	ne												
	air value movement in vestment in listed entitie	es -	-	-	-	-	-	-	4,496	-	-	4,496	-	4,496
	air value movement in ca ow hedges	ash _	-	-	-	(1,963)	-	-	-	-	-	(1,963)	-	(1,963)
	sposal of instruments he fair value	eld _	(799)	-	-	-	-	-	799	-	-	-	-	-
	oreign exchange translat fferences	tion _	-	-	-	-	-	8	-	-	-	8	-	8
- Di ar	sposal of property, plant nd equipment	t _	46	-	(46)	-	-	-	-	-	-	-	-	-
	evaluations of property, ant and equipment	-	-	-	(653)	-	-	-	-	-	-	(653)	-	(653)
	comprehensive income	е _	9,812	-	(699)	(1,963)	-	8	5,295	-	-	12,453	3,657	16,110
	actions with owners of pany recorded directly													
	butions by and utions to owners													
	vidends to owners of e Company	-	(11,654)	-	-	-	-	-	-	-	-	(11,654)	(4,530)	(16,184)
- Iss	sue of ordinary shares	66,724	-	-	-	-	-	-	-	-	-	66,724	-	66,724
Pe	erformance rights	-	-	-	-	-	-	-	-	751	-	751	-	751
distrib	contributions by and utions to owners of ompany	66,724	(11,654)	-	-	-	-	-	-	751	-	55,821	(4,530)	51,291
Treasu	ıry shares													
- Sł he	nares purchased and eld in trust	-	-	-	-	-	-	-	-	-	(1,804)	(1,804)	-	(1,804)
	wn shares held in trust ocated	-	-	-	-	-	-	-	-	-	1,405	1,405	-	1,405
Total t	reasury shares	-	-	-	-	-	-	-	-	_	(399)	(399)	-	(399)
subsid	ges in ownership interest liaries that do not result e of control													
	nange in non-controlling terest	_	(3,101)	-	-	-	-	-	-	-	-	(3,101)	(1,930)	(5,031)
interes	changes in ownership sts in subsidiaries that de sult in a change of contr		(3,101)	-	-	-	-	-	-	-	-	(3,101)	(1,930)	(5,031)
	transactions with rs of the Company	66,724	(14,755)	-	-	-	-	-	-	751	(399)	52,321	(6,460)	45,861
Balan	ce at 30 September 2	2014 166,289	34,483	2,179	7,110	(1,963)	2,800	8	-	2,035	(1,377)	211,564	10,404	221,968

#### RURALCO HOLDINGS LIMITED ABN 40 009 660 879

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2014

			At	tributable	to equi	tv holde	ers of the	Compa	nv				
					Cash		Foreign		Share			No	
				Asset revaluation			currency translation		payment			Non- controlling	Total
	capital \$'000			reserve \$'000	reserve \$'000		reserve \$'000	reserve \$'000	reserve \$'000	shares \$'000	Total \$'000	interests \$'000	equity \$'000
Balance at 1 October 2012	99,565	44,792	2,179	7,909	-	2,800	-	-	762	(2,024)	155,983	15,764	171,747
Total comprehensive income for the period													
Profit for the period	-	5,738	-	-	-	-	-	-	-	-	5,738	4,703	10,441
Other comprehensive income													
<ul> <li>Transfer of reserve on sale of property</li> </ul>	-	100	-	(100)	-	-	-	-	-	-	-	-	-
- Fair value movement in investment in listed entities	-	-	-	-	-	-	-	(5,295)	-	-	(5,295)	-	(5,295)
Total comprehensive income for the period	-	5,838	-	(100)	-	-	-	(5,295)		-	443	4,703	5,146
Transactions with owners of the Company recorded directly in equity													
Contributions by and distributions to owners													
<ul> <li>Dividends to owners of the Company</li> </ul>	-	(10,912)	-	-	-	-	-	-	-	-	(10,912)	(7,814)	(18,726)
- Performance rights reserve	-	-	-	-	-	-	-	-	522	-	522	-	522
Total contributions by and distributions to owners	-	(10,912)	-	-	-	-	-	-	522	-	(10,390)	(7,814)	(18,204)
Treasury shares													
- Own shares held in trust allocated	-	-	-	-	-	-	-	-	-	1,046	1,046	-	1,046
Total treasury shares	-	-	-	-	-	-	-	-	-	1,046	1,046	-	1,046
Changes in ownership interests in subsidiaries that do not result in a change of control													
- Change in non-controlling interest	-	(292)	-	-	-	-	-	-	-	-	(292)	554	262
Total changes in ownership interests in subsidiaries that do not result in a change of control	-	(292)	-	-	-	-	-	-	-	-	(292)	554	262
Total transactions with owners of the Company	-	(11,204)	-	-	-	-	-	-	522	1,046	(9,636)	(7,260)	(16,896)
Balance at 30 September 2013	99,565	39,426	2,179	7,809	-	2,800	-	(5,295)	1,284	(978)	146,790	13,207	159,997





## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers		1,481,077	1,242,673
Payments to suppliers and employees		(1,460,564)	(1,211,809)
Interest received		7,176	9,292
Bank charges		(3,085)	(1,820)
Interest paid		(5,153)	(5,700)
Income taxes paid		(1,765)	(7,643)
Net cash flows from operating activities	28	17,686	24,993
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		5,583	1,990
Proceeds from sale of investments		16,620	42
Proceeds from sale of rent roll		-	82
Proceeds from loss of control in subsidiary (Agfarm)		-	151
Proceeds from disposal of shares in subsidiaries		26	678
Proceeds from sale of business		557	_
Net proceeds from the issue of share capital		66,728	-
Distribution from equity accounted investment		723	318
Dividends received		109	181
Payment for property, plant and equipment		(5,722)	(6,236)
Payment for intangible assets		(2,802)	(403)
Purchase of shares in existing subsidiaries		(4,967)	(766)
Acquisition of a subsidiary, net of cash acquired	31	(57,590)	(9,416)
Net cash flows from / (used in) investing activities		19,265	(13,379)
Cash flows from financing activities			
Loans from / (advanced to) related entities		(306)	1,152
Repayment of finance lease liabilities		(1,727)	(1,186)
Net proceeds from borrowings		21,000	7,959
Net repayments to depositors		(39,538)	(24,246)
Dividends on ordinary shares in the Company		(11,654)	(10,912)
Dividends to non-controlling interests		(4,530)	(7,814)
Net cash flows used in financing activities		(36,755)	(35,047)
Net increase / (decrease) in cash and cash equivalents		196	(23,433)
Cash and cash equivalents at beginning of year		26,694	50,127
Cash and cash equivalents at end of year	10	26,890	26,694

#### RURALCO HOLDINGS LIMITED ABN 40 009 660 879

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

#### **Note 1: General information**

Ruralco Holdings Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business of the Company is 273C Kennedy Drive, Cambridge, Tasmania 7170.

The consolidated financial statements of the Company for the year ended 30 September 2014 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 principle activity is the provision of rural supplies and services.

#### Note 2: Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied, unless otherwise stated, to all periods presented and by all Group entities. Certain comparative amounts have been reclassified to conform with the current year's presentation.

#### (A) BASIS OF PREPARATION

The consolidated financial statements are general purpose financial statements which 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 15 December 2014.

#### Historical cost convention

These consolidated financial statements have been prepared on an accruals basis under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit and loss, biological assets and certain classes of property, plant and equipment.

#### Rounding

The Company is of a kind referred to in Class order 98/0100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to

"rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar unless otherwise stated.

#### Critical accounting estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are as follows:

#### Key estimates (i) Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment indicator exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Further details are included in note 17.

#### (ii) Fair value

The Group is required to determine the fair value of certain balance sheet items. The estimates and assumptions utilised to derive such values are described in the respective notes:

- Fair value determination of land, buildings and held for sale assets - refer to note 16;
- Fair value determination of livestock refer to note 13: and
- Fair value determination of financial instruments refer to note 33.

#### Changes in accounting policy

Except as described below, the accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 September 2013.



#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

The Group has adopted the following new standards and amendments to standards including consequential amendments to other standards with a date of initial application of 1 October 2013:

- AASB 10 Consolidated financial statements (2011)
- AASB 11 Joint arrangements
- AASB 12 Disclosure of interests in other entities
- AASB 13 Fair value measurements
- AASB 119 Employee entitlements (2011)
- AASB 127 Separate financial statements (2011)
- AASB 128 Investment in associates and joint ventures (2011)

#### (i) Subsidiaries

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of AASB 10 (2011), the Group re-assessed the control conclusion for its investees at 1 October 2013 and did not identify any material change to its pre-existing accounting for investees.

#### (ii) Joint arrangements

As a result of AASB 11, the Group has changed its accounting policy for its interests in joint arrangements. Under AASB 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its joint arrangements and has not identified any investment that requires reclassification.

#### (iii) Disclosure of interests in other entities

As a result of AASB 12, the Group has expanded its disclosures about its material subsidiaries and non-controlling interest in note 30.

#### (iv) Fair value measurement

AASB 13 establishes a single source of guidance for measuring the fair value of assets and liabilities, and

making disclosures about the fair value measurements when such a measure is required or permitted by other standards (excluding share based payments under AASB 2 - Share based payments and leasing transactions within the scope of AASB 117 - Leases). AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under market conditions at the measurement date.

The Group has adopted AASB 13 when valuing livestock and assets and liabilities assumed in business combinations during the period. Further, the Group has re-evaluated the impact of this standard on the carrying amount of land and buildings held at fair value, held for sale assets and derivative financial instruments. There has not been a material change in the carrying amount of these balances as a result of adopting this standard.

#### (v) Employee benefits

In the current year, the Group adopted the revised AASB 119 - Employee Benefits, which changed the definition of short-term benefits to benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employee renders the related service. As a result, of the change, the annual leave liability for the Group's employees with over four weeks of accumulated annual leave is considered to be another long-term benefit, when previously it was a short-term benefit. The Group's obligation is determined as the amount of future benefit that employees have earned in return for their services in the current and prior periods, applying actuarial assumptions, discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they

The Group applied the new policy retrospectively, in accordance with the transitional provision of the standard, however the impact on the statement of financial position was not material and therefore has not been restated.

#### (vi) Separate financial statements

AASB 127 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements with some minor clarifications.

#### (vii) Associates and joint ventures

Limited amendments have been made to AASB 128 including the application of AASB 5 – Non current assets held for sale and discontinued operations to interests in associates and joint ventures and how to account for changes in interest in joint ventures and associates.

#### RURALCO HOLDINGS LIMITED ABN 40 009 660 879

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

#### (viii) Prior year restatement

The Group revisited its treatment of rebate revenue and concluded that such income should be recorded on a net basis rather than gross given the underlying nature of the transaction. The comparative period "revenue" and "cost of goods sold" balances have been restated to reflect this treatment. The effect on the 2013 profit or loss and other comprehensive income of the Group is a decrease in "revenue" and "cost of goods sold" by \$25,720,840 respectively. There has been no impact on the Group's 2013 profit for the period. Further, "Receipts from customers" and "Payments to suppliers and employees" on the Consolidated Statement of Cash Flows, and "External revenues" on note 27 - Segment Reporting, have also been restated to this effect.

#### (ix) Accounting policies adopted as a result of acquisition and establishment of new businesses

Further, the Group has also adopted the following policies as a result of the acquisition and establishment of new businesses:

- Foreign operations Refer to note 2(h)
- Derivative financial instruments including hedging activities – Refer to note 2(q)
- Revenue construction contracts Refer to note 2(f)
- Construction contracts in progress Refer to note 2(m)
- Biological assets Refer to note 2(o)
- Other income Livestock growth and fair value adjustments – Refer to note 2(f).

#### (B) PRINCIPLES OF CONSOLIDATION

#### (i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all

relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### (ii) Changes in the Group's ownership interests in existing subsidiaries

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.



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When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### (C) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at the acquisition date.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

#### (i) Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration, with subsequent changes therein to be recognised in profit or loss.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

#### (ii) Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

#### (iii) Non-controlling interest

The non-controlling interest is measured at either fair value or at its proportionate interest in the identifiable assets and liabilities of the acquiree on a transaction by transaction basis.

#### (iv) Transaction costs

Transaction costs, other than share and debt issue costs, that the Group incurs in connection with a business combination are expensed as incurred.

#### (D) INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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

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payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, 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.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 136 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets 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 in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

#### (E) SEGMENT REPORTING

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

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

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, treasury cash, 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.

#### (F) REVENUE AND OTHER INCOME

#### Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, rebates, allowances, duties and taxes paid.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenue is recognised for the major business activities as follows:

#### (i) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, 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.

#### (ii) Services

Revenue from the rendering of a service is recognised as the service is provided.

#### (iii) Commissions

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.

#### (iv) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue that can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to survey of work performed. When the outcome of a construction contract can not be measured reliably, contract revenue is only recognised to the extent of contract costs incurred that are likely to be recoverable.





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Contract expenses are recognised as incurred unless they create an asset related to the future contract activity. An expected loss on a contract is recognised immediately in profit and loss.

#### Other income

Other income is recognised for the major business activities as follows:

#### (i) Interest income

Interest revenue is recognised as it accrues using the effective interest method.

#### (ii) Dividends

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

#### (iii) Livestock growth and fair value adjustments

At the end of each quarter and at the end of each reporting date, the Group measures livestock at market value. The market value is determined through price movements.

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).

#### (G) FOREIGN CURRENCY TRANSLATION

#### (i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end

exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date fair value was determined.

#### (H) FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to Australian dollars at exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When the settlement of a monetary item receivable from or payable to a foreign operations is neither planned or nor likely in the foreseeable future, foreign exchange gains and losses arising from such items are considered to form part of the net investment in the foreign operation are recognised in other comprehensive income, and presented in the translation reserve in equity.

#### (I) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Income tax expense excludes the profit before tax of unit trusts controlled by the Group to the extent non-controlling interests are beneficially entitled to that profit.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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 on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Ruralco Holdings Limited and its wholly owned subsidiaries formed a tax consolidated group with effect from 1 October 2002 and also entered into a tax

sharing and funding agreement. 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 by Ruralco Holdings Limited arising in respect of their activities.

#### (J) LEASES

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. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term or long-term payables. 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 periodic 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.

Lease income from operating leases where the Group is a lessor is recognised in profit or loss on a straight line basis over the lease term.

#### (K) IMPAIRMENT OF ASSETS

#### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Cash flows relating to short-term financial assets are not discounted if the effect of discounting is immaterial. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.



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Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (L) ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

#### (M) CONSTRUCTION CONTRACTS IN PROGRESS

Construction contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at costs plus profits recognised to date less progress billings and recognised losses. Costs includes all expenditure related directly to specific projects and an allocation of fixed and variable overhead incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position. Customer advances are presented as deferred income in the statement of financial position.

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## (N) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises of direct materials and, where appropriate, a proportion of variable and fixed overhead. Costs are assigned to individual items of inventory predominantly on the basis of weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## (0) BIOLOGICAL ASSETS

The Group holds biological assets in the form of livestock. These assets are measured at fair value, which has been determined based upon various assumptions, including livestock prices, less costs to sell. Cost to sell including all costs that would be necessary to sell the assets, including freight and selling costs. The market value increments or decrements are recorded in profit and loss.

# (P) NON-DERIVATIVE FINANCIAL INSTRUMENTS

## (i) Non-derivative financial assets

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Group subsequently measures financial assets at either amortised cost or fair value.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On initial recognition, the Group classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. In accordance with the transitional provisions of AASB 9 (2010), the classification of the financial assets that the Group held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

#### (ii) Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss, if:

- the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments to principal and interest.

#### (iii) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor, with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Trade and other receivables are included in trade and other receivables in the consolidated statement of financial position and measured at amortised cost using the effective interest rate method, less any impairment losses (refer note 2(k)).

#### (iv) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

#### (v) Financial assets measured at fair value

Financial assets other than those classified as financial assets measured at amortised cost are subsequently measured at fair value with all changes in fair value recognised in profit or loss.

However, for investments in listed and non-listed equity investments that are not held-for-trading, the Group may elect at initial recognition to present gains and losses in other comprehensive income. For instruments measured at fair value through other comprehensive income, gains or losses are never reclassified to profit or loss and no impairments are recognised in profit or loss. Dividends earned from such investments are recognised in profit or loss unless the dividends clearly represent a repayment of part of the cost of the investment.



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## (vi) Fair value through profit and loss

A financial asset is classified as at fair value through profit or loss if it is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

#### (vii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provision of the instrument.

The Group classified all other non-derivative financial liabilities into the amortised cost measurement category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

Bank overdrafts are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

# (viii) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are expensed.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

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.

#### (ix) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

# (Q) DERIVATIVE FINANCIAL INSTRUMENTS INCLUDING HEDGING ACTIVITIES

The Group uses derivative financial instruments (forward currency contracts) to hedge its risk associated with foreign currency fluctuations. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and are subsequently remeasured to fair value. Any attributable transaction costs are recognised in profit and loss as incurred.

The fair value of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Any gains or losses arising from changes in fair value are taken directly to other comprehensive income, except for the ineffective portion of the cash flow hedge which is recognised in profit and loss.

For the purposes of accounting, hedges are classified as cash flow hedges when they hedge the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction of the foreign currency risk in an unrecognised firm commitment. The Group has cash flow hedges attributable to foreign currency purchases.

The Group formally documents, on initial designation of the derivative as the hedging instrument, the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be highly effective in offsetting changes in fair value of cash flows of hedged items, and whether the actual results of each hedge are within a range of 80 - 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variation in cash flows that ultimately could affect reported profit or loss

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated within the reserves in equity. The gain or loss to the ineffective portion is recognised immediately in profit or loss.

When a hedged item is a non-financial asset or non-financial liability, the amounts accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period during which the non-financial item affects profit or loss.

When a hedging instrument expires, exercised, sold, terminated, designation is revoked or when a hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

# (R) PROPERTY, PLANT AND EQUIPMENT

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to asset revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset. All other decreases are charged to the profit and loss.

Land is not depreciated. Depreciation of other assets in the current and comparative period has been calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Freehold buildings	25-50 years
Leasehold improvements	the lease term ranging from 1-10yrs
Plant and equipment	3-20 years

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included net in the profit or loss. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

# (S) INTANGIBLE ASSETS

#### (i) Goodwill

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

#### Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

# (ii) Other intangible assets

Other intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Internally generated intangible assets are only capitalised when the costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. All other expenditure is recognised in profit or loss as incurred.



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Brand names with indefinite useful lives are not amortised and instead are tested for impairment annually either individually or at the cash generating unit level. The Group assesses the useful life of all intangible assets at each reporting date.

#### (iii) Amortisation

The estimated useful lives of existing finite lived intangible assets are as follows:

Customer relationships	3 to 10 years
Application software	3 to 5 years
Rent rolls	10 years

#### (iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### (T) BORROWING COSTS

Borrowing costs are recognised in profit and loss using the effective interest method, except when they relate to qualifying assets. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

# (U) PROVISIONS

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

## (V) EMPLOYEE BENEFITS

#### (i) Short-term benefits

#### Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including nonmonetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' past services up to the reporting date if the Group has a present legal or constructive obligation to pay these amounts and the obligation can be estimated reliably. These liabilities are measured on an undiscounted basis at the amounts expected to be paid when the liabilities are settled including appropriate on-costs.

Annual leave liability for the Group's employees that is not expected to be wholly settle within 12 months is required to be measured as a long-term benefit, however presented as a current liability in accordance with AASB 119 (2011). The Group's obligation is determined as the amount of future benefit that employees have earned in return for their services in the current and prior periods, applying actuarial assumptions, discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

# Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments.

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### (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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

# (iii) Retirement benefits obligations

All employees of the Group are entitled to benefits from the Group's superannuation plan on retirement,

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

disability or death. The Group has a defined contribution section within its plan. The defined contribution section receives 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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### (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.

## (W) SHARE-BASED PAYMENTS

The grant date fair value of performance rights granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. 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.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

# (X) SHARE CAPITAL

# (i) Ordinary shares

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

# (ii) Repurchase and reissue of share capital (treasury shares)

The Company controls an employee share plan trust which holds Company shares for the purposes of allocating Company 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.

## (Y) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group on or before the end of the financial year but not distributed at balance date.

## (Z) EARNINGS PER SHARE

## (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### (ii) Diluted earnings per share

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

# (AA) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount





FOR THE YEAR ENDED 30 SEPTEMBER 2014

of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

# (AB) STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 October 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

Standards and interpretations	Effective date for Group	Key requirements
AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (December 2013) - Part C - Financial Instruments	1 October 2018	Introduces a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities. Includes additional scope for component general hedge accounting.
AASB 2014-1 Amendments to Australian Accounting Standards – Part E: Financial Instruments	1 October 2018	Defers the mandatory application of any revisions to AASB 9 that have occurred subsequent to when the Group first adopted the standard. The mandatory application date is effective to the Group for the financial year ending 30 September 2019.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2014	2013
	\$'000	\$'000
Note 3: Revenue		
Sale of goods and biological assets	1,243,791	1,026,338
Rendering of services	102,104	94,792
Interest revenue	7,176	9,292
Sundry revenue	2,816	2,694
<b>,</b>	1,355,887	1,133,116
	,,	,,
Note 4: Other income		
Dividend income	109	181
Gain on disposal of investments	_	23
Change in fair value of biological assets	248	_
Gain on loss of control of subsidiary		5,122
Net gain on disposal of property, plant and equipment	_	16
That gain on disposal of property, plant and equipment	357	5,342
	337	3,342
Note 5: Expenses		
Cost of goods sold		
· ·	(700)	(3.033)
Inventory write-downs	(799)	(3,032)
Cost of goods sold	(1,097,951)	(921,183)
Total cost of goods sold	(1,098,750)	(924,215)
Depreciation		
Buildings	(159)	(165)
Leasehold improvements	(689)	(315)
Plant and equipment	(3,688)	(3,166)
Total depreciation	(4,536)	(3,646)
iotal depreciation	(4,500)	(0,040)
Amortisation		
Application software	(2,240)	(1,404)
Customer relationships	(667)	(380)
Rent rolls	(2)	(2)
Total amortisation	(2,909)	(1,786)
Total depreciation and amortisation	(7,445)	(5,432)
	( )/	(2) 2 /
Finance costs		
Bank charges	(3,085)	(1,820)
Interest expense	(5,153)	(5,700)
Total finance costs	(8,238)	(7,520)
Pontal expanse on energting leader		
Rental expense on operating leases	(01 406)	(17.761)
Lease payments	(21,436)	(17,761)
Total rental expense on operating leases	(21,436)	(17,761)
Personnel expenses		
Salaries and wages	(119,032)	(100,877)
Contributions to defined contribution plans	(10,789)	(8,901)
Share based payments (equity settled)	(1,073)	(1,087)
Business restructure costs	(1,078)	(2,142)
Other personnel expenses	(1,965)	(8,348)
·		, ,
Total personnel expenses	(144,937)	(121,355)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014 \$'000	2013 \$'000
Note 6: Income tax		
(a) Income tax expense		
Current tax expense		
Current period	6,724	4,201
Under provision in prior years	(47)	152
	6,677	4,353
Deferred tax expense		
Origination and reversal of temporary differences	372	(361)
	372	(361)
Income tax expense	7,049	3,992
The income tax expense calculated for the Group does not include income tax expense on the profit before tax of unit trusts controlled by the Company to the extent non-controlling interests are beneficially entitled to that profit.		
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit for the period before tax	21,271	14,433
Prima facie tax at 30% (2013: 30%)	6,381	4,330
Other items		
Non-controlling interest share of trust profit	(75)	(361)
Other	743	23
	7,049	3,992

# (c) Income tax recognised in other comprehensive income

	2014			2014		
	Before tax \$'000	Tax expense \$'000	Net of tax \$'000	Before tax \$'000	Tax expense \$'000	Net of tax \$'000
Revaluation of properties	(933)	280	(653)	-	-	-
Movement in cash flow hedges	(2,804)	841	(1,963)	-	-	-
Listed investments at fair value through other comprehensive income	6,423	(1,927)	4,496	(7,564)	2,269	(5,295)
Other	11	(3)	8	-	-	-
	2,697	(809)	1,888	(7,564)	2,269	(5,295)

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2014 \$'000	2013 \$'000
Note 7: Auditors' remuneration		
Audit services		
Auditors of the Company		
Audit and review of financial reports		
KPMG	459,000	411,700
Special audits for regulators		
KPMG	57,000	52,100
Other auditors	19,969	30,760
	535,969	494,560
Other services		
Auditors of the Company		
Other non-assurance services		
KPMG - due diligence	-	598,329
KPMG - other	45,500	-
Tax compliance services		
KPMG	195,700	117,626
Other auditors	-	770
	241,200	716,725
Total	777,169	1,211,285





# RURALCO HOLDINGS LIMITED

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014	2013
	\$'000	\$'000
Note 8: Dividends		
Dividends paid during the year to owners of the Company		
Final franked dividend for the year ended 30 September 2013 of 10 cents per fully paid share paid on 20 December 2013 (2013: 10 cents in respect of the year ended 30 September 2012)	5,471	5,441
Interim franked dividend for the year ended 30 September 2014 of 8 cents per fully paid share paid on 27 June 2014 (2013: 10 cents in respect of the year ended 30 September 2013)	6,183	5,471
5.1858 55 55pts55. 2515)	11,654	10,912
Franked dividends declared or paid during the year were franked at the tax rate of 30% (2013: 30%)	,	,
Dividends not recognised at year end		
Since the year end, the Directors recommended the payment of a final franked dividend to Ruralco Holdings Limited shareholders of 8 cents per fully paid ordinary share (2013: 10 cents). The aggregate amount of the proposed dividend, expected to be paid on 14 January 2015 out of 2014 profits, but not recognised as a liability at year end is \$6,183,286.	6,183	5,502
The declaration and subsequent payment of dividends has no income tax consequences.		
Dividend franking account balance		
The amounts of franking credits calculated at 30% (2013: 30%) available for subsequent financial years are:		
Franking account balance at the end of the financial year	22,152	20,638

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 there being sufficient available profits 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 \$2,649,980 (2013: \$2,357,969). In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has also assumed the benefit of \$22,151,710 (2013: \$20,638,414) franking credits.

# 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.

# JRALCO 2014 ANNUAL REPORT

# RURALCO HOLDINGS LIMITED ABN 40 009 660 879

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2014 \$'000	2013 \$'000
Note 9: Earnings per share	Ψ 000	Ψ 000
Reconciliation of earnings to profit and loss	14.000	10 441
Profit from ordinary activities after income tax	14,222	10,441
Less profit attributable to non-controlling interests  Earnings used to calculate basic and diluted EPS	(3,657)	(4,703) 5,738
Lamings used to calculate basic and diluted EFS	10,303	3,736
	No.	No.
Weighted average number of shares used as a denominator		
Weighted average number of ordinary shares used as the denominator in	60 196 049	E 4 71E E 70
calculating basic and diluted earnings per share	69,186,043	54,715,579
Diluted earnings per share		
The calculation of diluted earnings per share at 30 September 2014 was based		
on a weighted average number of ordinary shares outstanding. There were no		
further adjustment for the effect of potential dilutive ordinary shares.		
Earnings per share (cents per share)		
- Basic	15.27	10.49
- Diluted	15.27	10.49
	фзосо	ф1000
Note 10: Cash and each equivalents	\$'000	\$'000
Note 10: Cash and cash equivalents		
Cash on hand	113	78
Cash at bank	26,777	26,616
	26,890	26,694
Reconciliation of cash		
Cash and cash equivalents at the end of the financial year as shown in the		
statement of cash flows is reconciled to items in the statement of financial		
position as follows:	00.000	00.004
Cash and cash equivalents	26,890 26,890	26,694 26,694
Note 11: Trade and other receivables	20,090	20,094
Note 11. Hade and other receivables		
Current		
Trade receivables	303,560	279,735
Amounts receivable from related parties	1,454	2,679
Other receivables	19,229	17,198
Prepayments	8,570	4,112
For towns and conditions in volution to trade vessi value, vessi to note 22	332,813	303,724
For terms and conditions in relation to trade receivables, refer to note 33.		
Non-current		
Amounts receivable from related parties	7	1,081
Note 12: Inventories		
Finished goods	101,040	92,288
90000	101,040	02,200
Inventory write downs		
Inventory write downs included in cost of goods sold	799	3,032





FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014	2013
	\$'000	\$'000
Note 13: Biological assets		
Livestock	7,526	-

The Group holds biological assets in the form of livestock. These assets are measured at fair value, with any difference in fair value and book value at balance date adjusted for in profit or loss.

At balance date the Group held 7,230 head of cattle valued at \$7.53m. The value held at balance date includes any adjustment to fair value.

Livestock title is not restricted or pledged as security for liabilities.

#### Fair value measurement

Disclosure of livestock assets measured at fair value (at balance date) and their categorisation in the fair value hierarchy are summarised below:

		Total livestock		
		20	14	
Fair value input	Cattle type	Qty (Head)	\$'000s	
Level 1	None	-	-	
Level 2	None	-	-	
Level 3	Cattle	7,230	7,526	
Total		7,230	7,526	

There is no meaningful observable market pricing data available for cattle held by the Group and hence the price inputs are classified as Level 3.

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 obtaining prevailing indicative prices from one or more brokers.

#### Financial risks

The Group is exposed to financial risk associated with its livestock activity. The primary risk revolves around market risk; the risk that changes in market prices will affect the Group's income or the value of its holdings. The Group activity manages this risk through operating under a trading charter, which effectively sets a "risk limit" and controls and monitors risk adherence to this limit. All inventory positions are reviewed in the context of the Group's trading charter. Further, management actively looks to match its inventory held position against future sales as soon as practical. (Note: the majority of the Group's cattle inventory held at balance date is held against sold contracts for delivery post balance date.)

# 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 activity manages this risk through a number of operating and structure related practices including risk mitigating animal husbandry management practices, risk mitigating animal holding structures and regular animal inspections and monitoring.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 14: Investments accounted for using the equity method

Interests are held in the following associates and joint ventures:

Name	Principal activities	Ownership interest		Carrying amount of investment using the equity method	
		<b>2014</b> %	2013 %	2014 \$'000	2013 \$'000
Associates					
Western Riverina Fertilizers Pty Ltd	Rural merchandising	41.29	64.55	609	554
Lachlan Fertilizers Rural Pty Ltd*	Rural merchandising	-	50	-	4,122
Joint Ventures					
Agfarm Pty Ltd	Grain marketing	50	50	-	-
Agfarm Unit Trust	Grain marketing	50	50	8,044	8,253
				8,653	12,929

	\$'000	\$'000
Movements during the year in equity accounted investments in associates and joint ventures		
Balance at beginning of the financial year	12,929	4,052
Share of associated company's net profit after tax	938	817
Dividends	(723)	(318)
Fair value of joint venture at inception	-	8,378
Disposal during the year	(4,491)	-
Balance at end of the financial year	8,653	12,929

Summary financial information for equity accounted investees, as at 30 September 2014, and for the year ended on that date. Balances have not been adjusted for the percentage ownership held by the Group nor from the date that the entity was held as an equity accounted investment:

	Ownership interest %	Assets \$'000	Liabilities \$'000	Revenue \$'000	Profit after tax \$'000
2014					
Western Riverina Fertilizers Pty Ltd	41.29	1,875	554	4,436	187
Lachlan Fertilizers Rural Pty Ltd*	-	-	-	29,537	1,326
Agfarm Pty Ltd	50	-	-	-	-
Agfarm Unit Trust	50	18,600	18,207	6,961	393
		20,475	18,761	40,934	1,906
2013					
Western Riverina Fertilizers Pty Ltd	64.55	1,955	762	4,117	264
Lachlan Fertilizers Rural Pty Ltd	50	13,322	5,708	35,126	1,325
Agfarm Pty Ltd	50	-	-	-	-
Agfarm Unit Trust	50	2,602	1,771	10,131	1,323
		17,879	8,241	49,374	2,912

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

<sup>\*</sup> Lachlan Fertilizers Rural Pty Ltd was sold on 31 July 2014. Assets and Liabilities are therefore nil as at 30 September 2014. Revenue and Profit After Tax amounts covers the period from 1 October 2013 to the date of sale.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014	2013
	\$'000	\$'000
Note 15: Other financial assets		
Non-current		
Listed investments at fair value through other comprehensive income	_	5,943
Elotod invocationic at fair value allough callet completionic tree income	_	5,943
Unlisted investments		
- shares in other corporations	150	150
- other	79	79
	229	229
Total other financial assets	229	6,172
Note 16: Property, plant and equipment		
Freehold land		
At fair value	7,921	9,992
	7,921	9,992
Buildings		
At fair value	16,008	15,470
Accumulated depreciation	(747)	(587)
	15,261	14,883
Leasehold improvements		
At cost	6,338	3,550
Accumulated depreciation	(3,588)	(1,887)
	2,750	1,663
T. H. J. W	05.000	00.500
Total land, buildings and leasehold improvements	25,932	26,538
Plant and equipment		
At cost	39,565	37,215
Accumulated depreciation	(22,781)	(22,623)
Accumulated depreciation	(22,701)	(22,020)
Total plant and equipment	16,784	14,592
Total plant and oquipmon	10,704	14,002
Capital work in progress	99	408
Total property, plant and equipment	42,815	41,538
and the second s	,510	,500

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

## Note 16: Property, plant and equipment (continued)

#### Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current and prior financial years are reconciled as follows:

				Diantand	Capital	
	Land	Buildings	Leasehold improvements	Plant and equipment	work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 October 2013	9,992	14,883	1,663	14,592	408	41,538
Assets purchased during the year	139	12	505	4,417	3,005	8,078
Assets acquired on acquisition of business	-	-	1,216	2,670	_	3,886
Transfer to assets held for sale	(2,200)	(1,640)	-	-	-	(3,840)
Disposals during the year	-	(1)	(12)	(897)	-	(910)
Depreciation expense	-	(158)	(689)	(3,689)	-	(4,536)
Revaluation of assets	(10)	(932)	-	_	-	(942)
Transfers to/(from) CWIP	-	3,014	162	138	(3,314)	-
Reclassifications	-	83	(95)	(447)	-	(459)
Balance at 30 September 2014	7,921	15,261	2,750	16,784	99	42,815
Balance at 1 October 2012	10,165	14,786	1,257	14,933	799	41,940
Assets purchased during the year	85	21	746	4,416	2,234	7,502
Assets acquired on acquisition of business	-	-	9	796	-	805
Transfer to assets held for sale	-	-	-	(145)	-	(145)
Disposals during the year	(258)	(165)	(5)	(1,457)	-	(1,885)
Depreciation expense	-	(165)	(315)	(3,166)	-	(3,646)
Reclassifications	-	406	(29)	(785)	(2,625)	(3,033)
Balance at 30 September 2013	9,992	14,883	1,663	14,592	408	41,538

During the 2014 financial year, \$0.459 million (2013: \$3.033 million) of capital work in progress was reclassified to application software.

Land and buildings are carried at fair value (level 2). Land and buildings were revalued in August 2012 by an independent valuer on the basis of current market value. The net revaluation deficit in 2012 was debited to the asset revaluation reserve in shareholder's equity. Management has reviewed the carrying value of land and buildings, with regards to current market conditions and highest and best use, is satisfied that their carrying value is satisfactory as at 30 September 2014.

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.

Buildings have been mainly 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. These 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.

#### Security

Land and buildings are held as security for the bank overdraft and loan facilities, refer to note 19.

# Assets held for sale

The Group has classified two properties (2013: three properties) as assets held for sale in the statement of financial position at the balance date as they are surplus to requirements. These assets include land and buildings and associated property, plant and equipment which are actively being marketed for sale but had not sold at balance date. These assets are included in the Rural Services segment in note 27.

Movements during the year in assets held for sale:

	2014	2013
	\$'000	\$'000
Balance at beginning of the financial year	2,528	3,274
Classified as held for sale	3,840	145
Disposal during the year	(4,618)	(409)
Impairment	<u> </u>	(482)
Balance at end of the financial year	1,750	2,528
	·	



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2014	2013
	\$'000	\$'000
Note 17: Intangible assets		
Goodwill	98,076	58,460
Accumulated impairment losses	(1,255)	(1,255)
	96,821	57,205
Brand names	15,049	14,400
Customer relationships	5,490	3,800
Accumulated amortisation	(2,177)	(1,510)
	3,313	2,290
Patents and licences	2	2
Accumulated amortisation	2	
Application software	16,680	13,068
Accumulated amortisation	(10,472)	(8,232)
Accumulated amortisation	6,208	4,836
Rent rolls	110	110
Accumulated amortisation	(14)	(12)
	96	98
Work in progress	489	20
	121,978	78,851

	Goodwill \$'000	Brand names \$'000	Customer relation- ships \$'000	Patents and licences \$'000	Application software \$'000	Rent rolls \$'000	Work in progress \$'000	Total \$'000
Consolidated movements in intangible assets during the year	\$ 000	\$ 000	\$ 000	<del>- \$ 000</del>	\$ 000	\$ 000	<u> </u>	\$ 000
Balance at 1 October 2013	57,205	14,400	2,290	2	4,836	98	20	78,851
Additions - external	-		-	-	399	-	2,377	2,776
Transfers from CWIP	-	-	-	-	1,903	-	(1,903)	-
Assets acquired in business combinations	39,733	649	1,690	-	1,004	-	-	43,076
Amortisation charge	-	-	(667)	-	(2,240)	(2)	-	(2,909)
Reclassifications	(117)	-	-	-	459	117	-	459
Disposals	-	-		-	(153)	(117)	(5)	(275)
Balance at 30 September 2014	96,821	15,049	3,313	2	6,208	96	489	121,978
Balance at 1 October 2012	52,573	14,400	2,670	2	3,137	114	-	72,896
Additions - external	-	-	-	-	383	-	3,053	3,436
Additions - reclassified from capital work in progress	-	-	-	-	3,033	-	(3,033)	-
Assets acquired in business combinations	6,496	-	-	-	20	-	-	6,516
Amortisation charge	-	-	(380)	-	(1,404)	(2)	-	(1,786)
Disposals	(1,864)	-	-	-	(333)	(14)	-	(2,211)
Balance at 30 September 2013	57,205	14,400	2,290	2	4,836	98	20	78,851

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

## Note 17: Intangible assets (continued)

Intangible assets, other than goodwill and brand names, have finite useful lives. Goodwill and brand names have indefinite useful lives on the basis that the benefits arising from these intangible assets are expected to be earned into perpetuity. The current amortisation charges in respect of intangible assets which have finite useful lives are included under depreciation and amortisation expense in profit or loss.

The amortisation period for the intangible assets with finite lives are as follows:

Application software: 3 to 5 years
Rent rolls: 10 years
Customer relationships: 3 to 10 years

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units ("CGUs") or Groups of CGUs which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and those CGUs expected to benefit from the goodwill. The recoverable amount of a CGU is determined based on value-in-use calculations.

These calculations use cash flow projections based on financial budgets for FY15, determined using 3 years of historical performance, and calculated forecasts for FY16 to FY19 by using FY15 as a base and then adopting a growth rate of nil to 3.5%, depending on the respective CGU, to derive such figures. Further the Group has also adopted the following key assumptions:

- Terminal growth rate of 2.5% (2013: 2.5%).
- Budgeted cash flows based on past performance and its expectations for the future.
- Growth rates of nil to 3.5% (2013: nil to 3.5%) used for revenue and expense projections which are considered to be not inconsistent with historical trends and forecasts included in reports prepared by market analysts.
- Pre tax weighted average cost of capital of 10.2% to 12.2% (2013: 10.2% to 12.2%), reflecting the risk estimates from a market perspective for the various CGUs.

Management believes any reasonable change in key assumptions would not cause the Group's intangible assets carrying amount to exceed the recoverable amount of these CGUs.

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

	2014 \$'000	2013 \$'000
Goodwill*		
Combined Rural Traders (CRT)	12,051	12,051
Mainland Operations	39,922	39,294
Tasmanian Operations	4,434	4,434
Sector Operations	1,426	1,426
Brand names*		
Combined Rural Traders (CRT)	14,400	14,400

<sup>\*</sup> Total Eden goodwill of \$39,018,000 and brand names of \$649,000 have yet to be allocated to the Group's existing CGU's. This allocation will be finalised once the re-organisation of the acquired business has been finalised.





	2014	2013
	\$'000	\$'000
Note 18: Trade and other payables		
Current		
Trade payables	288,852	259,569
Derivative financial instruments	2,808	-
Sundry payables and accrued expenses	47,456	56,703
,	339,116	316,272
	,	
The Group's exposure to liquidity risk related to trade and other		
payables is disclosed in note 33.		
Note 19: Loans and borrowings		
Current		
Secured		
Bank loans	27,000	23,000
Finance lease liabilities	1,234	516
Other loans	1,919	-
	30,153	23,516
Unsecured		
Depositors	5,893	45,908
Loans from related parties	1,627	1,934
	7,520	47,842
	37,673	71,358
Non-current		
Secured		
Bank loans	24,375	7,375
Finance lease liabilities	1,344	909
That is a load inabilities	25,719	8,284
Unsecured		
Depositors	1,440	964
	1,440	964
	27,159	9,248
Financing facilities		
At balance date, the following financing facilities had been		
negotiated and were available:		
Total facilities		
- Bank overdraft	-	2,070
- Bank loans	202,375	152,802
	202,375	154,872

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014	2013
	\$'000	\$'000
Note 19: Loans and borrowings (continued)		
Facilities used at balance date		
- Bank overdraft	-	-
- Bank loans	51,375	30,375
	51,375	30,375
Facilities unused at balance date		
- Bank overdraft	-	2,070
- Bank loans	151,000	122,427
	151,000	124,497

#### **Bank loans**

#### Bilateral bank loans and overdraft

These facilities are committed with a guarantor group arrangement and security over the parent Company and three subsidiaries. The Multi-Option Facility matures March 2015 and Cash Advance Tranche matures in March 2016, both of which have options to extend subject to the agreement of the lenders and the borrower. These bank loans are subject to certain financial undertakings as detailed below.

# Deposit book

The interest rate payable to depositors is set on a regular basis. The average effective interest rate on depositors at 30 September 2014 is 3.59% (2013: 3.94%).

# Finance leases

Lease liabilities are effectively secured as the rights to the leased assets recognised in the consolidated financial statements, and revert to the lessor in the event of default.

# Covenants of financing facilities

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

The main financial covenants which the Group is subject to are Interest Cover Ratio, Working Capital Ratio, Leverage Ratio and Tangible Net Worth.

Financial covenants testing is undertaken and reported to the Board and financiers on a monthly basis. The Group was in compliance with all of its financial covenants throughout the financial year.





	2014	2013
	\$'000	\$'000
Note 20: Current tax assets / (liabilities)		
Current tax assets / (liabilities)	(2,856)	2,546
,		· ·
Note 21: Deferred tax assets and liabilities		
(a) Deferred tax liabilities		
Deferred tax liability comprises temporary differences attributable to:		
Property, plant and equipment	1,901	2,356
Equity accounted investments	1,327	2,099
Intangibles	4,006	3,997
Other	656	163
Total	7,890	8,615
(b) Deferred tax assets		
Deferred tax assets comprise temporary differences attributable to:		
Provisions	5,650	4,715
Receivables	1,011	1,306
Accruals	1,610	722
Property, plant and equipment	446	702
Inventory	1,184	807
Tax losses carried forward	264	549
Intangibles	-	52
Investments at fair value	-	1,919
Capital raising	516	-
Foreign exchange	861	-
Other	1,747	1,364
Total	13,289	12,136
(c) Movements in deferred tax balances		
The net movement in deferred taxes is as follows:		
Opening balance	3,521	891
Net credit / (debit) to statement of comprehensive income	(372)	361
Amounts recognised in other comprehensive income	(809)	2,269
Amounts recognised in conjunction with a business combination	2,416	-
Amounts recognised in share capital	643	
Closing balance	5,399	3,521

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FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014	2013
	\$'000	\$'000
Note 22: Provisions		
Current - employee benefits		
Annual leave	8,913	6,209
Long service leave	7,232	5,850
	16,145	12,059
Current - other		
Make good	390	154
Other	181	
	571	154
Total annual analisiana	10.710	10.010
Total current provisions	16,716	12,213
Non-current - employee benefits		
Long service leave	3,129	2,784
Non-current - other		
Make good	197	_
Other	286	_
	483	_
Total non-current provisions	3,612	2,784

## **Superannuation contributions**

The Group contributes to superannuation plans to provide benefits to employees. Such contributions are based on a percentage of salary. The employer is committed to contribute to the plans as prescribed by the relevant legislation.

# Make good provision

The Group occupies a number of properties as a lessee. As at year end, an obligation exists to restore such premises to the state in which they were in at the commencement of the lease. The make good provision quantifies this obligation.

Movements in the carrying amount for the provision for make good liability between the beginning and the end of the current financial year are reconciled as follows:

	2014	2013
	\$'000	\$'000
Balance at the beginning of the year	154	372
Provision arising from the acquisition of businesses	290	
Provisions made during the year	143	36
Amounts charged against the provision	-	(254)
Balance at the end of the year	587	154





# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014	2013
	No. of shares	No. of shares
Note 23: Issued capital		
77,291,069 (2013: 55,019,284) ordinary shares fully paid	77,291,069	55,019,284
The movement in fully paid ordinary shares are outlined below:		
Balance at the beginning of the year	55,019,284	55,019,284
Shares issued during the year	22,271,785	-
Balance at the end of the year	77,291,069	55,019,284

Ordinary shares fully paid Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in

\$'000

166,289

\$'000

99,565

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.

# Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they 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.

Refer to note 19 for details in respect to bank covenants the Group is required to maintain.

proportion to the number of and amounts paid on the shares held.

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 on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. 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).

During 2014 the Group's strategy, which was unchanged from 2013, was to maintain a gearing ratio of not more than 75%. The gearing ratios at 30 September 2014 and 30 September 2013 were as follows:

	2014	2013
	\$'000	\$'000
Total borrowings	64,832	80,606
Less: cash and cash equivalents	(26,890)	(26,694)
Net debt	37,942	53,912
Total equity	221,968	159,997
Gearing ratio	17.1%	33.7%

	2014 \$'000	2013 \$'000
Note 24: Reserves		
Capital profits reserve Asset revaluation reserve Cash flow hedge reserve General reserve	2,179 7,110 (1,963) 2,800	2,179 7,809 - 2,800
Foreign currency translation reserve Fair value reserve Share based payments reserve Reserve for own shares	2,035 (1,377)	(5,295) 1,284 (978)
Capital profits reserve Balance at the beginning of the year Balance at the end of the year	2,179 2,179	2,179 2,179 2,179
Asset revaluation reserve Balance at the beginning of the year Revaluation decrement (net of tax) Transfer to retained earnings Balance at the end of the year	7,809 (653) (46) 7,110	7,909 - (100) 7,809
Cash flow hedge reserve Balance at the beginning of the year Fair value movement Balance at the end of the year	(1,963) (1,963)	- - -
General reserve Balance at the beginning of the year Balance at the end of the year	2,800 2,800	2,800 2,800
Foreign currency translation reserve Balance at the beginning of the year Foreign exchange translation differences (net of tax) Balance at the end of the year	- 8	- - -
Fair value reserve Balance at the beginning of the year Fair value movement in investment in listed entities (net of tax) Transfer to retained earnings upon disposal Adoption of AASB 9 Balance at the end of the year	(5,295) 4,496 799 -	- - (5,295) (5,295)
Share based payments reserve Balance at the beginning of the year Performance rights expense (net of tax) Balance at the end of the year	1,284 751 2,035	762 522 1,284
Reserve for own shares Balance at the beginning of the year Shares held in Employee Share Plan Trust Own shares held in trust allocated Balance at the end of the year	(978) (1,804) 1,405 (1,377)	(2,024) - 1,046 (978)

#### Nature and purpose of reserve

- (i) Capital profits reserve and General reserve
  - The capital profits reserve and the general reserve were established to accumulate profits.
- (ii) Asset revaluation reserve
  - The asset revaluation reserve is used to recognise the changes to fair values of each property carried at fair value.
- (iii) Cash flow hedge reserve
  - Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are captured in the cash flow hedge reserve.
- (iv) 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.
- (v) Fair value reserve
  - The fair value reserve is used to recognise the change in fair values of equity instruments that are measured at fair value though other comprehensive income.
- (vi) Share based payments reserve
  - The share based payments reserve is used to recognise the fair values of performance rights granted to the Managing Director and other management but not vested and exercised yet.
- (vii) Reserve for own shares
  - Treasury shares are the Company's own shares, which are held in trust for employees in a special purpose entity. The Company has created the trust for the purpose of holding shares for the benefit of eligible employees who are the beneficial owners of shares in accordance with the Company's employee share plan and forms part of the consolidated Group.
  - At 30 September 2014, the Group held 398,914 (2013: 303,705) of the Company's shares.



		2014 \$'000	2013 \$'000
No	ote 25: Capital and leasing commitments		
a.	Operating lease commitments		
	Leases as lessee		
	The Group has operating lease commitments for rental of property, equipment and motor vehicles.		
	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 3-5 years, with options to renew the leases for a further 3-5 years. Lease payments are increased according to the various lease agreements, usually in line with the local consumer price index.		
	Non-cancellable operating leases are payable as follows:		
	Less than one year	21,615	13,787 16,844
	Between one and five years  More than five years	36,648 2,485	2,330
	more than the years	60,748	32,961
	The lease expense recognised in the income statement during the year in respect of operating leases is \$21,436,224 (2013: \$17,761,068).		
	Leases as lessor  The Group leases space in four of its warehouses and four office spaces for periods up to 48 months.  Non-cancellable operating leases are receivable as follows:		
	Less than one year	2,083	1,718
	Between one and five years	6,320	356
		8,403	2,074
	The lease income recognised in the income statement during the year in respect of operating leases is \$2,494,101 (2013: \$2,200,178).		
b.	Capital expenditure commitments		
	The Group has no capital expenditure commitments contracted as at the reporting date but not recognised as liabilities payable.		
c.	Finance lease commitments		
	The Group has finance lease commitments for motor vehicles payable as follows:		
	Less than one year	1,363	590
	Between one and five years	1,429	948
	Minimum lease payments	2,792	1,538
	Future finance charges	(214)	(113)
	Total lease liabilities	2,578	1,425
	Representing lease liabilities:		
	Current	1,234	516
	Non-current	1,344	909
		2,578	1,425

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014 \$'000	2013 \$'000
Note 25: Capital and leasing commitments (continued) d. Other commitments		
The Group also has the following commitments as at the reporting date:		
Livestock related commitments	13,390	-
Freight related commitments	7,509	-
	20,899	-

	2014 \$'000	2013 \$'000
Note 26: Contingent liabilities  The consolidated entity has guarantees issued in respect of contract performance in the normal course of business for both wholly-owned		
controlled entities and joint ventures.	10,012	7,525

In the ordinary course of business:

- (i) 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.
- (ii) The Group has entered into various partnerships and joint ventures under which the controlled entity could ultimately be jointly and severally liable for the obligations of the partnership or joint venture.



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# **Note 27: Segment reporting**

#### **Accounting policies**

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. Segment assets and liabilities do not include deferred tax balances.

The Group comprises the following operating segments:

- Rural services which offers livestock agency, wool broking, rural merchandise, live export, rural machinery service and sales, water broking and other water related activities, real estate operations and stockfeed manufacture, seed and grain marketing.
- Financial services comprising finance broking and agricultural advisory services.

	Rural s	ervices	Fina serv	ncial ices		Reconciling items		tal
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
External revenues	1,347,241	1,122,455	1,470	1,369	-	-	1,348,711	1,123,824
Interest revenue	6,724	8,822	452	470	-	-	7,176	9,292
Segment revenue	1,353,965	1,131,277	1,922	1,839	-	-	1,355,887	1,133,116
Segment profit before income tax	61,916	40,915	370	226	-	-	62,286	41,141
Unallocated expenses								
Corporate overheads							(33,715)	(20,005)
Results from operating activities							28,571	21,136
Interest expense	(3,553)	(2,744)	(1,600)	(2,956)	-	-	(5,153)	(5,700)
Corporate finance costs							(3,085)	(1,820)
Share of net profit of equity accounted investees	938	817	_	-	-	-	938	817
Income tax expense							(7,049)	(3,992)
Profit for the period							14,222	10,441
Assets								
Segment assets	683,188	606,195	606	949	(78,991)	(65,211)	604,803	541,933
Investment in associates & joint ventures	8,652	12,929	_	_	-	_	8,653	12,929
Unallocated assets							43,534	25,625
Total assets							656,990	580,487
Liabilities								
Segment liabilities	410,431	421,812	90	257	(27,424)	(47,001)	383,097	375,068
Unallocated liabilities							51,925	45,422
Total liabilities							435,022	420,490
Other segment information								
Acquisitions of non-current segment assets	57,809	18,241	7	18	-	-	57,816	18,259
Depreciation and amortisation of segment assets  Material non cash expenses	7,431	4,637	14	9	-	-	7,445	4,646
other than depreciation and amortisation	1,073	758	-	-	-	-	1,073	758

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2014 \$'000	2013 \$'000
Note 28: Cash flow information		
Reconciliation of cash flow from operations with net profit		
Net profit after tax	14,222	10,441
Non-cash and non-operating items in profit from ordinary activities		
Depreciation and amortisation	7,445	5,432
Provision for impairment of receivables	(1,069)	(1,305)
Provision for make good	(143)	(218)
Share based payment expense	1,073	192
Loss on disposal of equity accounted investment	408	
Loss / (profit) on disposal of other investments	49	(23)
Fair value gain on loss of control of subsidiary	-	(4,972)
Impairment on property, plant & equipment	-	566
Profit on sale of property, plant and equipment	(205)	(16)
Loss on disposal of intangible assets	321	
Share of associated entities profits not received as distributions	(937)	(817)
Dividend income reclassified as investment income	(109)	(181)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase) / decrease in trade and other receivables	(5,132)	2,959
(Increase) / decrease in inventories	(2,030)	17,875
Decrease in trade and other payables	(2,730)	(756)
Increase / (decrease) in current and deferred taxes	5,281	(3,652)
Increase / (decrease) in provisions	1,242	(532)
Net cash flows from operating activities	17,686	24,993





# Note 29: Key Management Personnel and share based payments

# (a) Key Management Personnel disclosures

The following persons were Key Management Personnel of the Group during the financial year:

#### **Non-executive Directors**

Richard A F England, Chairman

Michael J Millner

John Tuskin Appointed 1 October 2013
Bruce Dixon Resigned 17 April 2014
Michele Allan Resigned 16 May 2014
Ross Burney Appointed 1 September 2014
Elizabeth Johnstone Appointed 1 September 2014
Trudy Vonhoff Appointed 1 September 2014

#### **Executive Director**

John S Maher, Managing Director

#### **Executives**

Name	Position
Angie Somann-Crawford	General Manager, Corporate Services
	(including Company Secretary and General Counsel)
Greg O'Neil	General Manager CRT, Group Marketing & Communications
Travis Dillon	General Manager, Rural Retail
Allan Barr	General Manager, Tasmanian Operations
	No longer an Executive from 3 September 2014
Rick Maybury	General Manager, Rural Supplies & Water Services
Richard Norton	General Manager, Network Development
	Appointed 3 February 2014. Resigned 20 May 2014
Ruth Martin	Chief Financial Officer
	Appointed 9 December 2013
Steve Williams	General Manager, Total Eden Networks

## **Key Management Personnel compensation:**

	2014	2013
	\$'000	\$'000
Short-term employee benefits	3,784,688	3,850,239
Post employment benefits	239,188	273,188
Other long-term benefits	-	10,314
Termination benefits	5,923	166,667
Share-based payments	836,223	930,691
	4,866,022	5,231,099

Information regarding Director and Executive compensation is provided in the Remuneration Report section of the Directors' Report.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

## Note 29: Key Management Personnel and share based payments (continued)

(a) Key Management Personnel disclosures (continued)

## Other transactions with Key Management Personnel

Directors and Director related entities sold goods to the Group on normal commercial terms and conditions with an aggregate value of \$nil (2013: \$119).

Directors and Director related entities purchased goods and services from the Group on normal commercial terms and conditions with an aggregate value of \$6,324,850 (2013: \$8,591,952). These Directors and their related entities included Lachlan Fertilizers Rural Pty Ltd (no longer part of the Group from 1 July 2014) of which John Maher was a Director.

An amount of \$1,461,045 (2013: \$3,760,421) is receivable from related parties as at 30 September 2014.

An amount of \$1,627,417 (2013: \$1,934,010) is payable to related parties as at 30 September 2014.

There are no loans to Key Management Personnel and their related parties at 30 September 2014.





# **RURALCO HOLDINGS LIMITED**

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR FODED 30 SEPTEMBER 2014

## Note 29: Key Management Personnel and share based payments (continued)

(b) Share based payment arrangements

Performance rights holdings

The movement in performance rights in the Company held during the financial year by employees are set out below:

	2014	2013
	No.	No.
Balance at the beginning of the year	1,418,738	1,515,073
Granted	475,942	384,664
Vested	(250,347)	(311,092)
Forfeited	(249,123)	(169,907)
Other changes	(125,000)	-
Balance at the end of the year	1,270,210	1,418,738

#### Fair value of performance rights granted

Managing Director performance rights

For the offers made in 2010, 2011 and 2012 to the Managing Director, the Board has determined that the vesting criteria will be aligned to a Return on Equity ("ROE") test with a performance hurdle of at least 8.5%, 9% and 9.5% respectively required to be met before any performance rights vest. Performance rights will then vest pro rata on a sliding scale whereby the Company achieving 12.5%, 13% and 13.5% respectively ROE permits 100% of the Performance Rights to vest. An alternative performance condition in respect of the 2010, 2011 and 2012 offers of Performance Rights may also be negotiated between the Board and the Managing Director, relating to the total shareholder return of the Company's shareholders measured against the comparative returns for a selection of ASX listed companies ("TSR Measure"). Once the TSR Measure has been decided, the Managing Director may elect for these offers of Performance Rights to be assessed against the TSR Measure, instead of the ROE test referred to above.

Any performance rights held at the final testing date that do not vest will expire at that time.

For the offers made in 2013 to the Managing Director, the Board has determined that the vesting criteria applicable to this grant will be a test comparing the Company's total shareholder return with the S&P/ASX Small Ordinaries total return Index over the 3 years to 1 October 2016. Under this test:

- No performance rights will vest if Ruralco Holdings Limited's TSR is less than the increase in the index.
- 50% of the performance rights will vest if Ruralco Holdings Limited's TSR matches the index return.
- 100% of the performance rights will vest if the Company's TSR exceeds the index return plus an additional 24.23% over the 3 year performance period (this is equivalent to the index return plus an additional compound average annual return of 7.5% over the 3 years).
- Vesting will increase on a pro rata basis where Ruralco Holdings Limited's TSR performance over the 3 years is between the index and the level at which full vesting will apply.

All performance rights in relation to which the performance test is not satisfied will lapse.

# RURALCO 2014 ANNUAL REPORT

# RURALCO HOLDINGS LIMITED ABN 40 009 660 879

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

#### Note 29: Key Management Personnel and share based payments (continued)

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

#### Fair value of performance rights granted (continued)

Managing Director performance rights (continued)

The assessed fair value at grant date of the performance rights granted during the year ended 30 September 2014 was \$2.41 per right (2013: \$2.83). The fair value at grant date is independently determined using a Stochastic Monte Carlo simulation. This dynamic numerical model takes into account the term of the rights, the share price at grant date, the expected dividend yield, the S&P/ASX Small Ordinaries Total Return Index volatility and the correlation between the Company and S&P/ASX Small Ordinaries Total Return Index

The model inputs for rights granted during the year ended 30 September 2014 included:

- (a) Performance rights are granted for no consideration and vest based on performance hurdles as disclosed in section 7 of the Remuneration Report.
- (b) Discount rate: 3.4%
- (c) Dividend yield: 5.30%
- (d) Ruralco Holdings Limited volatility: 30%
- (e) S&P/ASX Small Ordinaries Total Return Index volatility: 15%
- (f) Correlation between Ruralco Holdings Limited and S&P/ASX Small Ordinaries Total Return Index: 0.08
- (g) Grant date: 20 May 2014
- (h) Share price at grant date: \$3.88

On 1 October 2013, the Managing Director's 2010 grant of performance rights reached their first measurement date. The testing conducted resulted in 100% of the performance rights vesting. This equated to an allocation of 199,165 fully paid ordinary shares in Ruralco Holdings Limited.

Also subsequent to balance date, on 1 October 2014, the Managing Director's 2011 grant of performance rights reached their first measurement date. The testing conducted resulted in 92% of the performance rights vesting. This equated to an allocation of 164,578 fully paid ordinary shares in Ruralco Holdings Limited.

#### Executive performance rights

The Board has determined for the offers made in 2010 for the Executive Management Team that performance rights are only to vest upon meeting the performance hurdles of the Company's Total Shareholder Return (TSR) performance relative to the TSR of a comparator group of companies. Performance will be measured at the end of the 3-year period commencing on the Grant Date. Additional vesting criteria required the Company's return on shareholder's equity to be on average greater than 10% for the 3 year period.

The assessed fair value at grant date of the performance rights granted during the year ended 30 September 2014 was \$2.41 per right (2013: \$2.79). The fair value at grant date is independently determined using a Stochastic Monte Carlo simulation. This dynamic numerical model takes into account the term of the rights, the share price at grant date, the expected dividend yield, the S&P/ASX Small Ordinaries Total Return Index volatility and the correlation between the Company and S&P/ASX Small Ordinaries Total Return Index.

The model inputs for rights granted during the year ended 30 September 2014 included:

- (a) Performance rights are granted for no consideration and vest based on performance hurdles as disclosed in section 7 of the Remuneration Report.
- (b) Discount rate: 3.4%
- (c) Dividend yield: 5.30%
- (d) Ruralco Holdings Limited volatility: 30%
- (e) S&P/ASX Small Ordinaries Total Return Index volatility: 15%
- (f) Correlation between Ruralco Holdings Limited and S&P/ASX Small Ordinaries Total Return Index: 0.08
- (g) Grant date: 20 May 2014
- (h) Share price at grant date: \$3.88



# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2014

## Note 29: Key Management Personnel and share based payments (continued)

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

Executive performance rights (continued)

The expected volatility of the Company's return on equity is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

On 1 October 2013, the Executive Management Team's 2010 grant of Performance Rights reached their first TSR Measurement Date. As the offers made to the Executive Management Team included additional vesting criteria which required the Company's return on shareholder's equity to be on average greater than 10% for the 3 year period, no vesting of rights has resulted.

On 1 October 2014, the Executive Management Team's 2011 grant of Performance Rights reached their first TSR Measurement Date. As the offers made to the Executive Management Team included additional vesting criteria which required the Company's return on shareholder's equity to be on average greater than 10% for the 3 year period, no vesting of rights has resulted.

Further information on performance rights are disclosed on page section 7 of the Remuneration Report.

#### Note 30: 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.

	ACN	Percentag (%	
		2014	2013
Ruralco Holdings Limited – Company	009 660 879*		
A company incorporated in Australia			
Subsidiaries			
ACN 103 517 522 Pty Ltd	103 517 522*	100	100
Ag Concepts Unlimited Pty Ltd	109 746 278	50.1	50.1
Agritech Rural Pty Ltd	107 217 934	50.1	50.1
Agritech Unit Trust	n/a	50.1	50.1
Agriwest Rural Pty Ltd	076 454 192	51	51
Archards Irrigation Pty Ltd	117 472 867	51	51
B J Underwood Pty Ltd	107 351 379*	100	100
BGA AgriServices Pty Ltd	011 057 079*	100	100
BR&C Agents Pty Ltd	006 807 629	51	51
BR&C Real Estate Pty Ltd	104 026 351	51	51
Combined Rural Traders Pty Limited	000 838 899*	100	100
CQ Ag Services Pty Ltd	147 904 630	57.49	57.49
Dairy Livestock Services Pty Ltd	132 806 609	51	51
Davidson Cameron & Co Dubbo Pty Ltd	128 553 186	100	38.51
Davidson Cameron & Co. Narrabri Pty Ltd	117 488 767	100	30.6
Davidson Cameron Clydsdale & Co. Pty Ltd	127 567 695	67	34.17
Davidson Cameron McCulloch Pty Ltd	118 609 537	100	26.01
Davidson Cameron Pty Ltd	003 464 757	100	51
Farmworks Rural Pty Ltd	155 698 516*	100	100
FNQG8 Pty Ltd	154 531 807	55	55
Frontier International Agri Pty Ltd	166 496 064	70	-
Frontier International Northern Pty Ltd	166 757 517	70	-
GDL Real Estate Pty Ltd	078 347 850	72.5	72.5
Grant Daniel Long Pty Ltd	077 478 801	72.5	72.5
Ingham Farm Centre Pty Ltd	097 693 224*	100	100
Kimberley Rural Pty Ltd	123 392 861	100	100
Merredin Rural Supplies Pty Limited	096 206 343*	100	100
National WaterExchange Pty Ltd (formerly CRT Real Estate Pty Ltd)	097 693 466*	100	100
North West Farm Equipment Company Pty Ltd	009 480 951*	100	100
North Western Rural Pty Ltd	142 091 183	53.5	53.5

Note 30: Subsidiaries (continued)

	ACN	Percentage (%)	owned
		2014	2013
Northern Livestock & Property Pty Ltd	169 489 169	100	-
Northern Rural Group Pty Ltd	161 370 074	60	100
NT Rural Pty Ltd	097 339 403*	100	100
Platinum Operations Pty Ltd	140 741 153	50.1	50.1
Primaries of WA Pty Ltd	108 324 456	100	86
Primaries Property Pty Ltd	127 209 698	100	86
Queensland Rural Pty Ltd	123 137 815*	100	100
Rahoom Pty Ltd	100 917 717	79.1	79.1
Rawlinson & Brown Pty Ltd	002 179 740	82.6	79.1
Roberts Don Mac Pty Ltd	075 996 404	50	50
Roberts Hawkins Pty Ltd	109 399 028	50	50
Roberts Huon Valley Pty Ltd	133 638 258	50	50
Roberts Limited	009 475 647*	100	100
Roberts Orford Triabunna Pty Ltd	115 817 546	50	50
Roberts Regional North Pty Ltd	100 725 095	50	50
Roberts Shearwater Pty Ltd	130 293 766	50	50
Rodwells & Co Pty Ltd	009 481 752*	100	100
Ruralco Employee Share Plan Pty Ltd	102 432 968*	100	100
Ruralco Employee Share Plan Trust	n/a	100	100
Ruralco Finance Pty Ltd	137 199 378	60	60
Ruralco Insurance Pty Ltd	600 198 016	100	-
Ruralco Water Brokers Pty Ltd	154 594 019	70	70
Ruralco Wool Pty Ltd	094 605 286*	100	100
RuralSmart Pty Ltd	140 531 362	51	51
Saffin Kerr Bowen Pty Ltd	083 882 651	63	63
Saffin Kerr Bowen Wilson Pty Ltd	050 199 945	63	63
Southern Australian Livestock Pty Ltd	008 070 577	80.83	80.83
Stevens Egan Johnston Pty Ltd	108 324 465	71	71
Suncoast Rural Pty Ltd	151 675 419	-	51
Sureseason Australia Pty Ltd	601 112 556	100	-
Tasmania Farm Equipment Pty Ltd	009 591 271*	100	100
Tasmanian Grain Elevators Pty Ltd	117 186 848*	100	100
Terra Firma Fertilisers Pty Limited	061 622 866*	100	100
Territory Rural McPherson Pty Ltd	131 986 420	51	51
Territory Rural Pty Ltd	123 192 398	62.7	62.7
The Farm Shop (WA) 1999 Pty Ltd	147 298 173*	100	100
Total Eden Holdings Pty Ltd	148 941 226*	100	-
Total Eden McCrackens Group Pty Ltd	116 714 802*	100	_
Total Eden Pty Ltd	010 118 895*	100	_
Total Eden NZ Limited	n/a	100	_
WMG Agriservices Pty Ltd (formerly Macintyre Rural Pty Ltd)	154 509 823	53.5	53.5
g tarriets by and (tarriet) made in growing to the control of		55.5	00.0

<sup>\*</sup> denotes that the entities are party to the Deed of Cross Guarantee.

Control is considered to exist when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

A deed of cross-guarantee between Ruralco Holdings Limited and its wholly owned subsidiaries was enacted on 29 September 2006. During the year, it was amended as follows:

- MRW Merchandise Pty Ltd was deregistered on 15 May 2013. This company will be removed from the deed of cross guarantee subsequent to 30 September 2014.
- Total Eden Holdings Pty Ltd, Total Eden McCrackens Group Pty Ltd and Total Eden Pty Ltd were included into the closed group on 14 April 2014.

Under the deed Ruralco Holdings Limited and all the subsidiaries subject to the deed of cross guarantee support the liabilities and obligations of Ruralco Holdings Limited and all its wholly owned entities listed in the deed.

On entering into the deed, the wholly-owned entities have been relieved from the requirements to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Company in the form of cash dividends or to repay loans or advances.



# Note 30: Subsidiaries (continued)

Set out below is a summary of the consolidated statement of comprehensive income, and movement in consolidated retained earnings, for the year ended 30 September 2014 and the consolidated statement of financial position as at 30 September 2014 of the cross guarantee group.         Statement of comprehensive income         Profit before income tax         15,280         Statement of comprehensive income         15,280         Colspan="2">Cols		2014	2013
Income, and movement in consolidated retained earnings, for the year ended 30 September 2014 of the cross guarantee group.		\$'000	\$'000
30 September 2014 and the consolidated statement of financial position as at 30 September 2014 of the cross guarantee group.         15.280         8.160           Profit before income tax Income benefit / (tax expense)         (2.274)         136           Other comprehensive income         16.857         3.001           Retained profits         29.116         31,864           Retained profits at the beginning of the financial year         29,116         31,864           Net profit         13,006         8.296           Dividends provided for or paid         (11,654)         (10,912)           Transfer of reserve on sale of property         -         29           Transfer of performance rights reserve         -         (229           Disposal of instruments held at fair value         (799)         -         16.8           Retained profits at the end of the financial year         29,669         29,116         8         296           Disposal of instruments held at fair value         (799)         -         16.8         8         29         16.8         8         29         11.6         8         29         13.6         4         8,0         5         29         19.03         1         9,031         25         29         13.6         4         3,0         5			
Statement of comprehensive income   Profit before income tax   15,280   8,160   16,287   1360   16,287   1360   16,287   1360   16,287   1360   16,287   1360   16,287   1360   16,287   1360   16,287   13,287   1360   16,287   13,287			
Profit before income tax   15,280   8,160   10come benefit / (tax expense)   (2,274)   136   3.651	·		
Income benefit / (tax expense)	·		
Other comprehensive income         3,851         (5,295)           Total comprehensive income         16,857         3,001           Retained profits         29,116         31,864           Retained profits at the beginning of the financial year         29,116         31,864           Net profit         13,006         8,296           Dividends provided for or paid         (11,654)         (10,912)           Transfer of performance rights reserve         2         29           Transfer of performance rights reserve         (799)         -         68           Membors released from the cross yourantee group         -         168           Retained profits at the end of the financial year         29,669         29,116           Statement of financial position         20,908         19,031           Cards and cash equivalents         20,908         19,031           Trade and other receivables         299,034         280,506           Inventriories         65,899         35,520           Current tax assets         3,551         3,620           Assets classified as held for sale         1,750         2,528           Asset and other financial assets         7         1,081           Investments and other financial assets         46,860		·	,
Total comprehensive income         16,857         3,001           Retained profits         Retained profits at the beginning of the financial year         29,116         31,864           Net profit         13,006         8,296           Dividends provided for or paid         (11,654)         (10,912)           Transfer of reserve on sale of property         -         20           Transfer of performance rights reserve         -         (329)           Disposal of instruments held at fair value         (799)         -           Members released from the cross guarantee group         168         Retained profits at the end of the financial year         29,669         29,116           Statement of financial position         20,908         19,031         19,031         3         1         3         2         2         9         3         2         2         9         3         2         2         9         3         2         1         1         3         3         3         3         3	• • •		
Retained profits         29,116         31,864           Net profit         13,006         8,296           Dividends provided for or paid         (11,654)         (10,912)           Transfer of reserve on sale of property         -         29           Transfer of performance rights reserve         -         (329)           Disposal of instruments held at fair value         (799)         -         168           Retained profits at the end of the financial year         29,669         29,116           Retained profits at the end of the financial year         29,669         29,116           Statement of financial position         20,908         19,031           Current assets         20,908         19,031           Trade and cher receivables         29,034         19,031           I rade and other receivables         29,093         3,520           Current tax assets         -         65,899         53,520           Current assets         1,750         2,528           Total current assets         387,591         358,940           Non-current assets         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         39,964	Other comprehensive income after tax		(5,295)
Retained profits at the beginning of the financial year         29,116         31,864           Net profit         13,006         8,296           Dividends provided for or paid         (11,654)         (10,912)           Transfer of reserve on sale of property         -         29           Transfer of performance rights reserve         -         (329)           Disposal of instruments held at fair value         (799)         -           Members released from the cross guarantee group         -         168           Retained profits at the end of the financial year         29,669         29,116           Statement of financial position         -         -         168           Cash and cash equivalents         20,908         19,031         172         28,0506         19,031         172         28,0506         19,031         172         28,0506         19,031         172         28,0506         19,031         172         28,0506         19,031         172         28,0506         19,031         18,031         18,031         19,031         18,031         18,050         19,031         18,051         19,031         18,055         18,050         19,031         18,052         19,031         18,052         19,051         18,052         19,052         18,055	Total comprehensive income	16,857	3,001
Net profit         13,006         8,296           Dividends provided for or paid         (11,654)         (10,12)           Transfer of reserve on sale of property         -         229           Transfer of performance rights reserve         -         (329)           Disposal of instruments held at fair value         (799)         -           Members released from the cross guarantee group         -         168           Retained profits at the end of the financial year         29,669         29,116           Statement of financial position           Cash and cash equivalents         20,908         19,031           Trade and other receivables         299,034         280,506           Inventories         65,899         35,520           Current tax assets         -         3,355           Assets classified as held for sale         1,750         2,528           Total current assets         7         1,081           Non-current assets         46,800         50,960           Investments and other receivables         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax lassets </td <td>Retained profits</td> <td></td> <td></td>	Retained profits		
Dividends provided for or paid         (11,654)         (10,912)           Transfer of reserve on sale of property         -         29           Transfer of performance rights reserve         -         (329)           Disposal of instruments held at fair value         (799)         -           Members released from the cross guarantee group         -         168           Retained profits at the end of the financial year         29,669         29,116           Statement of financial position         20,908         19,031           Current assets         20,908         19,031           Trade and other receivables         299,034         280,506           Inventories         65,899         53,520           Current tax assets         -         3,355           Assets classified as held for sale         1,750         2,528           Total current assets         37,591         359,940           Non-current assets         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         9,86,303         36,811         49,502      <	Retained profits at the beginning of the financial year	29,116	31,864
Transfer of reserve on sale of property         -         (329)           Transfer of performance rights reserve         -         (329)           Disposal of instruments held at fair value         (799)         -           Members released from the cross guarantee group         -         168           Retained profits at the end of the financial year         29,669         29,116           Statement of financial position         -         -         3,05           Cash and cash equivalents         20,908         19,031         17,03         28,056         1,00         1,00         28,056         1,00         1,00         28,056         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,00         1,00         2,0         1,00         2,0         1,00         2,0         1,00         2,0         1,00         2,0	Net profit	13,006	8,296
Transfer of performance rights reserve         -         (329)           Disposal of instruments held at fair value         (799)         -         168           Retained profits at the end of the financial year         29,669         29,116           Statement of financial position         -         1,031           Current assets         20,908         19,031           Trade and other receivables         299,034         280,506           Inventories         65,899         53,520           Current tax assets         3,355         3,355           Assets classified as held for sale         1,750         2,528           Total current assets         387,591         358,940           Non-current assets         7         1,081           Trade and other receivables         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,965           Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,303           Total anon-current assets         181,220         140,602           Total anon-current assets         568,811         499,542           Current liabilitie	Dividends provided for or paid	(11,654)	(10,912)
Disposal of instruments held at fair value         (799)         1           Members released from the cross guarantee group         -         168           Retained profits at the end of the financial year         29,669         29,116           Statement of financial position           Current assets           Cash and cash equivalents         20,908         19,031           Trade and other receivables         299,034         280,506           Inventories         65,899         53,520           Current tax assets         1,750         2,528           Assets classified as held for sale         1,750         2,528           Total current assets         387,591         358,940           Non-current assets         7         1,081           Investments and other receivables         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,300           Total assets         568,811         499,542           Current liabilities         276,930         270,066           L	· · ·	-	
Members released from the cross guarantee group         168           Retained profits at the end of the financial year         29,669         29,116           Statement of financial position         Current assets           Cash and cash equivalents         20,908         19,031           Trade and other receivables         299,034         280,506           Inventories         65,899         53,520           Current tax assets         1,750         2,528           Assets classified as held for sale         1,750         2,528           Total current assets         387,591         358,940           Non-current assets         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,303           Total non-current assets         181,220         140,602           Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         1,622 <td></td> <td>-</td> <td>(329)</td>		-	(329)
Retained profits at the end of the financial year         29,669         29,116           Statement of financial position         Current assets           Cash and cash equivalents         20,908         19,031           Trade and other receivables         299,034         280,506           Inventories         65,899         53,520           Current tax assets         1,750         2,528           Assets classified as held for sale         1,750         2,528           Total current assets         387,591         358,940           Non-current assets         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,303           Total non-current assets         181,220         140,602           Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         -           Provisions         11,789         8,147	•	(799)	-
Statement of financial position           Current assets         20,908         19,031           Trade and other receivables         299,034         280,506           Inventories         65,899         53,520           Current tax assets         -         3,355           Assets classified as held for sale         1,750         2,528           Total current assets         387,591         356,940           Non-current assets         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,303           Total non-current assets         181,220         140,602           Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         7,631         8,389           Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities	0 0 1	-	
Current assets         20,908         19,031           Trade and other receivables         299,034         280,506           Inventories         65,899         53,520           Current tax assets         -         3,355           Assets classified as held for sale         1,750         2,528           Total current assets         387,591         358,940           Non-current assets         7         1,081           Investments and other receivables         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,303           Total non-current assets         181,220         140,602           Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         6,-4           Loans and borrowings         32,440         5,964           Non-current liabilities         33,597         15,975           Total non	Retained profits at the end of the financial year	29,669	29,116
Cash and cash equivalents         20,908         19,031           Trade and other receivables         299,034         280,506           Inventories         65,899         53,520           Current tax assets         -         3,355           Assets classified as held for sale         1,750         2,528           Total current assets         387,591         358,940           Non-current assets         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,303           Total non-current assets         181,220         140,602           Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         276,930         270,066           Loans and borrowings         35,512         68,934           Current liabilities         336,487         347,147           Total current liabilities         33,40         5,964           Deferred tax liability         7,631         8,389           <	Statement of financial position		
Trade and other receivables         299,034         280,506           Inventories         65,899         53,520           Current tax assets         1,750         2,528           Assets classified as held for sale         1,750         358,940           Non-current assets         387,591         358,940           Non-current assets         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         9,226         8,294           Intangible assets         181,220         140,602           Total ann-current assets         181,220         140,602           Total sests         276,930         270,066           Loans and borrowings         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         -           Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities         23,440         5,964           Deferred tax lia	Current assets		
Inventories	Cash and cash equivalents		
Current tax assets         -         3,355           Assets classified as held for sale         1,750         2,528           Total current assets         387,591         358,940           Non-current assets         7         1,081           Investments and other receivables         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         9,226         8,294           Intangible assets         9,226         8,294           Intangible assets         181,220         140,602           Total non-current assets         181,220         140,602           Total and other payables         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         -           Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities         32,440         5,964           Deferred tax liability         7,631         8,389           Provisi		299,034	
Assets classified as held for sale         1,750         2,528           Total current assets         387,591         358,940           Non-current assets         7         1,081           Irrade and other receivables         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,303           Total non-current assets         181,220         140,602           Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         -           Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities         32,440         5,964           Deferred tax liability         7,631         8,389           Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total prov	Inventories	65,899	·
Total current assets         387,591         358,940           Non-current assets         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,303           Total non-current assets         181,220         140,602           Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         -           Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities         326,487         347,147           Non-current liabilities         23,440         5,964           Deferred tax liability         7,631         8,389           Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total liabilities         360,084         363,122           Net assets		-	•
Non-current assets         7         1,081           Investments and other receivables         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,303           Total non-current assets         181,220         140,602           Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         -           Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities         23,440         5,964           Deferred tax liability         7,631         8,389           Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total liabilities         360,084         363,122           Net assets         208,727         136,422           Net assets			
Trade and other receivables         7         1,081           Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,302           Intangible assets         181,220         140,602           Total non-current assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         -           Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities         323,440         5,964           Deferred tax liability         7,631         8,389           Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total liabilities         33,597         15,975           Total liabilities         360,084         363,122           Net assets         208,727         136,420           Equity <td< td=""><td></td><td>387,591</td><td>358,940</td></td<>		387,591	358,940
Investments and other financial assets         46,860         50,960           Property, plant and equipment         35,249         33,964           Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,303           Total non-current assets         181,220         140,602           Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         -           Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities         326,487         347,147           Non-current liabilities         23,440         5,964           Deferred tax liability         7,631         8,389           Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total liabilities         360,084         363,122           Net assets         208,727         136,420           Equity         Share capital         166,289         99,565           Rese		7	1.001
Property, plant and equipment       35,249       33,964         Deferred tax assets       9,226       8,294         Intangible assets       89,878       46,303         Total non-current assets       181,220       140,602         Total assets       568,811       499,542         Current liabilities       276,930       270,066         Loans and borrowings       35,512       68,934         Current tax payable       2,256       -         Provisions       11,789       8,147         Total current liabilities       326,487       347,147         Non-current liabilities       23,440       5,964         Deferred tax liability       7,631       8,389         Provisions       2,526       1,622         Total non-current liabilities       33,597       15,975         Total liabilities       360,084       363,122         Net assets       208,727       136,420         Equity       Share capital       166,289       99,565         Reserves       12,769       7,739         Retained profits       29,669       29,116		•	
Deferred tax assets         9,226         8,294           Intangible assets         89,878         46,303           Total non-current assets         181,220         140,602           Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         -           Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities         23,440         5,964           Deferred tax liability         7,631         8,389           Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total liabilities         360,084         363,122           Net assets         208,727         136,420           Equity         166,289         99,565           Reserves         12,769         7,739           Retained profits         29,669         29,116		,	·
Intangible assets         89,878         46,303           Total non-current assets         181,220         140,602           Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         -           Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities         23,440         5,964           Deferred tax liability         7,631         8,389           Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total liabilities         330,084         363,122           Net assets         208,727         136,420           Equity           Share capital         166,289         99,565           Reserves         12,769         7,739           Retained profits         29,669         29,116		· · · · · · · · · · · · · · · · · · ·	•
Total non-current assets         181,220         140,602           Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         -           Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities         23,440         5,964           Deferred tax liability         7,631         8,389           Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total liabilities         360,084         363,122           Net assets         208,727         136,420           Equity         5         5         6           Share capital         166,289         99,565           Reserves         12,769         7,739           Retained profits         29,669         29,116		·	•
Total assets         568,811         499,542           Current liabilities         276,930         270,066           Loans and borrowings         35,512         68,934           Current tax payable         2,256         -           Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities         23,440         5,964           Deferred tax liability         7,631         8,389           Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total liabilities         360,084         363,122           Net assets         208,727         136,420           Equity         166,289         99,565           Reserves         12,769         7,739           Retained profits         29,669         29,116	· · · · · · · · · · · · · · · · · · ·		
Trade and other payables       276,930       270,066         Loans and borrowings       35,512       68,934         Current tax payable       2,256       -         Provisions       11,789       8,147         Total current liabilities       326,487       347,147         Non-current liabilities       23,440       5,964         Deferred tax liability       7,631       8,389         Provisions       2,526       1,622         Total non-current liabilities       33,597       15,975         Total liabilities       360,084       363,122         Net assets       208,727       136,420         Equity       5hare capital       166,289       99,565         Reserves       12,769       7,739         Retained profits       29,669       29,116	Total assets		
Loans and borrowings       35,512       68,934         Current tax payable       2,256       -         Provisions       11,789       8,147         Total current liabilities       326,487       347,147         Non-current liabilities       23,440       5,964         Deferred tax liability       7,631       8,389         Provisions       2,526       1,622         Total non-current liabilities       33,597       15,975         Total liabilities       360,084       363,122         Net assets       208,727       136,420         Equity         Share capital       166,289       99,565         Reserves       12,769       7,739         Retained profits       29,669       29,116	Current liabilities		
Current tax payable       2,256       -         Provisions       11,789       8,147         Total current liabilities       326,487       347,147         Non-current liabilities       23,440       5,964         Deferred tax liability       7,631       8,389         Provisions       2,526       1,622         Total non-current liabilities       33,597       15,975         Total liabilities       360,084       363,122         Net assets       208,727       136,420         Equity         Share capital       166,289       99,565         Reserves       12,769       7,739         Retained profits       29,669       29,116	Trade and other payables	276,930	270,066
Provisions         11,789         8,147           Total current liabilities         326,487         347,147           Non-current liabilities	Loans and borrowings	35,512	68,934
Total current liabilities         326,487         347,147           Non-current liabilities         23,440         5,964           Deferred tax liability         7,631         8,389           Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total liabilities         360,084         363,122           Net assets         208,727         136,420           Equity         5hare capital         166,289         99,565           Reserves         12,769         7,739           Retained profits         29,669         29,116	Current tax payable	2,256	-
Non-current liabilities         23,440         5,964           Loans and borrowings         23,440         5,964           Deferred tax liability         7,631         8,389           Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total liabilities         360,084         363,122           Net assets         208,727         136,420           Equity         5hare capital         166,289         99,565           Reserves         12,769         7,739           Retained profits         29,669         29,116			
Loans and borrowings       23,440       5,964         Deferred tax liability       7,631       8,389         Provisions       2,526       1,622         Total non-current liabilities       33,597       15,975         Total liabilities       360,084       363,122         Net assets       208,727       136,420         Equity       5hare capital       166,289       99,565         Reserves       12,769       7,739         Retained profits       29,669       29,116		326,487	347,147
Deferred tax liability         7,631         8,389           Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total liabilities         360,084         363,122           Net assets         208,727         136,420           Equity         5hare capital         166,289         99,565           Reserves         12,769         7,739           Retained profits         29,669         29,116		00.440	5.004
Provisions         2,526         1,622           Total non-current liabilities         33,597         15,975           Total liabilities         360,084         363,122           Net assets         208,727         136,420           Equity         5hare capital         166,289         99,565           Reserves         12,769         7,739           Retained profits         29,669         29,116	•	·	·
Total non-current liabilities         33,597         15,975           Total liabilities         360,084         363,122           Net assets         208,727         136,420           Equity         5hare capital         166,289         99,565           Reserves         12,769         7,739           Retained profits         29,669         29,116	,		
Total liabilities         360,084         363,122           Net assets         208,727         136,420           Equity         360,084         166,280           Share capital         166,289         99,565           Reserves         12,769         7,739           Retained profits         29,669         29,116			
Net assets         208,727         136,420           Equity         30,565         166,289         99,565           Reserves         12,769         7,739           Retained profits         29,669         29,116			
Equity         Share capital       166,289       99,565         Reserves       12,769       7,739         Retained profits       29,669       29,116			
Share capital       166,289       99,565         Reserves       12,769       7,739         Retained profits       29,669       29,116	Equity		,
Reserves       12,769       7,739         Retained profits       29,669       29,116		166,289	99,565
Retained profits <u>29,669</u> 29,116	Reserves		
<b>Total equity</b> 208,727 136,420	Retained profits	29,669	29,116
	Total equity	208,727	136,420

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

# Note 30: Subsidiaries (continued)

## Details of material non-wholly owned subsidiaries that have non-controlling interests

Name of subsidiary	Proportion of voting rights held by non-controlling interests		ted to strolling	Accumulated non-controlling interests		Dividends paid to non-controlling interests		
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
BR&C Agents Pty Ltd	49.0%	49.0%	374	1,260	1,520	2,051	904	1,012
Platinum Operations Pty Ltd	49.9%	49.9%	546	89	925	442	62	200
Rawlinson & Brown Pty Ltd	17.4%	20.9%	242	564	888	2,236	1,310	551
Individually immaterial subsidiaries			2,495	2,790	7,071	8,478	2,254	6,051
			3,657	4,703	10,404	13,207	4,530	7,814

# Summarised financial information in respect of each Group's material subsidiaries that have non-controlling interests

	BR&C Agents Pty Ltd		Platinum Operations Pty Ltd		Rawlinson & Brown Pty Ltd	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current assets	10,531	10,426	13,374	13,030	8,883	14,526
Non-current assets	2,291	2,063	1,486	1,484	3,660	3,675
Current liabilities	8,869	7,922	12,533	13,280	4,873	4,905
Non-current liabilities	851	384	472	349	2,580	2,609
Revenue	34,348	30,548	94,853	68,771	15,909	27,228
Profit after tax	763	2,572	1,094	179	1,389	2,694
Total comprehensive income	763	2,572	1,094	179	1,389	2,694
Net cash inflow / (outflow)	1,373	(1,452)	173	265	(3,705)	798





# RURALCO HOLDINGS LIMITED

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 31: Business combinations	Percentage acquired	Date acquired
Acquisition of controlling interest in the following legal entities on the following dates:		
Total Eden Holdings Pty Limited	100%	28 February 2014
Total Eden McCrackens Group Pty Limited	100%	28 February 2014
Total Eden Pty Limited	100%	28 February 2014
Total Eden NZ Limited	100%	28 February 2014
Acquisition of businesses on the following dates:		
Peter Dargan Livestock	100%	31 January 2014

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

## (i) Summary of acquisition - Total Eden Holdings Group

Consideration transferred:	\$'000
Cash consideration paid on acquisition date net of cash acquired	57,379
Delayed consideration at net present value at acquisition effective date	2,683
	60,062
Identifiable assets acquired and liabilities assumed:	
Assets	
Receivables	20,890
Inventories	15,246
Property, plant and equipment	3,885
Software	1,004
Tax assets	1,882
Other intangibles recognised upon acquisition	2,340
Liabilities	
Payables	(19,603)
Provisions	(3,724)
Borrowings	(876)
	21,044
Goodwill:	
Fair value of the consideration paid	60,062
Less: Recognised amount of identifiable assets acquired and liabilities assumed	(21,044)
Goodwill	39,018

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

The Group incurred acquisition-related costs of \$2,108,464 on legal and due diligence costs. These costs have been included in "Other expenses".

The results during the post-acquisition period from 28 February to 30 September was a contribution of \$83.3m to revenue and a loss after tax of \$0.2m. Had the results of Total Eden Holdings Group been included from the beginning of the financial year, a further \$89.3 million in revenue and \$1.6 million of profit after tax would have been recognised as part of the Ruralco Holdings Limited Group results.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 SEPTEMBER 2014

# Note 31: Business combinations (continued)

## (ii) Summary of acquisition - Peter Dargan Livestock

# Consideration transferred:

Cash consideration paid on acquisition date Contingent consideration not yet paid

\$'000
211
466
677

The Group has included \$466,125 as contingent consideration, which represents its fair value at acquisition date. The fair value of the contingent consideration was calculated by applying the income approach using the probability-weighted expected contingent consideration and a discount rate of 10.6%.

Identifiable assets acquired and liabilities assumed:	\$'000
Assets	
Other assets	2
Property, plant and equipment	1
Liabilities	
Provisions	(41)
	(38)
Goodwill	
Fair value of the consideration paid	677
Less: Recognised amount of identifiable assets acquired and liabilities assumed	38
Goodwill on acquisition	715

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

## New business established:

Business name	Date established
Frontier International Agri Pty Ltd	29 October 2013
Frontier International Northern Pty Ltd	13 November 2013
Northern Livestock & Property Pty Ltd	13 May 2014
Ruralco Insurance Pty Ltd	18 June 2014
Sureseason Australia Pty Ltd	6 August 2014



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

		2014 \$'000	2013 \$'000
No	te 32: Related party transactions		
	Subsidiaries		
	Interests in subsidiaries are set out in note 30.		
(b)	Associates and joint ventures		
(-)	Interests in associates and joint ventures are set out in note 14.		
(c)	Directors and key management personnel		
(0)	Disclosures relating to Directors and Key Management Personnel are set		
	out in note 29.		
(d)	Transactions with related parties		
	Transactions between related parties are on normal commercial terms and conditions and are no more favourable than those available to other parties unless otherwise stated.		
	The following transactions occurred with related parties:		
	Purchase of goods by subsidiaries from Director related entities	-	119
	Purchase of goods from subsidiaries by associates	6,300,991	6,471,922
	Purchase of goods from subsidiaries by Directors and their related entities	712,647	2,120,030
	Services rendered by related parties and their entities	-	-
	Interest received by parent from joint ventures	29,307	31,479
(e)	Outstanding balances at balance date		
	The following balances are outstanding at the reporting date in relation to transactions with related parties		
	Current receivables		
	- Other related parties	1,454,231	3,409,295
	Non-current receivables		
	- Other related parties	7,525	-
	Current payables		
	- Other related parties	-	-
	Loans and borrowings		
	- Other payable to related parties	1,627,234	1,934,553
	Amounts repaid to related parties in relation to related party loans equates to \$307,319		
	Receivable from joint venture	3,926	2,609,906

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

#### Note 33: Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on seeking to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and aging analysis for credit risk.

Risk management is carried out by a central finance (Group Finance) and credit risk department (National Credit, Compliance & Risk) under policies approved by the Board of Directors. Group Finance identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Board provides written principles and strategic guidance for overall risk management, as well as policies covering specific areas of credit risk, liquidity risk and commodity risk.

#### Credit risk

Credit risk is managed on a Group basis. 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.

National Credit, Compliance & Risk 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. The compliance with credit limits is regularly monitored by line management. Customers requiring seasonal finance are usually required to provide security for the debt, while butcher clients debts have credit limits approved by the insurer.

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

Trade indemnity insurance is arranged over Farmworks and meat processors. Until June 2013 trade indemnity insurance also included CRT member trade credit however a commercial decision was made to discontinue this cover. 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, 21.8% (2013: 14.4%) 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 Company 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.

The carrying amounts of financial assets represents the maximum credit exposure and at reporting date this exposure was:

	2014	2013
	\$'000	\$'000
Financial assets		
Cash	26,890	26,694
Listed investments designated at fair value through other comprehensive income	-	5,943
Other financial assets at cost	229	229
Loans and receivables:		
Receivables – trade	303,560	279,735
Receivables – other	20,690	20,958
Total financial assets	351,369	333,559

The carrying amounts noted above approximate their fair value.





#### Note 33: Financial risk management (continued)

	2014	2013
	\$'000	\$'000
Impairment losses		
The carrying values of trade receivables at the reporting date was:		
Trade receivables	306,931	284,175
Provision for impairment of receivables	(3,371)	(4,440)
	303,560	279,735

Credit sales are on 14 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.

#### Trade receivables ageing

	Gross	Impairment	Gross	Impairment
	2014	2014	2013	2013
	\$'000	\$'000	\$'000	\$'000
Not past due	271,753	_	226,609	_
Past due 0-30 days	13,606	_	18,665	(475)
Past due 31-90 days	8,640	(999)	19,556	(276)
Past due 90 days to one year	11,778	(1,536)	18,100	(2,998)
More than one year	1,154	(836)	1,245	(691)
	306,931	(3,371)	284,175	(4,440)

	2014 \$'000	2013 \$'000
The movement in the allowance for impairment of trade receivables during the year was as follows:		
Balance at the beginning of the year Increase to provision	4,440 1,140	5,745 4,209
Amount charged against provision	(2,209)	(5,514)
Balance at the end of the year	3,371	4,440

Individually impaired accounts totalling \$5,808,337 (2013: \$8,889,095) have a provision of \$3,370,561 (2013: \$4,440,064) raised against them as at 30 September 2014. These individually impaired accounts include customers that have gone into liquidation or been declared bankrupt. No collateral is held for these accounts.

The value of trade receivables shown as past due 90 days includes amounts classified as seasonal finance, as reporting systems do not currently allow for separation, however all debts are reviewed to ensure adequate provisioning.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days. Except for those accounts individually identified as impaired, the Group's customer base has a good long-term credit history with the Group.

The Group's customer base are CRT members who sell merchandise to rural and other customers, and farmers and others with rural services requirements for rural supplies, wool and livestock agency services, water trading and stock feed seed and grain. Real estate agency services are also provided.

## Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by monitoring forecast and actual cash flows on a daily basis and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally kept at call.

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Note 33: Financial risk management (continued)

	2014 \$'000	2013 \$'000
Financing arrangements The Group had access to the following undrawn borrowing facilities at the reporting date:		
Floating rate facilities unused at balance date		
- Expiring within one year (interchangeable bank overdraft and working capital facilities)	73,000	69,497
- Expiring after one year	78,000	55,000
	151,000	124,497

The interchangeable facility of overdraft and working capital may be drawn at any time and is a revolving facility that is subject to annual review.

#### Maturities of financial liabilities

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contracted cash flows										
At 30 September 2014	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		
Financial liabilities											
Bank loans	51,375	54,309	-	30,911	23,398	-	-	-	-		
Trade and other payables	336,308	336,308	-	336,308	-	-	-	-	-		
Derivative financial instruments	2,808	2,808	-	2,808	-	-	-	-	-		
Loans from related parties	1,627	1,710	1,710	-	-	-	-	-	-		
Depositors	7,333	7,658	-	6,105	1,263	290	-	-	-		
Lease liability	2,388	2,690	-	1,083	867	503	184	53	-		
Total financial liabilities	401,839	405,483	1,710	377,215	25,528	793	184	53	-		

At 30 September 2013	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
Financial liabilities									
Bank loans	30,375	32,238	-	24,097	2,545	5,596	-	-	-
Trade and other payables	316,272	316,272	-	316,272	-	-	-	-	-
Loans from related parties	1,934	1,991	1,991	-	-	-	-	-	-
Depositors	46,872	48,731	14,392	33,297	942	100	-	-	-
Lease liability	1,425	1,620	-	552	705	150	210	3	-
Total financial liabilities	396,878	400,852	16,383	374,218	4,192	5,846	210	3	-

# Market risk

# Interest rate risk exposures

Interest rate risk arises from the Group taking deposits from customers, advancing seasonal finance loans to customers, holding cash at bank and borrowings to finance its activities.

The Group manages interest rate risk by constantly monitoring and analysing its interest sensitive assets and liabilities, and reviews the rates offered to depositors and charged by borrowers at minimum on a monthly basis or more frequently to reflect market movements. The Group does not hedge its interest rate position.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

# Note 33: Financial risk management (continued)

## Market risk (continued)

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 asset or liability.

	Interest rate repricing								
At 30 September 2014	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	1.13%	26,890	-	-	-	-	-	-	26,890
Trade receivables									
(interest bearing)	6.85%	4,028	44,844	-	-	-	-	-	48,872
Loans to related parties	3.45%	1,435	-	-	-	-	-	-	1,435
Total financial assets		32,353	44,844		-	-	-	_	77,197
Financial liabilities									
Bank loans	4.24%	49,000	2,375		-	-	-	-	51,375
Loans from related	F 000/	4 007							4 007
parties Depositors	5.09% 3.59%	1,627	F 000	1,178	262	-	-	-	1,627 7,333
Lease liability	6.57%	_	5,893 1,016	766	420	146	40	_	2,388
Total financial liabilities	0.57 /0	50,627	9,284	1,944	682	146	40	_	62,723
				1,411					,
Net exposure to interest									
rate risk		(18,274)	35,560	(1,944)	(682)	(146)	(40)	-	14,474

At 30 September 2013	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	2.09%	26,694	-	-	-	-	-	-	26,694
Trade receivables									
(interest bearing)	12.56%	5,410	29,385	-	-	-	-	-	34,795
Loans to related parties	5.95%	3,760	-	-	-	-	-	-	3,760
Total financial assets		35,864	29,385	-	-	-	_	-	65,249
Financial liabilities									
Bank loans	4.77%	28,000	-	2,375	-	-	-	-	30,375
Loans from related									
parties	5.09%	1,139	-	-	-	-	-	-	1,139
Depositors	3.88%	13,854	32,053	874	90	-	-	-	46,871
Lease liability	7.00%	-	516	619	124	164	2	-	1,425
Total financial liabilities		42,993	32,569	3,868	214	164	2	-	79,810
Net exposure to interest									
rate risk		(7,129)	(3,184)	(3,868)	(214)	(164)	(2)	-	(14,561)

#### Sensitivity analysis - interest rate exposures

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 September 2014, 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:

	2014	2013
	\$'000	\$'000
+ 100 basis points - 100 basis points	101 (101)	(102) 102

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2014

#### Note 33: Financial risk management (continued)

#### Commodity price risk

The Group enters into physical forward contracts with wool growers and simultaneously enters into a back to back hedge contract, equal to and opposite to the wool grower forward contract. If the grower defaults in delivering the wool or a sufficient quantity or quality then the Company carries the risk of the hedge. No material price risk arises from these transactions.

Further, the Group also is exposed to transactional commodity price risk in regards to the sale of cattle. Purchases of such commodities may be for a period of up to 12 months.

#### Foreign exchange risk

The Group has a direct exposure to foreign exchange risk through its derivative financial instruments. Revenue and costs of inputs can increase/decrease due to changes in exchange rates, however the Group enters into hedging arrangements to mitigate this risk.

#### 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 2014, if foreign exchange rates had moved as illustrated in the table below, with all other variables held constant, equity would have been affected as follows:

	2014	2013
	\$'000	\$'000
AUD/USD +10%	4,699	-
AUD/USD -10%	(4.699)	_

#### Regulatory and environmental risks

The Group is subject to laws and regulations and has established environment policies and procedures that are aimed to comply with local environmental and other relevant laws. Management performs regular review to identify risks and ensure systems in place are adequate to manage those risks.

#### Equity price risk - Investment in Elders Limited

The Group's investment in Elders Limited shares was recorded at fair value through other comprehensive income. The carrying amount was adjusted periodically based on the closing price of Elders Limited's share as quoted on the Australian Stock Exchange.

The Group sold its interest in Elders Limited shares on the 16 September 2014 and is no longer exposed to this equity price risk as at 30 September 2014.

#### Fair value hierarchy of investment in Elders Limited

The valuation method of the Group's investment in Elders Limited is via quoted prices (unadjusted) in active markets for identical assets (Level 1).

Carrying value vs fair value	At 30 Septe	mber 2014	At 30 September 2013		
	Carrying Amount \$'000	Level 2 Fair value \$'000	Carrying Amount \$'000	Level 2 Fair value \$'000	
Financial assets					
Receivables - trade (interest bearing)	48,872	48,872	34,795	34,795	
Loans to related parties	1,435	1,435	3,760	3,760	
	50,307	50,307	38,555	38,555	
Financial liabilities					
Bank loans	51,375	51,189	30,375	30,184	
Trade and other payables	336,308	336,308	316,272	316,272	
Derivative financial instruments	2,808	2,808	-	-	
Loans from related parties	1,627	1,627	1,934	1,934	
Depositors	7,333	7,330	46,872	47,367	
Lease liability	2,388	2,195	1,425	1,254	
Total financial liabilities	401,839	401,457	396,878	397,011	

Management has assessed the carrying value of trade receivables, loans to and from related parties, payables and derivative financial instruments are assumed to approximate their fair values due to the short-term nature.

The fair value of other 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, credit risk and remaining maturities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

#### Note 34: Parent entity disclosures

As at, and throughout, the financial year ended 30 September 2014 the parent Company of the Group was Ruralco Holdings Limited.

	Company		
	2014	2013	
	\$'000	\$'000	
Result of the parent entity			
Profit for the period after tax	(2,519)	12,623	
Other comprehensive income	4,496	(5,295)	
Total comprehensive income for the period	1,977	7,328	
Financial position of the parent entity at year end			
Current assets	58,928	41,027	
Total assets	192,854	114,358	
Current liabilities	34,275	30,058	
Total liabilities	58,328	37,559	
Total equity of the parent entity comprising of:			
Share capital	145,088	78,364	
Retained earnings	(12,491)	2,513	
Cash flow hedge reserve	26	-	
Share based payments reserve	1,903	1,217	
Fair value reserve	-	(5,295)	
Total equity	134,526	76,799	

# 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 26.

# 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

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 30.

# Note 35: Disposal of operations

# (i) Disposal of Suncoast Rural Pty Ltd

On 31 July 2014, the Group disposed of the Suncoast Rural business and brand for sales proceeds totalling \$0.6 million. Suncoast Rural contributed \$0.1 million in losses after tax to the Group's results for the year ended 30 September 2014.

#### (ii) Disposal of Lachlan Fertilizer Pty Ltd

On 31 July 2014, the Group disposed of its interest in Lachlan Fertilizer for sales proceeds totalling \$4.1 million. Lachlan Fertilizer contributed approximately \$1.3 million in profit after tax to the Group's results for the year ended 30 September 2014.

# Note 36: Events after the balance sheet date

There are no matters or circumstances that have arisen since 30 September 2014 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.

# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 SEPTEMBER 2014

- 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 58-114 and the Remuneration Report in the Directors' Report, set out on pages 24-41 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 2014 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 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.
- 3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 September 2014.
- 4. The Directors draw readers' attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Richard HE-gard

Richard A F England

Chairman

John S Maher Managing Director

Dated at Sydney this 15th day of December 2014



# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RURALCO HOLDINGS LIMITED

#### Report on the Financial Report

We have audited the accompanying Financial Report of Ruralco Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 September 2014, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 36 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' responsibility for the Financial Report

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

#### Auditor's responsibility

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

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

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

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

#### Independence

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

#### **Auditor's opinion**

In our opinion:

- (a) the Financial Report of the Group is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 September 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the Financial Report also complies with International Financial Reporting Standards as disclosed in note 2(a).

# Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25-41 of the Directors' Report for the year ended 30 September 2014. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion.

#### **Auditor's opinion**

In our opinion, the Remuneration Report of Ruralco Holdings Limited for the year ended 30 September 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

1/

Anthony Jones
Partner

Dated at Sydney this 15th day of December 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# FIVE YEAR REVIEW

# FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Five Year Review				
	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
Financial Position					
Total assets	656,990	580,487	608,005	586,817	506,280
Total liabilities	435,022	420,490	436,258	419,316	348,895
Total equity	221,968	159,997	171,747	167,501	157,385
Results					
Total revenue	1,355,887	1,133,116	1,136,314	1,003,186	902,666
Operating profit before interest, depreciation,					
amortisation and income tax	33,869	25,565	41,175	40,203	30,842
Interest on borrowings	5,153	5,700	5,478	5,107	4,892
Depreciation and amortisation	7,445	5,432	5,540	5,315	5,059
Operating profit before income tax	21,271	14,433	30,157	29,781	20,891
Operating profit attributable to members of Ruralco Holdings Limited	10,565	5,738	13,849	14,979	12,053
Dividends					
Total dividends paid and declared	11,654	10,912	10,418	9,354	7,700
Dividends per ordinary share	16.0 cents	20.0 cents	20.0 cents	18.0 cents	16.0 cents

	2014	2013	2012	2011	2010
Statistics					
Issued ordinary fully paid shares	77,291,069	55,019,284	55,019,284	55,019,284	55,019,284
Share price at 30 September	\$3.41	\$3.35	\$3.40	\$3.25	\$2.64
Market capitalisation (\$'000)	263,563	184,315	187,066	178,813	145,251
Net tangible assets per share	\$1.29	\$1.41	\$1.78	\$1.86	\$1.80
Basic earnings (cents per share)	15.27	10.49	25.46	27.22	21.91
Earnings on equity after tax	5.3%	3.8%	8.8%	9.7%	8.1%
Interest times covered by earnings	4.5x	4.5x	7.5x	7.6x	5.4x
Number of permanent employees	1,871	1,428	1,549	1,521	1,434





# SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 30 SEPTEMBER 2014

#### Substantial Shareholder Details at 30 November 2014 were:

Holders of Relevant Interest	Number of Shares Held	% of Shares
Neale Edwards Pty Ltd and its related entity	20,344,324	26.32
Washington H Soul Pattinson and Company Limited	15,947,792	20.63
Kaplan Equity Limited (and its management entities)	10,097,031	13.06

## Distribution of Shareholdings as at 30 November 2014

Range of Investors	Securities	% Issued Capital
1-500	405,806	0.53
501-1,000	385,139	0.50
1,001-5,000	2,949,624	3.82
5,001-10,000	3,689,012	4.77
10,001-100,000	12,868,909	16.65
100,001-9,999,999,999	56,992,579	73.73
Total	77,291,069	100.00

	20 Largest Holders of Ordinary Shares at 30 November 2014					
	Name	Number of Shares	Percentage %			
1.	NEALE EDWARDS PTY LTD	17,553,593	22.71			
2.	WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	12,938,775	16.74			
3.	NATIONAL NOMINEES LIMITED	10,097,031	13.06			
4.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <bkcust a="" c=""></bkcust>	3,330,771	4.31			
5.	WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	3,009,017	3.89			
6.	BONA VISTA ESTATE PTY LTD	2,790,731	3.61			
7.	CITICORP NOMINEES PTY LIMITED	1,016,339	1.31			
8.	RURALCO EMPLOYEE SHARE PLAN PTY LTD	600,000	0.78			
9.	MR CECIL DESMOND SHEEDY+ MRS MARILYN PATRICIA SHEEDY <sheedy a="" c="" fund="" super=""></sheedy>	579,303	0.75			
10.	RURALCO EMPLOYEE SHARE PLAN PTY LTD <ruralco a="" c="" employee="" share=""></ruralco>	529,732	0.69			
11.	DEAN WHITESTONE PTY LTD	500,000	0.65			
12.	MR DOUGLAS FENTON-LEE + MRS CAROL ADELE FENTON-LEE <super a="" c="" fund=""></super>	356,450	0.46			
13.	TRONES INVESTMENTS PTY LTD	336,823	0.44			
14.	Y G P GRAIN & HARDWARE PTY LTD	289,479	0.37			
15.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	283,783	0.37			
16.	RURALCO EMPLOYEE SHARE PLAN PTY LTD <ruralco a="" c="" emp="" plan="" share=""></ruralco>	264,741	0.34			
17.	BETA GAMMA PTY LTD <walsh a="" c="" fund="" street="" super=""></walsh>	200,000	0.26			
18.	MEADGATE PTY LTD	197,893	0.26			
19.	GRANTULLY INVESTMENTS PTY LIMITED	185,054	0.24			
20.	MR GEOFFREY WILLIAM GOODE	151,120	0.20			
	Totals: Top 20 holders of ISSUED CAPITAL (INC EMPLOYEE)	55,210,635	71.44			
	Total Remaining Holders Balance	22,080,434	28.56			

Number of Shareholders holding less than a marketable parcel of securities as at 30 November 2014: 247



# OVERVIEW OF KEY COMPANIES & BRANDS



#### **AG CONCEPTS UNLIMITED**

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

200 Skipton Street, Ballarat VIC 3350

• 1300 987 742 • www.agconcepts.com.au



#### **AGFARM**

Established in 1992, Agfarm offers independent marketing advice to grain growers across Australia. The experienced team also facilitates grain sales and provides intelligence, logistics, export market access and managed grain marketing programs.

Level 29, 126 Phillip Street, Sydney NSW 2000

• 1300 243 276 • www.agfarm.com.au



## **AGRITECH RURAL**

Agritech Rural is one of the leading rural merchandise businesses in Victoria's Wimmera region. The business operates outlets in Horsham and Dimboola with its core activities centred around broadacre cropping. In 2012 Agritech Rural formed a joint venture partnership with the Company that also incorporated the Westech Ag business which operates outlets in Kaniva and Nhill. The experienced teams at Agritech Rural and Westech Ag, which include 13 agronomists, provide an extensive range of farm inputs and related services, including finance and insurance.

91 Dimboola Road, Horsham VIC 3402

• (03) 5381 0040 • www.agritechrural.com.au



#### **AGRIWEST**

Agriwest has a proud history servicing the farming communities in and around Parkes, Peak Hill and Forbes, New South Wales. Their strong agronomic focus supports the region's agricultural activities which centre around broadacre cropping, cattle and sheep grazing.

20 Clarinda Street, Parkes NSW 2870

• (02) 6862 1066



#### **ARCHARDS IRRIGATION**

Established in the mid 1970s, Archards Irrigation specialises in the design, supply and construction of an extensive range of irrigation products and resources.

Archards Irrigation also provides engineering designs, farm surveys and designs, consulting and certification, irrigation and water supply consultation and assistance with water trading.

22 Leitchville Road, Cohuna VIC 3568

• (03) 5456 2664 • www.archards.com.au



#### **BGA AGRISERVICES**

BGA AgriServices provides a large range of agricultural products and services to Queensland's Wide Bay, South Burnett and Brisbane Valley regions and areas of northern New South Wales. The company operates out of stores in Kingaroy, Murgon, Goomeri, Bundaberg, Childers, Oakwood, Toogoolawah, Kumbia, Tyndale, Casino and Grafton servicing customers' needs for agricultural chemicals, animal health, crop protection, fencing, fertiliser, rural hardware, irrigation, packaging, produce and seed.

21-29 Youngman Street, Kingaroy QLD 4610

• (07) 4162 2766 • www.bgaagri.com.au

# **B J UNDERWOOD PTY LTD**

#### B J UNDERWOOD

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

137-143 Fitzgerald Road, Laverton North VIC 3026

• (03) 9240 4700



#### **BR&C AGENTS**

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

97 Curlewis Street, Swan Hill VIC 3585

• (03) 5032 9911 • www.brcagents.com.au



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

Established in 1970, the Combined Rural Traders group incorporates both the CRT and Town & Country businesses.

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

96-100 Toongabbie Road, Girraween NSW 2145

• (02) 9688 8555 • www.crt.com.au



#### **CQ AG SERVICES**

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

89 Macauley Road, Emerald QLD 4720

• (07) 4982 0385 • www.cqagservices.com.au



# **DAIRY LIVESTOCK SERVICES**

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

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



#### **DAVIDSON CAMERON & CO**

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

179 Conadilly Street, Gunnedah NSW 2380

• (02) 6742 1828 • www.dcco.com.au



#### **FARMWORKS**

FarmWorks is one of Western Australia's largest rural merchandise groups. The group operates numerous outlets in key locations, trading as both CRT Local Blokes and Town & Country. Their expertise and experience with seed, fertiliser and chemicals is attracting strong support from the region's grain and livestock producers. They also provide finance and insurance services.

18 Wellard Street, Bibra Lake WA 6163 • (08) 9418 4324



#### FRONTIER INTERNATIONAL AGRI

New to the Ruralco Holdings Limited Group in 2013, Frontier International Agri is a specialist exporter of livestock to various international destinations. With an extensive background in exporting Australasia's sought after beef and dairy stock around the world, Frontier International's management and sales team offer a fully integrated service to their international customers. This includes sourcing livestock from both local and overseas producers which are selected to export specifications and coordinating shipping, logistics and related services.

68-72 York Street, South Melbourne VIC 3205 www.frontierinternational.com.au



#### **GRANT DANIEL & LONG**

The Grant Daniel & Long business commenced in February 1997 and has developed into one of the most successful private agencies in Queensland with a network of 11 branches. The business provides livestock and real estate marketing services, rural merchandise and financial services through its branch network across southern and central Queensland.

8 Drayton Street, Dalby QLD 4405

• (07) 4669 6955 • www.grantdaniellong.com

# OVERVIEW OF KEY COMPANIES & BRANDS



#### **GROW FORCE**

Founded in 1929, Grow Force is one of Australia's leading fertiliser brands. The company merged with Ruralco Holdings Limited in 2001 and is now the group's fertiliser brand. Grow Force's granular and specialty fertilisers are strongly represented in the sugar and horticultural markets of eastern Australia.

The extensive Grow Force range also includes crystalline solubles, Flowfeed soluble blends and other specialty solid and liquid fertilisers for use in Australian agriculture.

227 Orchard Road, Richlands QLD 4077

• (07) 3714 9844 • www.growforce.com.au



#### **INGHAM FARM CENTRE**

Ingham Farm Centre has been servicing north Queensland's Herbert River area for more than fifty years. The business provides an extensive range of rural merchandise, animal health, irrigation and crop protection products, and specialises in custom blend fertilisers.

49506 Townsville Road, Ingham QLD 4850

• (07) 4776 1477



## **MERREDIN RURAL SUPPLIES**

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

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



### **NATIONAL WATEREXCHANGE**

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

1A Cullen Street, Cohuna VIC 3568

• Ph (03) 5480 3762 • www.waterexchange.com.au



#### NORTHERN LIVESTOCK AND PROPERTY

Northern Livestock and Property is a newly developed business bringing many years of experience to the group. They believe their relationship with the Company will offer significant benefit to their clients including a strong network of related services including live export, finance and insurance products, plus the stability of being part of a national provider with local connections. The team at Northern Livestock and Property believe in providing outstanding customer service and always put their clients first.

8/235 Musgrave Street, North Rockhampton QLD 4701

• (07) 4921 1084



#### **NORTHERN RURAL GROUP**

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

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

prh

# PAT RICE & HAWKINS

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

137-143 Fitzgerald Road, Laverton North VIC 3026

• (03) 9866 5588 • www.prh.com.au



#### **PLATINUM OPERATIONS**

The South Australian Platinum Operations group services a diverse client base that incorporates rural merchandise, viticulture, horticulture, cattle, dairy and broadacre interests. The group operates branches in Clare, Crystal Brook, Balaklava, Kimba, Loxton, Meningie, Mypolonga, Renmark and Mildura offering real estate, livestock, insurance, finance and grain marketing programs.

Unit 3, Level 1, 128 Fullarton Road, Norwood SA 5067 (08) 8130 5000



#### **PRIMARIES OF WA**

Established in Western Australia in 1981, Primaries has expanded its original wool based business to incorporate livestock broking, real estate, grain, finance and insurance. Primaries' personalised, professional service has forged strong client relationships and contributed to its excellent reputation not only in Western Australia but across the country.

18 Wellard Street, Bibra Lake WA 6163

• (08) 9434 1622 • www.primaries.com.au



#### PROWATER NATIONWIDE

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

Level 29, 126 Phillip Street, Sydney NSW 2000

• (02) 9225 2902 • www.prowater.com.au



#### QUEENSLAND RURAL

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

1/58 New Queen Road, Charters Towers QLD 4820

• (07) 4787 2466 • www.qldrural.com.au



# **RAWLINSON & BROWN**

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

50-56 Banna Avenue, Griffith NSW 2680

• (02) 6964 1933 • www.rawbrown.com.au



#### **ROBERTS**

Established in Tasmania in 1865, Roberts has extensive interests in wool and livestock agency, real estate, seed production and cleaning, irrigation, rural finance and insurance. With over 400 staff, 15 outlets and 20 real estate offices, Roberts is a significant operation with a strong community focus and prominent corporate presence.

273C Kennedy Drive, Cambridge, Tasmania 7170

• (03) 6235 1444 • www.robertsltd.com.au

#### Roberts • Don Mac

A RURALCO BUSINES

#### ROBERTS DON MAC

Roberts Don Mac is a specialist small machinery business operating in Hobart. Their range includes chainsaws, water pumps, garden tools and a range of specialist small machines for backyard, rural and commercial operations.

200 Argyle Street, Hobart TAS 7000

• (03) 6234 4322 • www.robertsdonmac.com.au



#### **RODWELLS**

Rodwells has been providing professional, personalised service to its clients since its establishment in 1981. With 24 locations across Victoria and southern New South Wales, Rodwells offers a comprehensive range of products and services to assist their wool and livestock, real estate and rural merchandise clients. Their diverse range of services includes livestock selling, wool broking, water broking and tailored financial and insurance solutions.

137-143 Fitzgerald Road, Laverton North VIC 3026

• (03) 9240 4700 • www.rodwells.com.au



#### **RURALCO FINANCE**

Ruralco Finance was established in 2009 to provide financial products and services to the Ruralco customer base. Through its carefully selected lender panel, Ruralco Finance's experienced finance specialists can broker competitive agri and commercial lending packages to suit a broad range of needs including term loans, vehicle and equipment finance, seasonal finance and line of credit. Solid support from the Ruralco network has seen the Ruralco Finance footprint grow steadily with the business now represented in all states.

200 Skipton Street, Ballarat VIC 3350

• 1300 371 677 • www.ruralcofinance.com.au

# OVERVIEW OF KEY COMPANIES & BRANDS



#### **RURALCO INSURANCE**

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

200 Skipton Street, Ballarat VIC 3350

• 1800 603 699 • www.ruralcoinsurance.com.au



#### RURALCO PROPERTY

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

137-143 Fitzgerald Road, Laverton North VIC 3026

• (03) 9240 4700 • www.ruralcoproperty.com.au



# **RURALCO WATER BROKERS**

Ruralco Water Brokers is Australia's largest water asset transfer facilitator providing an independent and transparent trading platform for all classes of water, in all areas. With an excess of 30 agents operating across Victoria, New South Wales, Queensland, South Australia and Tasmania, Ruralco Water Brokers services a regionally diverse customer base through a wide range of local water facilitators and resources.

5 Short Street, Wentworth NSW 2648

• (03) 5027 2517 • www.ruralcowater.com.au

#### **RURALCO WOOL**

Ruralco Wool provides wool handling and logistics, warehousing, administration, show floor, bulk class services and auctions to a range of clients in southern Australia.

137-143 Fitzgerald Road, Laverton North VIC 3026

• (03) 9240 4700



#### SAFFIN KERR BOWEN RODWELLS (SKB)

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

266 Timor Street, Warrnambool VIC 3280

• (03) 5562 4022 • www.skbw.com.au



#### SAVAGE, BARKER & BACKHOUSE (SBB)

Formed in 1979 and based in Rockhampton, SBB is the region's largest livestock agency. The business' focus is predominantly on commercial cattle marketing through the Gracemere saleyards, stud cattle marketing, rural merchandise supplies, clearing sales and rural real estate.

266 Denison Street, Rockhampton QLD 4700

• (07) 4927 1677 • www.sbbrocky.com.au



#### **SOUTHERN AUSTRALIAN LIVESTOCK**

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

2 Smith Street, Naracoorte SA 5271

• (08) 8762 3933 • www.salivestock.com.au



#### STEVENS EGAN JOHNSTON

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

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

South Gippsland Highway, Leongatha VIC 3953

• (03) 5662 4033 • www.sej.com.au



## TASMANIA FARM EQUIPMENT

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

- 1 Ferguson Drive, Quoiba TAS 7310
- (03) 6424 1511 www.tfe.com.au



#### TERRITORY RURAL

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

Pinelands Estate, 870 Stuart Highway, Palmerston NT 0831

• (08) 8932 4688 • www.territoryrural.com.au



## TERRITORY RURAL MCPHERSON

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

291 North Stuart Highway, Alice Springs NT 0870

• (08) 8953 4255 • www.territoryruralmcpherson.com.au



# THE FARM SHOP

The Farm Shop is a respected rural merchandise group in Western Australia with stores in Midland, Moora, Wongan Hills, Northam, York and Quairading. The Farm Shop services general rural merchandise and broadacre markets and provides agronomic services, agricultural chemicals and related farm inputs.

32 Clayton Street, Bellevue WA 6056

• (08) 9274 0455



#### **TOTAL EDEN**

Total Eden includes 37 retail stores located throughout Western Australia, Queensland, New South Wales and Victoria. It provides bespoke design, build and operation solutions for agricultural, landscaping, construction and mining sectors in Australia and New Zealand.

71F Matthews Avenue, Airport West VIC 3042

• (03) 8340 2400 • www.totaleden.com.au



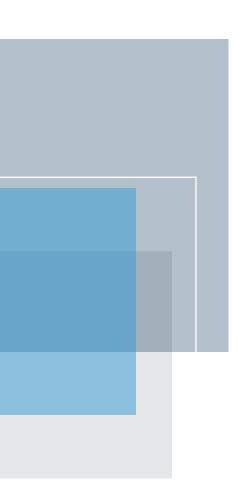
#### WMG AGRISERVICES

Formed in 2013 from the merger of three established businesses, WMG Agriservices provides a comprehensive range of ag chem, seed, fertiliser, animal health and rural merchandise products to support their clients in Moree, Goondiwindi and Wee Waa in north-west New South Wales. WMG Agriservices' team offer specialist technical services to meet the region's broadacre cropping, cotton farming, beef and sheep production activities.

83-89 Marshall Street, Goondiwindi QLD 4390

• (07) 4671 0099

Ruralco Holdings Limited businesses operate under their own brands and have their own cultures, service models and value propositions — all designed to meet the needs of local markets.



# FINANCIAL CALENDAR

Record date for 2014 Final Dividend

17 December 2014

Payment of 2014 Final Dividend

14 January 2015

2015 Annual General Meeting

20 February 2015

2015 Half Year End

31 March 2015

Announcement of Results for Half Year Ending 31 March 2015

19 May 2015

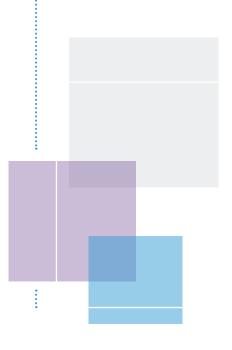
2015 Year End

30 September 2015

Announcement of Results for Year Ending 30 September 2015

17 November 2015

Note: Above dates are subject to change





# CORPORATE DIRECTORY

Registered Office

273C Kennedy Drive, Cambridge, Tasmania, 7170

Telephone: (03) 6235 1444 Facsimile: (03) 6235 1023 Website: www.ruralco.com.au

Email: asomann-crawford@ruralco.com.au

For shareholder and company information, news announcements, background information on Ruralco Holdings Limited's businesses and previous annual reports, visit the Company's website at

www.ruralco.com.au

#### **Executive Director**

John Maher, Managing Director

## **Non-executive Directors**

Richard England, Chairman Michael Millner John Tuskin Ross Burney Elizabeth Johnstone Trudy Vonhoff

# **Company Secretary**

Angie Somann-Crawford Susannah Ball (Acting)

#### **Share Registry**

Computershare Investor Services Pty Ltd GPO Box 7045, Sydney, NSW, 2001

Yarra Falls, 452 Johnson Street, Abbotsford, VIC, 3067

Toll Free: 1300 950 505 International: 61 3 9415 4000 Facsimile: 61 3 9473 2500

Email: web.queries@computershare.com.au

Website: www.computershare.com

#### **Auditor**

KPMG: 10 Shelley Street, Sydney, NSW 2001

#### **Solicitors**

King & Wood Mallesons

# Bankers

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











WWW.RURALCO.COM.AU