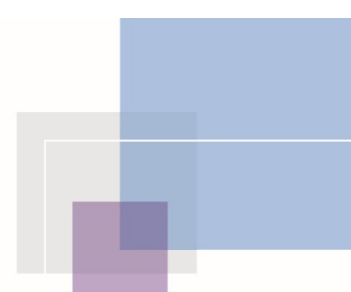


ASX Release – 17 November 2015
Ruralco Holdings Ltd 2014/15 Full Year Results



Results Summary

- Sales revenue of \$1.6 billion, an 18% increase on the pcpc (FY14: \$1.4 billion)
- Gross profit of \$307.0 million, a 19% increase on the pcpc (FY14: \$257.1million)
- Reported net profit after tax (NPAT)¹ of \$14.1million, a 33% increase on the pcpc (FY14:\$10.6million)
- Underlying net profit after tax (NPAT) of \$18.7million², a 15% increase on the pcpc (FY14: \$15.5million)
- Underlying earnings before interest expense, tax and depreciation (EBITDA) of \$51.2million, an 18% increase on the pcpc (FY14: \$43.5million)
- Final dividend of 7 cents (FY14: 8 cents)

Ruralco Holdings Limited today reported a record net profit after tax (NPAT) attributable to equity holders of \$14.1million for the full year ended 30 September 2015. This compares to a profit of \$10.6million for the prior corresponding period (pcpc) and was driven by the full year impact of acquisitions and strong agency market conditions.

The Group declared a fully franked final dividend of 7 cents per share, with a record date of 27 November 2015, payable to shareholders on 18 December 2015. This brings the total dividend payable to shareholders for the year to 16 cents per share. The Dividend Reinvestment Plan will operate in respect of the final dividend.

Travis Dillon, Ruralco's newly appointed Managing Director and Chief Executive Officer highlighted the strength of the Group's earnings platform: "The record results in both the first and second half of the year reflects the quality and diversity of our business. The successful integration of our strategic growth acquisitions, the strong performance in our agency business and a stable rural supplies business has bolstered the Group's earnings despite some challenging seasonal conditions."

"The increased contribution from Ruralco's water activities reflects the full year contribution from Total Eden and strong demand for water broking services. Our live export business continues to increase capacity with growth in exports to Vietnam mitigating the impact of the reduced Indonesian permit allocations for feeder cattle and the collapse in the export dairy market earlier in the year. We also continue to invest in our IT and back office capability to support business growth going forward and we have successfully realised supply chain and procurement synergies from integrating the Total Eden retail network."

Sales revenue for the year of \$1.6 billion represents an 18% increase on the pcpc whilst gross profit of \$307.0million was up 19% on the pcpc. Key items were:

- Rural supplies increased gross profit by 4%, with top line growth being achieved despite prolonged dry conditions throughout parts of Queensland, Victoria and Tasmania. These conditions did however put margins under pressure.
- Water supplies increased gross profit by 83% reflecting the full year impact of Total Eden. Water supplies procurement is now being managed across the Ruralco Network and the integration of Total Eden onto the SAP platform provides the business with a modern warehouse and planning system, and enhanced control and inventory visibility.
- Agency activities increased gross profit by 18%, headlined by an increase in livestock gross profit of 26% above the pcpc. This was driven by increases in volumes, customer penetration and strong prices that

¹ Attributable to shareholders

² Underlying EBITDA and NPAT excludes the impact of non-recurring items: \$5.8 million at EBITDA and \$4.6 million at NPAT

continued for most of the year. The continued high turn-off, strong international demand for Australian protein and low Australian dollar buoyed livestock and wool prices this year.

- Water services increased gross profit by 56% reflecting the full year impact of Total Eden. Increasing penetration of the agricultural sector and focus on northern and eastern Australia to leverage Ruralco's network and expertise remains key to reducing the impact of margin pressure from the downturn in mining in Western Australia. Water broking increased gross profit by 23% due to sustained, elevated demand for water entitlements across a number of farming sectors and from international investors.
- Financial services increased gross profit by 2% on the pcg, reflecting the growth in insurance revenue but a general softening in the insurance market continued to put pressure on premium prices.
- Live export contributed \$10 million in gross profit compared to \$4.5 million in the pcg. This business continues to build scale with more than 132,000 head of cattle and sheep exported, despite challenging international market conditions in the first half. It also continues to strategically support the Ruralco agency business by providing a steady pipeline of sales for livestock agents across the network. Offsetting this strong gross profit result were mark-to-market fair value livestock adjustments and the impact of foreign exchange movements.

The reported NPAT attributable to equity holders of \$14.1 million is stated after a net expense of \$4.6 million (post tax) related to non-recurring items and a \$4.2 million increase in bad debts expense resulting primarily from the Group's exposure to three customer delinquencies in the year.

The Group continued to pursue its strategy of building a scaleable and fit-for-purpose back office with further cost investment in the operational capability of the supply chain and procurement, finance, IT, human resources and legal teams and in centralising and improving the Group's IT and communications.

Leadership team

The recent appointment of Travis Dillon as CEO and Managing Director completes the renewal of Ruralco's leadership team following the appointments of CFO, Adrian Gratwicke, GM People & Culture, Elizabeth Hardaker and GM Financial Services, Ian Perry during the year.

Chairman, Mr Richard England, said, "With the appointment of Travis to the role of CEO and Managing Director, we have a really strong leadership team in place. The executive team is energised about the future and believes Ruralco is well positioned to deliver growth in what is an increasingly exciting time in the sector".

Strategy

With the leadership team renewal complete, the Board has taken the opportunity to evolve the strategy and has approved the future strategic direction for Ruralco, resetting the focus to leverage the network by: building on our market leading position in water, the most fundamental farming input; maximising market share along the entire protein supply chain; and step change growth in financial services to support our customers and the network. Along with this focus, the Group will continue to pursue network growth and back office optimisation to provide a scaleable platform for growth and safety continues to be embedded in everything we do.

Outlook

Ruralco's strategy to diversify its platform is progressing well. Performance will continue to be influenced by seasonal, market and international trade related factors:

- Ongoing challenging seasonal conditions in certain regions will impact the cash flows of some farmers, potentially suppressing demand for inputs.
- Continuing low AUD is expected to be positive to all agricultural sectors with wool, grain, livestock and real estate all benefiting.
- Demand for water services and products is expected to remain strong particularly with volatile seasonal conditions and continuing on-farm investment in water infrastructure.
- Live export business scaling up to a two vessel model from January 2016 with the opening of new markets into China, continued growth in Vietnam and a less volatile Indonesian market - all supporting a strong sales pipeline for the next 12 months.
- Investor appetite for agricultural properties expected to continue and increased volume of transactions generally within the sector will continue to underpin the outlook for the rural property sector.

For further information please contact:

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Media:

Nightingale Communications
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0413 279 393

17 November 2015



APPENDIX 4E

PRELIMINARY FINAL REPORT IN ACCORDANCE WITH LISTING RULE 4.3A

Full year ended 30 September 2015
Previous corresponding period – Full year ended 30 September 2014

Results for announcement to the market

| | | | | \$'000 |
|---|----|-----|----|---------------|
| Revenue from ordinary activities | Up | 18% | to | 1,599,862 |
| Profit from ordinary activities after tax attributable to members | Up | 33% | to | 14,057 |
| Net profit for the period attributable to members | Up | 33% | to | 14,057 |

| | Amount per security | Franked amount per security |
|---|------------------------------------|--|
| Final dividend | 7 cents | 7 cents |
| Interim dividend | 9 cents | 9 cents |
| Previous corresponding period - Final dividend | 8 cents | 8 cents |
| - Interim dividend | 8 cents | 8 cents |
| Record date for determining entitlements to the dividend | 27 November 2015 | |
| Date final dividend is payable | 18 December 2015 | |

| Net Tangible Assets | 2015 | 2014 |
|--|-------------|-------------|
| Net tangible asset backing per ordinary security | \$1.12 | \$1.29 |

ABN 40 009 660 879

273C Kennedy Drive, Cambridge TAS 7170 GPO Box 65 Hobart TAS 7001

Phone (03) 6235 1444 Fax (03) 6234 1023

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

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

| Entity | Date | Percentage acquired |
|---|-------------------|---------------------|
| Landscape Australia Pty Ltd | 30 November 2014 | 100% |
| Peter Lees Real Estate Pty Ltd | 31 May 2015 | 100% |
| Peter Ruaro | 1 June 2015 | 100% |
| First National Keith & Bordertown | 1 July 2015 | 100% |
| Relyon (Australia) Pty Ltd | 14 July 2015 | 100% |
| W.H. Bailey & Sons Pty Ltd | 1 August 2015 | 100% |
| Ag Concepts Advisory Pty Ltd | 7 August 2015 | 100% |
| BGA Agriservices North Queensland Pty Ltd | 20 August 2015 | 100% |
| CIAA Pty Ltd | 11 September 2015 | 100% |

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

| Entity | Date | Percentage divested |
|------------------------------|------------------|---------------------|
| Sureseason Australia Pty Ltd | 25 February 2015 | 100% |
| North Western Rural Pty Ltd | 10 June 2015 | 100% |

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

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

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

| Entity | Date | Percentage acquired / (divested) |
|---|---------------------------------------|----------------------------------|
| Northern Livestock and Property Pty Ltd | 1 October 2014 | (45%) |
| Platinum Operations Pty Ltd | 30 November 2014 | 12.4% |
| Archards Irrigation Pty Ltd | 28 February 2015 | 49% |
| Grant Daniel & Long Pty Ltd | 1 April 2015 | (8%) |
| GDL Real Estate Pty Ltd | 1 April 2015 | (8%) |
| Rawlinson and Brown Pty Ltd | 18 June 2015 and 30 September 2015 | 5.6% and 11.9% |
| Western Riverina Fertilisers Pty Ltd | 18 June 2015 and 30 September 2015 | 2.8% and 5.9% |
| Rahoom Pty Ltd | 18 June 2015 and 30 September 2015 | 5.6% and 11.9% |
| Ruralco Finance Pty Ltd | 1 August 2015 | 40% |
| WMG Agriservices Pty Ltd | 7 August 2015 | 7.5% |
| Ag Concepts Unlimited Pty Ltd | 30 September 2015 | 49.9% |
| Southern Australia Livestock Pty Ltd | 30 September 2015 | 0.9% |

Details of associates and joint venture entities

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

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

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

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will apply to this dividend.

Audit

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

Commentary on results for the year

Commentary on the results for the year is contained in the press release dated 17 November 2015 accompanying this statement.

A handwritten signature in black ink, appearing to read 'A L Somann-Crawford', with a stylized flourish at the end.

A L Somann-Crawford
Company Secretary
17 November 2015

Ruralco Holdings Limited and Controlled Entities
ABN 40 009 660 879
Consolidated Statement of Profit or Loss and Comprehensive Income
For the Year Ended 30 September 2015

| | Notes | 2015 \$'000 | 2014 \$'000 |
|--|-------|----------------|----------------|
| Revenue | 3 | 1,599,862 | 1,355,887 |
| Cost of goods sold | | (1,292,899) | (1,098,750) |
| Depreciation expense | 9 | (5,027) | (4,536) |
| Amortisation expense | 10 | (3,270) | (2,909) |
| Personnel expenses | 18(a) | (168,746) | (144,937) |
| Property and equipment expenses | | (27,455) | (23,211) |
| Motor vehicle expenses | | (18,539) | (16,496) |
| Bad debt expense | 6 | (5,315) | (1,218) |
| Marketing and advertising expenses | | (6,200) | (4,455) |
| Data and telephony expenses | | (4,313) | (4,052) |
| Other expenses | | (31,860) | (26,752) |
| Results from operating activities | | 36,238 | 28,571 |
| Share of net profits of equity accounted investees | 19(d) | 828 | 938 |
| Bank charges | | (1,359) | (1,040) |
| Amortisation of capitalised borrowing costs | | (3,061) | (2,045) |
| Interest expense | | (4,664) | (5,153) |
| Total finance costs | | (9,084) | (8,238) |
| Profit before income tax | | 27,982 | 21,271 |
| Income tax expense | 4(a) | (9,160) | (7,049) |
| Profit for the period | | 18,822 | 14,222 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Fair value movement in investment in listed equities, net of tax | | - | 4,496 |
| Revaluation of property, plant and equipment, net of tax | | (1,464) | (653) |
| Total items that will not be reclassified to profit and loss | | (1,464) | 3,843 |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Changes in the fair value of cash flow hedges, net of tax | | 1,199 | (1,963) |
| Foreign currency translation differences | | 67 | 8 |
| Total items that may be reclassified to profit or loss | | 1,266 | (1,955) |
| Total comprehensive income for the period | | 18,624 | 16,110 |
| Total profit attributable to: | | | |
| Equity holders of the company | | 14,057 | 10,565 |
| Non-controlling interests | | 4,765 | 3,657 |
| Total profit for the period | | 18,822 | 14,222 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the company | | 13,718 | 12,453 |
| Non-controlling interests | | 4,906 | 3,657 |
| Total comprehensive income for the period | | 18,624 | 16,110 |
| Earnings per share (cents per share) | | | |
| - Basic | 5 | 18.03 | 15.27 |
| - Diluted | 5 | 18.03 | 15.27 |

The accompanying notes form part of these financial statements.

Ruralco Holdings Limited and Controlled Entities
ABN 40 009 660 879
Consolidated Statement of Financial Position
As at 30 September 2015

| | Notes | 2015 \$'000 | 2014 \$'000 |
|---|-------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 17 | 677 | 26,890 |
| Trade and other receivables | 6 | 368,716 | 324,243 |
| Prepayments | | 7,450 | 8,570 |
| Inventories | 7 | 111,015 | 101,040 |
| Biological assets | 8 | 8,863 | 7,526 |
| Assets held for sale | | 2,700 | 1,750 |
| Total current assets | | 499,421 | 470,019 |
| Non-current assets | | | |
| Trade and other receivables | 6 | 4 | 7 |
| Investments in equity accounted investees | 19(d) | 8,916 | 8,653 |
| Other financial assets | | 229 | 229 |
| Property, plant and equipment | 9 | 39,864 | 42,815 |
| Intangible assets | 10 | 134,224 | 121,978 |
| Deferred tax assets | 4(b) | 15,468 | 13,289 |
| Total non-current assets | | 198,705 | 186,971 |
| Total assets | | 698,126 | 656,990 |
| Current liabilities | | | |
| Trade and other payables | 11 | 374,862 | 336,308 |
| Derivative financial instruments | 11 | 1,681 | 2,808 |
| Loans and borrowings | 11 | 58,739 | 37,673 |
| Current tax liabilities | | 6,547 | 2,856 |
| Employee benefits | 18(a) | 17,104 | 16,145 |
| Make good provision | | - | 390 |
| Deferred consideration | | 1,016 | 181 |
| Total current liabilities | | 459,949 | 396,361 |
| Non-current liabilities | | | |
| Loans and borrowings | 11 | 1,050 | 27,159 |
| Deferred tax liabilities | 4(b) | 8,518 | 7,890 |
| Employee benefits | 18(a) | 3,240 | 3,129 |
| Make good provision | | 792 | 197 |
| Deferred consideration | | 2,104 | 286 |
| Total non-current liabilities | | 15,704 | 38,661 |
| Total liabilities | | 475,653 | 435,022 |
| Net assets | | 222,473 | 221,968 |
| Equity | | | |
| Share capital | 12(a) | 170,731 | 166,289 |
| Retained earnings | | 30,935 | 34,483 |
| Reserves | 12(b) | 10,458 | 10,792 |
| Total equity attributable to equity holders of the Company | | 212,124 | 211,564 |
| Non-controlling interests | | 10,349 | 10,404 |
| Total equity | | 222,473 | 221,968 |

The accompanying notes form part of these financial statements.

Ruralco Holdings Limited and Controlled Entities
ABN 40 009 660 879
Consolidated Statement of Changes in Equity
For the Year Ended 30 September 2015

| | | Attributable to equity holders of the Company | | | | | | | | | | | | |
|---|--------------------------------------|---|-----------------------------|-----------------------------------|-------------------------------------|-----------------------------------|---------------------------|--|------------------------------|---------------------------------------|----------------------------------|-----------------|-------------------------------------|------------------------|
| | Note | Issued capital \$'000 | Retained earnings \$'000 | Capital profits reserve \$'000 | Asset revaluation reserve \$'000 | Cash flow hedge reserve \$'000 | General reserve \$'000 | Foreign currency translation reserve \$'000 | Fair value reserve \$'000 | Share based payment reserve \$'000 | Reserve for own shares \$'000 | Total \$'000 | Non-controlling interests \$'000 | Total equity \$'000 |
| 1 October 2013 | | 99,565 | 39,426 | 2,179 | 7,809 | - | 2,800 | - | (5,295) | 1,284 | (978) | 146,790 | 13,207 | 159,997 |
| Total comprehensive income for the period | | | | | | | | | | | | | | |
| | Profit for the period | - | 10,565 | - | - | - | - | - | - | - | - | 10,565 | 3,657 | 14,222 |
| | Other comprehensive income | - | (753) | - | (699) | (1,963) | - | 8 | 5,295 | - | - | 1,888 | - | 1,888 |
| Total comprehensive income for the period | | - | 9,812 | - | (699) | (1,963) | - | 8 | 5,295 | - | - | 12,453 | 3,657 | 16,110 |
| Transactions with owners of the Company recorded directly in equity | | | | | | | | | | | | | | |
| | - Dividends to owners of the Company | 13(b) | - | (11,654) | - | - | - | - | - | - | - | (11,654) | (4,530) | (16,184) |
| | - Issue of ordinary shares | 12(a) | 66,724 | - | - | - | - | - | - | - | - | 66,724 | - | 66,724 |
| | - Performance rights | | - | - | - | - | - | - | - | 1,073 | - | 1,073 | - | 1,073 |
| | - Shares purchased and held in trust | | - | - | - | - | - | - | - | - | (1,804) | (1,804) | - | (1,804) |
| | - Own shares held in trust allocated | | - | - | - | - | - | - | - | - | 1,083 | 1,083 | - | 1,083 |
| | - Change in non-controlling interest | | - | (3,101) | - | - | - | - | - | - | - | (3,101) | (1,930) | (5,031) |
| Total transactions with owners of the Company | | 66,724 | (14,755) | - | - | - | - | - | - | 1,073 | (721) | 52,321 | (6,460) | 45,861 |
| 30 September 2014 | | 166,289 | 34,483 | 2,179 | 7,110 | (1,963) | 2,800 | 8 | - | 2,357 | (1,699) | 211,564 | 10,404 | 221,968 |
| Total comprehensive income for the period | | | | | | | | | | | | | | |
| | Profit for the period | - | 14,057 | - | - | - | - | - | - | - | - | 14,057 | 4,765 | 18,822 |
| | Other comprehensive income | - | 1,263 | - | (2,727) | 1,058 | - | 67 | - | - | - | (339) | 141 | (198) |
| Total comprehensive income for the period | | - | 15,320 | - | (2,727) | 1,058 | - | 67 | - | - | - | 13,718 | 4,906 | 18,624 |
| Transactions with owners of the Company recorded directly in equity | | | | | | | | | | | | | | |
| | - Dividends to owners of the Company | 13(b) | - | (13,120) | - | - | - | - | - | - | - | (13,120) | (3,720) | (16,840) |
| | - Issue of ordinary shares | 12(a) | 4,442 | - | - | - | - | - | - | - | - | 4,442 | - | 4,442 |
| | - Performance rights | | - | - | - | - | - | - | - | 1,636 | - | 1,636 | - | 1,636 |
| | - Shares purchased and held in trust | | - | - | - | - | - | - | - | - | 369 | 369 | - | 369 |
| | - Own shares held in trust allocated | | - | - | - | - | - | - | - | - | (737) | (737) | - | (737) |
| | - Change in non-controlling interest | | - | (5,748) | - | - | - | - | - | - | - | (5,748) | (1,241) | (6,989) |
| Total transactions with owners of the Company | | 4,442 | (18,868) | - | - | - | - | - | - | 1,636 | (368) | (13,158) | (4,961) | (18,119) |
| 30 September 2015 | | 170,731 | 30,935 | 2,179 | 4,383 | (905) | 2,800 | 75 | - | 3,993 | (2,067) | 212,124 | 10,349 | 222,473 |

The accompanying notes form part of these financial statements.

Ruralco Holdings Limited and Controlled Entities
ABN 40 009 660 879
Consolidated Statement of Cash Flows
For the Year Ended 30 September 2015

| | Notes | 2015 \$'000 | 2014 \$'000 |
|---|-------|-----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 1,708,438 | 1,481,077 |
| Payments to suppliers and employees | | (1,681,516) | (1,460,564) |
| Interest received | | 6,141 | 7,176 |
| Bank charges | | (3,551) | (3,085) |
| Interest paid | | (4,583) | (5,153) |
| Income taxes paid | | (7,037) | (1,765) |
| Net cash flows from operating activities | 17 | <u>17,892</u> | <u>17,686</u> |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 1,123 | 5,583 |
| Proceeds from sale of investments | | - | 16,620 |
| Proceeds from disposal of shares in subsidiaries | | 372 | 26 |
| Proceeds from sale of business | | - | 557 |
| Net proceeds from the issue of share capital | | - | 66,728 |
| Distribution from equity accounted investment | | 665 | 723 |
| Dividends received | | 65 | 109 |
| Payment for property, plant and equipment | | (3,121) | (5,722) |
| Payment for intangible assets | | (5,113) | (2,802) |
| Purchase of treasury shares | | (369) | - |
| Purchase of shares in existing subsidiaries | | (5,723) | (4,967) |
| Acquisition of subsidiaries, net of cash acquired | 20(a) | <u>(12,714)</u> | <u>(57,590)</u> |
| Net cash flows (used in) / from investing activities | | <u>(24,815)</u> | <u>19,265</u> |
| Cash flows from financing activities | | | |
| Loans from / (advanced to) related entities | | 110 | (306) |
| Repayment of finance lease liabilities | | (2,340) | (1,727) |
| Proceeds from draw down of borrowings | | 477,426 | 454,000 |
| Repayment of borrowings | | (476,625) | (433,000) |
| Net repayments to depositors | | (7,332) | (39,538) |
| Dividends on ordinary shares in the company | | (8,678) | (11,654) |
| Dividends to non-controlling interests | | (3,720) | (4,530) |
| Net cash flows used in financing activities | | <u>(21,159)</u> | <u>(36,755)</u> |
| Net (decrease) / increase in cash and cash equivalents | | <u>(28,082)</u> | <u>196</u> |
| Cash and cash equivalents at beginning of year | | 26,890 | 26,694 |
| Cash and cash equivalents at end of year | 17 | <u><u>(1,192)</u></u> | <u><u>26,890</u></u> |

Ruralco Holdings Limited
ABN 40 009 660 879
Notes to the Consolidated Financial Statements
For the Year Ended 30 September 2015

Note 1: Reporting entity

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

The consolidated financial statements of the Company for the year ended 30 September 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

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

Note 2: Basis of accounting

(a) Change in presentation

In preparing these financial statements, we have changed the format and layout in order to make them less complex and more relevant to shareholders.

Each note sets out the relevant accounting policy applied in producing the note together with any key judgements and estimates used. The purpose of these changes is to provide readers with a clearer understanding of what drives the financial performance and position of the Group. As part of this exercise a number of balances (including the prior year comparatives) have been disaggregated and shown separately on the Consolidated Statement of Profit or Loss and Comprehensive Income and the Consolidated Statement of Financial Position.

The impact of the change to disclosed balance sheet categories in the Consolidated Statement of Financial Position in the prior year is as follows:

| | RESTATED 2014 \$000 | REPORTED 2014 \$000 |
|------------------------------------|------------------------------------|------------------------------------|
| Trade and other receivables | 324,243 | 332,813 |
| Prepayments | 8,570 | - |
| Trade and other payables | 336,308 | 339,116 |
| Derivative financial instruments | 2,808 | - |
| Current provisions | - | 16,716 |
| Employee benefits | 16,145 | - |
| Make good provision | 390 | - |
| Deferred consideration | 181 | - |
| Non-current provisions | - | 3,612 |
| Employee benefits | 3,129 | - |
| Make good provision | 197 | - |
| Deferred consideration | 286 | - |

Ruralco Holdings Limited
ABN 40 009 660 879
Notes to the Consolidated Financial Statements
For the Year Ended 30 September 2015

Note 2: Basis of accounting (continued)

(b) Basis of preparation

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

The consolidated financial statements were authorised for issue by the Board of Directors on 17 November 2015.

(i) Historical cost convention

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

(ii) Rounding

The Company is of a kind referred to in Class order 98/100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to "rounding off" of amounts in the financial statements. Amounts in these consolidated financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar unless otherwise stated.

(iii) Critical accounting estimates and judgements

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

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

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

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

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

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

(iv) Fair value

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

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

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

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Note 2: Basis of accounting (continued)

(b) Basis of preparation (continued)

(iv) Fair value (continued)

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

- Land, buildings and held for sale assets (note 9)
- Livestock - biological assets (note 8)
- Acquisition of subsidiaries (note 20)
- Financial instruments (note 11)

(c) Accounting policies

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

(i) Changes in accounting policy

Except as described below, the accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 September 2014.

(ii) Foreign currencies

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

Where Group companies based in Australia transact in foreign currencies, these transactions are translated into Australian dollars at the exchange rate on the transaction date. Foreign currency monetary assets and liabilities are translated into Australian dollars at the year-end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss is recognised in profit or loss. Non-monetary assets and liabilities measured at historical cost are translated into Australian dollars at the exchange rate on the date of the transaction.

(iii) Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement captions in the statement of financial position in accordance with AASB 139 Financial Instruments:

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

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

(iv) Recognition and derecognition of financial assets and liabilities

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

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Note 2: Basis of accounting (continued)

(c) Accounting policies (continued)

(v) Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective or available for early adoption for annual periods beginning after 1 October 2014, and have not been applied in preparing these consolidated financial statements. Those that may be relevant to the Group are set out below. The Group does not currently plan to adopt these standards early.

| Standards and interpretations not yet adopted | Effective date for Group | Key requirements and likely impact |
|---|--------------------------|--|
| AASB 9 Financial Instruments | 30 September 2019 | <p>AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement.</p> <p>AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets such as trade receivables, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.</p> <p>The Group has yet to complete its assessment of the potential impact on its consolidated financial statements resulting from the application of AASB 9 but initial assessment indicates that the adoption of the standard will have an impact on the methodology applied by the Group in calculating its provision for bad debts.</p> |

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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Note 3: Revenue

Accounting policy

Revenue is measured at the amount received or receivable from the customer, net of GST, returns, rebates, allowances, duties and taxes paid. Revenue recognition is not considered to be a critical area of judgement and estimate for the Group.

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

(i) Sale of goods and biological assets

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

(ii) Service and commission revenue

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

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

(iii) Interest and sundry revenue

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

Revenue is comprised of the following:

| | 2015 | 2014 |
|---------------------------|------------------|------------------|
| | \$'000 | \$'000 |
| Sale of goods | 1,284,987 | 1,186,905 |
| Sale of biological assets | 187,649 | 56,886 |
| Rendering of services | 117,596 | 102,104 |
| Interest revenue | 6,141 | 7,176 |
| Sundry revenue | 3,489 | 2,816 |
| | <u>1,599,862</u> | <u>1,355,887</u> |

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Note 4: Income tax

Accounting policy

(i) Income tax expense

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

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

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

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

(ii) Tax consolidated group

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

Critical accounting estimates and judgements

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

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

(a) Income tax expense

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

| | 2015 \$'000 | 2014 \$'000 |
|---|----------------|----------------|
| Current tax expense | | |
| Current period | 9,508 | 6,724 |
| Adjustments for prior years | 54 | (47) |
| | <u>9,562</u> | <u>6,677</u> |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | (402) | 372 |
| | <u>(402)</u> | <u>372</u> |
| Income tax expense | <u>9,160</u> | <u>7,049</u> |

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

Reconciliation of income tax expense to prima facie tax payable

| | | |
|--|--------------|--------------|
| Profit for the period before tax | 27,982 | 21,271 |
| Prima facie tax at 30% (2014: 30%) | 8,395 | 6,381 |
| Adjusted for: | | |
| Non-controlling interest share of trust profit | 184 | (75) |
| Other | 581 | 743 |
| | <u>9,160</u> | <u>7,049</u> |

Ruralco Holdings Limited and Controlled Entities
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Note 4: Income tax (continued)

(b) Movements in deferred tax balances

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

| | At 1 October \$'000 | Recognised in profit or loss \$'000 | Recognised in other comprehensive income \$'000 | Recognised directly in equity \$'000 | Acquired in business combination \$'000 | At 30 September \$'000 |
|---------------------------------|------------------------|---|---|--|--|------------------------------|
| 2015 | | | | | | |
| Deferred tax assets | | | | | | |
| Provisions | 5,650 | 3,285 | - | - | - | 8,935 |
| Accruals | 1,610 | - | - | - | - | 1,610 |
| Property, plant and equipment | 446 | (5) | - | - | - | 441 |
| Inventory | 1,184 | (665) | - | - | - | 519 |
| Performance rights | 608 | 345 | - | - | - | 953 |
| Tax losses carried forward | 264 | 393 | - | - | - | 657 |
| Other | 3,527 | (1,875) | 701 | - | - | 2,353 |
| | <u>13,289</u> | <u>1,478</u> | <u>701</u> | <u>-</u> | <u>-</u> | <u>15,468</u> |
| Deferred tax liabilities | | | | | | |
| Property, plant and equipment | (1,901) | 11 | 448 | - | - | (1,442) |
| Equity accounted investments | (1,327) | (189) | - | - | - | (1,516) |
| Intangibles | (4,006) | (52) | - | - | - | (4,058) |
| Other | (656) | (846) | - | - | - | (1,502) |
| | <u>(7,890)</u> | <u>(1,076)</u> | <u>448</u> | <u>-</u> | <u>-</u> | <u>(8,518)</u> |
| Total | 5,399 | 402 | 1,149 | - | - | 6,950 |
| 2014 | | | | | | |
| Deferred tax assets | | | | | | |
| Provisions | 4,715 | 935 | - | - | - | 5,650 |
| Accruals | 722 | 888 | - | - | - | 1,610 |
| Property, plant and equipment | 702 | (256) | - | - | - | 446 |
| Inventory | 807 | 377 | - | - | - | 1,184 |
| Tax losses carried forward | 549 | (285) | - | - | - | 264 |
| Intangibles | 52 | (52) | - | - | - | - |
| Investments | 1,919 | (1,919) | - | - | - | - |
| Other | 2,670 | 2,274 | (809) | - | - | 4,135 |
| | <u>12,136</u> | <u>1,962</u> | <u>(809)</u> | <u>-</u> | <u>-</u> | <u>13,289</u> |
| Deferred tax liabilities | | | | | | |
| Property, plant and equipment | (2,356) | 455 | - | - | - | (1,901) |
| Equity accounted investments | (2,099) | 772 | - | - | - | (1,327) |
| Intangibles | (3,997) | (2,425) | - | - | 2,416 | (4,006) |
| Other | (163) | (1,136) | - | 643 | - | (656) |
| | <u>(8,615)</u> | <u>(2,334)</u> | <u>-</u> | <u>643</u> | <u>2,416</u> | <u>(7,890)</u> |
| Total | 3,521 | (372) | (809) | 643 | 2,416 | 5,399 |

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Note 5: Earnings per share

Accounting policy

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

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

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

| | 2015 | 2014 |
|--|-------------------|-------------------|
| | \$'000 | \$'000 |
| Reconciliation of earnings to profit and loss | | |
| Profit for the year | 18,822 | 14,222 |
| Less profit attributable to non-controlling interests | (4,765) | (3,657) |
| Earnings used to calculate basic and diluted EPS | <u>14,057</u> | <u>10,565</u> |
| | | |
| | No. | No. |
| Weighted average number of shares used as a denominator | | |
| Weighted average number of ordinary shares in issue | <u>77,949,356</u> | <u>69,186,043</u> |

Diluted earnings per share

The calculation of diluted earnings per share at 30 September 2015 did not include any further adjustment for the effect of potential dilutive ordinary shares.

Earnings per share (cents per share)

| | | |
|-----------|-------|-------|
| - Basic | 18.03 | 15.27 |
| - Diluted | 18.03 | 15.27 |

Ruralco Holdings Limited and Controlled Entities
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Note 6: Trade and other receivables

Accounting policy

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

Critical accounting estimates and judgements

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

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

(a) Balance at year end

Trade and other receivables can be analysed as follows:

| | 2015 | 2014 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Current | | |
| Trade receivables | 354,069 | 303,560 |
| Amounts receivable from related parties | 683 | 1,454 |
| Other receivables | 13,964 | 19,229 |
| | <u>368,716</u> | <u>324,243</u> |
| Non-current | | |
| Amounts receivable from related parties | <u>4</u> | <u>7</u> |

(b) Trade receivables ageing

| | Gross | Impairment | Gross | Impairment |
|------------------------------|----------------|-------------------|----------------|-------------------|
| | 2015 | 2015 | 2014 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Not past due | 314,705 | (30) | 271,753 | - |
| Past due 0-30 days | 22,482 | (116) | 13,606 | - |
| Past due 31 - 90 days | 3,473 | (261) | 8,640 | (999) |
| Past due 90 days to one year | 13,371 | (3,163) | 11,778 | (1,536) |
| More than one year | 6,899 | (3,291) | 1,154 | (836) |
| | <u>360,930</u> | <u>(6,861)</u> | <u>306,931</u> | <u>(3,371)</u> |

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

| | 2015 | 2014 |
|--------------------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Balance at the beginning of the year | (3,371) | (4,440) |
| Increase to provision | (5,315) | (1,218) |
| Amount charged against provision | 1,825 | 2,287 |
| Balance at the end of the year | <u>(6,861)</u> | <u>(3,371)</u> |

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.

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Note 7: Inventories

Accounting policy

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

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

Critical accounting estimates and judgements

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

| | 2015 | 2014 |
|----------------|----------------|----------------|
| | \$'000 | \$'000 |
| Finished goods | <u>111,015</u> | <u>101,040</u> |

The balance of finished goods above is net of a provision for slow moving and obsolete stock of \$3,658,392 (2014: \$3,946,291).

Inventory write downs

| | | |
|--|------------|------------|
| Inventory write downs included in cost of goods sold | <u>957</u> | <u>799</u> |
|--|------------|------------|

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Note 8: Biological assets

Accounting policy

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

Critical accounting estimates and judgements

Cattle fair value is based on the market price of livestock of a similar age, weight, breed and genetic make-up and is determined by obtaining prevailing indicative prices from one or more brokers and then taking the average. As these prices are observable, they are deemed Level 2 inputs.

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

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

| | 2015 | 2014 |
|---|---------------|---------------|
| The fair value of livestock recognised at year end is as follows: | | |
| | \$'000 | \$'000 |
| Livestock | 8,863 | 7,526 |

At 30 September 2015 the Group held 10,554 head of cattle (2014: 7,230).

Reconciliation of carrying amount

| | | |
|---|--------------|--------------|
| Balance at the beginning of the year | 7,526 | - |
| Increase due to purchases | 121,120 | 38,163 |
| Gain/(loss) arising from the changes in fair value less costs to sell | (1,611) | 248 |
| Decrease attributable to sales | (117,620) | (30,873) |
| Other | (552) | (12) |
| | <u>8,863</u> | <u>7,526</u> |

Asset deterioration or loss risk

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

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Note 9: Property, plant and equipment

Accounting policy

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

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

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

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

Freehold buildings: 25-50 years

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

Plant and equipment: 3 to 20 years

Critical accounting estimates and judgements

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

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

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

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Note 9: Property, plant and equipment (continued)

Movements in carrying amounts

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

| | Land | Buildings | Leasehold improvements | Plant and equipment | Capital work in progress | Total |
|--|--------------|---------------|---------------------------|------------------------|--------------------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cost or Fair value | | | | | | |
| 1 October 2013 | 9,992 | 15,470 | 3,550 | 37,215 | 408 | 66,635 |
| Additions | 139 | 12 | 505 | 4,417 | 3,005 | 8,078 |
| Assets acquired in business combinations | - | - | 2,460 | 892 | - | 3,352 |
| Transfer (to)/from assets held for sale | (2,200) | (1,737) | - | - | - | (3,937) |
| Disposals | - | (2) | (128) | (2,666) | - | (2,796) |
| Revaluation of assets | (10) | (932) | - | - | - | (942) |
| Transfers from CWIP | - | 3,014 | 162 | 138 | (3,314) | - |
| Reclassifications | - | 183 | (211) | (431) | - | (459) |
| 30 September 2014 | 7,921 | 16,008 | 6,338 | 39,565 | 99 | 69,931 |
| Additions | - | 14 | 1,150 | 4,455 | 449 | 6,068 |
| Assets acquired in business combinations | - | - | - | 937 | - | 937 |
| Transfer (to)/from assets held for sale | (1,480) | (135) | - | - | - | (1,615) |
| Disposals | - | (909) | (657) | (6,940) | (13) | (8,519) |
| Revaluation of assets | 42 | (1,063) | - | (267) | - | (1,288) |
| Transfers from CWIP | - | - | 216 | 255 | (471) | - |
| Reclassifications | (282) | 209 | - | 73 | - | - |
| 30 September 2015 | 6,201 | 14,124 | 7,047 | 38,078 | 64 | 65,514 |
| Depreciation | | | | | | |
| 1 October 2013 | - | (587) | (1,887) | (22,623) | - | (25,097) |
| Transfer to/(from) assets held for sale | - | 97 | - | - | - | 97 |
| Disposals | - | - | 116 | 2,304 | - | 2,420 |
| Depreciation expense | - | (158) | (689) | (3,689) | - | (4,536) |
| Reclassifications | - | (99) | (1,128) | 1,227 | - | - |
| 30 September 2014 | - | (747) | (3,588) | (22,781) | - | (27,116) |
| Disposals during the year | - | 814 | 438 | 5,241 | - | 6,493 |
| Depreciation expense | - | (187) | (923) | (3,917) | - | (5,027) |
| 30 September 2015 | - | (120) | (4,073) | (21,457) | - | (25,650) |
| Net book value | | | | | | |
| 30 September 2014 | 7,921 | 15,261 | 2,750 | 16,784 | 99 | 42,815 |
| 30 September 2015 | 6,201 | 14,004 | 2,974 | 16,621 | 64 | 39,864 |

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Note 10: Intangible assets

Accounting policy

(i) Goodwill

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

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

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

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

(ii) Other intangible assets

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

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

Critical accounting estimates and judgements

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

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

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Note 10: Intangible assets (continued)

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

| | Goodwill | Brand names | Customer relationships | IT development & software | Patents and licences | Rent rolls | Capital work in progress | Total |
|--|----------------|---------------|------------------------|---------------------------|----------------------|--------------|--------------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cost | | | | | | | | |
| 1 October 2013 | 58,460 | 14,400 | 3,800 | 13,068 | 2 | 110 | 20 | 89,860 |
| Additions | - | - | - | 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 |
| Reclassifications | (117) | - | - | 459 | - | 117 | - | 459 |
| Disposals | - | - | - | (153) | - | (117) | (5) | (275) |
| 30 September 2014 | <u>98,076</u> | <u>15,049</u> | <u>5,490</u> | <u>16,680</u> | <u>2</u> | <u>110</u> | <u>489</u> | <u>135,896</u> |
| Additions | - | - | - | 2,408 | 4 | - | 2,815 | 5,227 |
| Transfers from CWIP | - | - | - | 426 | - | - | (426) | - |
| Assets acquired in business combinations | 8,827 | 249 | 303 | - | - | 1,296 | - | 10,675 |
| Disposals | (113) | - | - | (211) | - | - | (62) | (386) |
| 30 September 2015 | <u>106,790</u> | <u>15,298</u> | <u>5,793</u> | <u>19,303</u> | <u>6</u> | <u>1,406</u> | <u>2,816</u> | <u>151,412</u> |
| Amortisation | | | | | | | | |
| 1 October 2013 | (1,255) | - | (1,510) | (8,232) | - | (12) | - | (11,009) |
| Amortisation charge | - | - | (667) | (2,240) | - | (2) | - | (2,909) |
| 30 September 2014 | <u>(1,255)</u> | <u>-</u> | <u>(2,177)</u> | <u>(10,472)</u> | <u>-</u> | <u>(14)</u> | <u>-</u> | <u>(13,918)</u> |
| Amortisation charge | - | - | (869) | (2,396) | - | (5) | - | (3,270) |
| 30 September 2015 | <u>(1,255)</u> | <u>-</u> | <u>(3,046)</u> | <u>(12,868)</u> | <u>-</u> | <u>(19)</u> | <u>-</u> | <u>(17,188)</u> |
| Net book value | | | | | | | | |
| 30 September 2014 | <u>96,821</u> | <u>15,049</u> | <u>3,313</u> | <u>6,208</u> | <u>2</u> | <u>96</u> | <u>489</u> | <u>121,978</u> |
| 30 September 2015 | <u>105,535</u> | <u>15,298</u> | <u>2,747</u> | <u>6,435</u> | <u>6</u> | <u>1,387</u> | <u>2,816</u> | <u>134,224</u> |

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Note 10: Intangible assets (continued)

Impairment testing

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

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

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

| | 2015 \$'000 | 2014 Restated \$'000 |
|---|----------------|-------------------------|
| Goodwill | | |
| Combined Rural Traders (CRT) | 12,051 | 12,051 |
| Mainland Operations | 73,313 | 70,657 |
| Tasmanian Operations | 4,848 | 4,434 |
| Financial Services (formerly Sector Operations) | 301 | 1,426 |
| Water Services | 15,022 | 8,253 |
| | <u>105,535</u> | <u>96,821</u> |
| Brand names | | |
| Combined Rural Traders (CRT) | 14,400 | 14,400 |
| Mainland Operations | 512 | 512 |
| Water Services | 386 | 137 |
| | <u>15,298</u> | <u>15,049</u> |

During the year management finalised the allocation of \$41 million of goodwill and intangibles arising from the Total Eden acquisition that occurred in the prior year. Allocation was made on a relative value basis. The result was the allocation of \$32.6 million to the Mainland Operations CGU and \$8.4 million allocated to a new Water Services CGU. The comparative split above has been restated to reflect this allocation.

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

| Key assumption | Description |
|---------------------|--|
| Cash flow forecasts | Cash flow projections for a 5 year period used based on Board approved budget for FY16 and calculated forecasts for FY17 to FY20 primarily by using FY16 as a base and then adopting a growth rate of nil to 3% per annum to derive such figures. |
| Growth rates | Growth rates used in the financial projections are based on the Group's expectations for future performance and do not normally exceed the long-term growth rate for the business in which each CGU operates. Average annual growth rates range between nil and 3% per annum (2014: nil and 3% per annum). |
| Terminal values | Terminal values calculated after year 5 have been determined using the Gordon Growth model having regard to the weighted average cost of capital (WACC) below and a terminal growth rate of 2.5% (2014: 2.5%). |
| Discount rates | Pre tax WACC of 11.5% to 14.6% (2014: 14.3% to 14.65%), reflecting the risk estimates from a market perspective for the various CGUs. |

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

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Note 11: Financial liabilities

Accounting policy

(i) Trade and other payables

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

(ii) Loans and borrowings

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

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

(iii) Derivative financial instruments

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

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

Critical accounting estimates and judgements

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

(a) Balance at year end

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

| | | 2015 | 2014 |
|--------------------------------------|-------------|----------------|----------------|
| | Note | \$'000 | \$'000 |
| Current | | | |
| Trade and other payables: | | | |
| Trade payables | | 267,626 | 288,852 |
| Sundry payables and accrued expenses | | 107,236 | 47,456 |
| | | <u>374,862</u> | <u>336,308</u> |
| Derivative financial liabilities | | 1,681 | 2,808 |
| Loans and borrowings: | | | |
| Bank overdraft | 17 | 1,869 | - |
| Bank loans | | 52,000 | 27,000 |
| Other loans | | 2,104 | 1,919 |
| Loans from related parties | | 1,737 | 1,627 |
| Deposit book | | - | 5,893 |
| Finance lease liabilities | 14(b) | 1,029 | 1,234 |
| | | <u>58,739</u> | <u>37,673</u> |
| | | <u>435,282</u> | <u>376,789</u> |
| Non-current | | | |
| Loans and borrowings: | | | |
| Bank loans | | - | 24,375 |
| Deposit book | | - | 1,440 |
| Finance lease liabilities | 14(b) | 1,050 | 1,344 |
| | | <u>1,050</u> | <u>27,159</u> |

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Note 11: Financial liabilities (continued)

(b) Bank facilities

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

2015

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

During the year the Group's bank facilities were re-negotiated under the Bilateral Financier's Facility Agreement. The Cash Advance Facility was repaid in full in July and converted to a Multi Option Facility with a limit of \$60 million in total. This facility is an interchangeable revolving facility of overdraft and working capital that can be drawn at any time and is subject to annual review.

In addition, a new \$150 million debtor securitisation programme was also agreed and commenced in July 2015 with the securitisation of certain eligible merchandise and livestock agency trade receivables, the proceeds from which are used to pay down the debt drawn. The debtor securitisation facility is a rolling 12 month facility, which is subject to annual review.

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

The main financial covenants that the Group is subject to under these new facilities are an Interest Cover Ratio and Tangible Net Worth hurdle amount. Financial covenants testing is undertaken and reported to the Board on a monthly basis. Reporting to the financiers occurs quarterly. The Group was in compliance with all its financial covenants throughout the financial year.

2014

| Facility (\$000) | Maturity | Facility limit | Utilised |
|---------------------------------|-----------------|-----------------------|-----------------|
| Multi option facility | Mar-15 | 100,000 | 27,000 |
| Cash advance facility | Mar-16 | 100,000 | 22,000 |
| NAB business flexible rate loan | Jun-15 | 2,375 | 2,375 |

The Group's Multi-Option Facility and Cash Advance Facility operated under a Bilateral Financier's Facility Agreement. These facilities were committed with a guarantor group arrangement and security over the parent company and three subsidiaries.

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

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

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Note 11: Financial liabilities (continued)

(c) Carrying value vs fair value

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

| | At 30 September 2015 | | At 30 September 2014 | |
|----------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|
| | Carrying amount \$'000 | Level 2 Fair value \$'000 | Carrying amount \$'000 | Level 2 Fair value \$'000 |
| Financial liabilities | | | | |
| Bank overdraft | 1,869 | 1,869 | - | - |
| Bank loans | 52,000 | 52,000 | 51,375 | 51,189 |
| Derivative financial instruments | 1,681 | 1,681 | 2,808 | 2,808 |
| Deposit book | - | - | 7,333 | 7,330 |
| Finance lease liability | 2,079 | 1,949 | 2,388 | 2,195 |
| | <u>57,629</u> | <u>57,499</u> | <u>63,904</u> | <u>63,522</u> |

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Note 12: Issued capital and reserves

Accounting policy

(i) Ordinary shares

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

(ii) Treasury shares

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

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

(a) Issued capital

Movement in number of issued shares:

| | 2015 No. of shares | 2014 No. of shares |
|--|-----------------------------------|-----------------------------------|
| Ordinary shares fully paid | 78,531,866 | 77,291,069 |
| The movement in fully paid ordinary shares are outlined below: | | |
| Balance at the beginning of the year | 77,291,069 | 55,019,284 |
| Shares issued during the year | 1,240,797 | 22,271,785 |
| Balance at the end of the year | <u>78,531,866</u> | <u>77,291,069</u> |
| | 2015 \$'000 | 2014 \$'000 |
| Ordinary shares fully paid | <u>170,731</u> | <u>166,289</u> |

(b) Nature and purpose of reserves

Total equity of the Group includes the following reserves:

| | 2015 \$'000 | 2014 \$'000 |
|--------------------------------------|------------------------|------------------------|
| Capital profits reserve | 2,179 | 2,179 |
| Asset revaluation reserve | 4,383 | 7,110 |
| Cash flow hedge reserve | (905) | (1,963) |
| General reserve | 2,800 | 2,800 |
| Foreign currency translation reserve | 75 | 8 |
| Share based payments reserve | 3,993 | 2,357 |
| Reserve for own shares | (2,067) | (1,699) |
| | <u>10,458</u> | <u>10,792</u> |

Nature and purpose of reserves:

- (i) Capital profits reserve
The capital profits reserve was 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 forward foreign exchange contracts are captured in the cash flow hedge reserve.
- (iv) General reserve
The general reserve was established to accumulate profits.
- (v) Foreign currency translation reserve
Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.
- (vi) Share based payments reserve
The share based payments reserve is used to recognise the fair values of performance rights granted to the Managing Director, Executives and senior management but not vested and exercised yet.
- (vii) Reserve for own shares
Treasury shares are the Company's own shares, which are held in trust for employees in a special purpose entity. At 30 September 2015, the Group held 360,715 (2014: 398,914) of the Company's shares.

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Note 13: Managing capital

(a) Capital risk management

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

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

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

During 2015 the Group's strategy was to maintain a gearing ratio of not more than 40%. As at 30 September 2015 and 30 September 2014, the gearing ratios were as follows:

| | Note | 2015 \$'000 | 2014 \$'000 |
|---------------------------------|-------------|------------------------|------------------------|
| Total borrowings | 11 | 59,789 | 64,832 |
| Less: cash and cash equivalents | 17 | (677) | (26,890) |
| Net debt | | 59,112 | 37,942 |
| Total equity | | 222,473 | 221,968 |
| Total debt and equity | | 281,585 | 259,910 |
| Gearing ratio | | 21.0% | 14.6% |

(b) Dividends

Accounting policy

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

| | 2015 \$'000 | 2014 \$'000 |
|---|------------------------|------------------------|
| Dividends paid during the year to owners of the Company | | |
| Final franked dividend for the year ended 30 September 2014 of 8 cents per fully paid share paid on 14 January 2015 (2014: 10 cents in respect of the year ended 30 September 2013) | 6,111 | 5,471 |
| Interim franked dividend for the year ended 30 September 2015 of 8 cents per fully paid share paid on 26 June 2015 (2014: 10 cents in respect of the year ended 30 September 2014) | 7,009 | 6,183 |
| | <u>13,120</u> | <u>11,654</u> |

Franked dividends declared or paid during the year were franked at the tax rate of 30% (2014: 30%).

| | | |
|---|--------------|--------------|
| Dividends not recognised at year end | <u>5,497</u> | <u>6,183</u> |
|---|--------------|--------------|

Since the year end, the directors recommended the payment of a final franked dividend to Ruralco Holdings Limited shareholders of 7 cents per fully paid ordinary share (2014: 8 cents). The aggregate amount of the proposed dividend, expected to be paid on 18 December 2015 out of 2015 profits, but not recognised as a liability at year end is \$5,497,231.

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Note 13: Managing capital (continued)

(b) Dividends (continued)

Dividend franking account balance

The amounts of franking credits calculated at 30% (2014: 30%) available for subsequent financial years are:

| | 2015 | 2014 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Franking account balance at the end of the financial year | 23,093 | 22,152 |

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

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

The ability to utilise the franking credits is dependent upon the Group's ability to declare dividends. The impact on the dividend franking account of dividends proposed after the balance date but not recognised as a liability is to reduce it by \$2,355,956 (2014: \$2,649,980).

Dividend reinvestment plan

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

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Note 14: Capital and leasing commitments

Accounting policy

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

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

(a) Operating lease commitments

Leases as lessee

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

| | 2015 | 2014 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Future minimum payments under non-cancellable operating leases are as follows: | | |
| Less than one year | 23,012 | 21,615 |
| Between one and five years | 37,318 | 36,648 |
| More than five years | 4,516 | 2,485 |
| | <u>64,846</u> | <u>60,748</u> |

The lease expense recognised in the statement of profit or loss and comprehensive income in "property and equipment expenses" during the year in respect of operating leases is \$25,431,001 (2014: \$21,436,224).

Leases as lessor

The Group leases space in 4 of its warehouses and 10 office spaces for periods up to 4 years.

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

| | | |
|----------------------------|--------------|--------------|
| Less than one year | 1,755 | 2,083 |
| Between one and five years | 4,668 | 6,320 |
| | <u>6,423</u> | <u>8,403</u> |

The lease income recognised in the statement of profit or loss and comprehensive income in "sundry revenue" during the year in respect of operating leases is \$2,379,375 (2014: \$2,494,101).

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Note 14: Capital and leasing commitments (continued)

(b) Finance lease commitments

| | | 2015 \$'000 | 2014 \$'000 |
|--|-------------|----------------|----------------|
| The Group has finance lease commitments for motor vehicles payable as follows: | | | |
| | Note | | |
| Less than one year | | 1,087 | 1,363 |
| Between one and five years | | 1,109 | 1,429 |
| | | <u>2,196</u> | <u>2,792</u> |
| Future finance charges | | (117) | (214) |
| Total lease liabilities | | <u>2,079</u> | <u>2,578</u> |
| Representing lease liabilities: | | | |
| Current | 11 | 1,029 | 1,234 |
| Non-current | 11 | 1,050 | 1,344 |
| | | <u>2,079</u> | <u>2,578</u> |

(c) Capital and other commitments

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

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

| | | |
|-------------------------------|---------------|---------------|
| Livestock related commitments | 11,835 | 13,390 |
| Freight related commitments | 8,283 | 7,509 |
| | <u>20,118</u> | <u>20,899</u> |

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Note 15: Contingent liabilities

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

| | 2015 | 2014 |
|------------|---------------|---------------|
| | \$'000 | \$'000 |
| Guarantees | 26,403 | 10,012 |

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

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Note 16: Segment reporting

Accounting policy

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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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 to 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, related party loans and prepayments), head office expenses, income taxes and deferred tax assets and liabilities.

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

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

The Group comprises the following reportable segments:

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

| | Rural Services | | Financial services | | Reconciling items | | Total | |
|---|-----------------------|---------------|---------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Results | | | | | | | | |
| External revenues | 1,590,906 | 1,347,241 | 2,815 | 1,470 | - | - | 1,593,721 | 1,348,711 |
| Interest revenue | 6,131 | 6,724 | 10 | 452 | - | - | 6,141 | 7,176 |
| Segment revenue | 1,597,037 | 1,353,965 | 2,825 | 1,922 | - | - | 1,599,862 | 1,355,887 |
| Segment profit/(loss) before income tax | 66,542 | 61,916 | (1,549) | 370 | - | - | 64,993 | 62,286 |
| Unallocated expenses | | | | | | | | |
| Corporate overheads | | | | | | | (28,755) | (33,715) |
| Results from operating activities | | | | | | | 36,238 | 28,571 |
| Interest expense | (4,248) | (3,553) | (416) | (1,600) | - | - | (4,664) | (5,153) |
| Corporate finance costs | | | | | | | (4,420) | (3,085) |
| Share of net profit of equity accounted investees | 828 | 938 | - | - | - | - | 828 | 938 |
| Income tax expense | | | | | | | (9,160) | (7,049) |
| Profit for the period | | | | | | | 18,822 | 14,222 |
| Assets | | | | | | | | |
| Segment assets | 526,867 | 683,188 | 1,060 | 606 | - | (78,991) | 527,927 | 604,803 |
| Investment in associates & joint ventures | 8,916 | 8,653 | - | - | - | - | 8,916 | 8,653 |
| Unallocated assets | | | | | | | 161,283 | 43,534 |
| Total Assets | | | | | | | 698,126 | 656,990 |
| Liabilities | | | | | | | | |
| Segment liabilities | 402,648 | 410,431 | 411 | 90 | - | (27,424) | 403,059 | 383,097 |
| Unallocated liabilities | | | | | | | 72,594 | 51,925 |
| Total Liabilities | | | | | | | 475,653 | 435,022 |
| Other segment information | | | | | | | | |
| Acquisitions of non-current segment assets | 12,714 | 57,809 | - | 7 | - | - | 12,714 | 57,816 |
| Depreciation and amortisation of segment assets | 8,282 | 7,431 | 15 | 14 | - | - | 8,297 | 7,445 |

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

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Notes to the Consolidated Financial Statements
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Note 17: Cash flow information

Total cash and cash equivalents is broken down as follows:

| | Note | 2015 \$'000 | 2014 \$'000 |
|-----------------------------------|------|----------------|----------------|
| Cash on hand | | 117 | 113 |
| Cash at bank | | 560 | 26,777 |
| Cash and cash equivalents | | <u>677</u> | <u>26,890</u> |
| Bank overdraft | 11 | (1,869) | - |
| Total cash at the end of the year | | <u>(1,192)</u> | <u>26,890</u> |

Reconciliation of cash flow from operations with net profit:

| | | |
|----------------------|---------------|---------------|
| Net profit after tax | <u>18,822</u> | <u>14,222</u> |
|----------------------|---------------|---------------|

Non-cash and non-operating items in profit from ordinary activities

| | | |
|--|-------|---------|
| Depreciation and amortisation | 8,297 | 7,445 |
| Provision for impairment of receivables | 3,490 | (1,069) |
| Provision for make good | (204) | (143) |
| Bank charges | 869 | - |
| Interest | 81 | - |
| Share based payment expense | 1,636 | 1,073 |
| Loss on disposal of equity accounted investment | - | 408 |
| Revaluation of property plant and equipment (through profit or loss) | 170 | - |
| Loss on disposal of other investments | - | 49 |
| Loss / (profit) on sale of property, plant and equipment | 224 | (205) |
| Loss on disposal of intangible assets | 264 | 322 |
| Share of associated entities profits not received as distributions | (828) | (938) |
| Dividend income reclassified as investment income | (65) | (109) |

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

| | | |
|--|----------------------|----------------------|
| (Increase) / decrease in trade and other receivables | (41,985) | (5,132) |
| (Increase) / decrease in inventories and biological assets | (10,785) | (2,030) |
| Increase / (decrease) in trade and other payables | 2,121 | (2,730) |
| Increase / (decrease) in current and deferred taxes | 920 | 5,281 |
| Increase / (decrease) in employee benefits provision | 1,070 | (4,431) |
| Increase / (decrease) in provisions and other liabilities | 33,795 | 5,673 |
| Net cash flows from operating activities | <u>17,892</u> | <u>17,686</u> |

Ruralco Holdings Limited and Controlled Entities
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For the Year Ended 30 September 2015

Note 18: Employee benefits

Accounting policy

(i) Short-term benefits

Wages and salaries, annual leave and sick leave

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

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

(ii) Long-term benefits

Long service leave

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

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

(iii) Retirement benefits obligations

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

(iv) Termination benefits

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

(v) Share-based payments

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

Ruralco Holdings Limited and Controlled Entities
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Notes to the Consolidated Financial Statements
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Note 18: Employee benefits (continued)

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

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

| | 2015 | 2014 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Personnel expenses | | |
| Salaries and wages | 138,101 | 119,032 |
| Contributions to defined contribution plans | 12,664 | 10,789 |
| Share based payments (equity settled) | 1,636 | 1,073 |
| Termination benefits | 1,564 | 1,078 |
| Payroll tax | 8,480 | 7,052 |
| Other personnel expenses | 6,301 | 5,913 |
| Total personnel expenses | <u>168,746</u> | <u>144,937</u> |

Employee benefit provisions recognised at balance date are as follows:

Current - employee benefits

| | | |
|--------------------|---------------|---------------|
| Annual leave | 9,286 | 8,913 |
| Long service leave | 7,818 | 7,232 |
| | <u>17,104</u> | <u>16,145</u> |

Non-current - employee benefits

| | | |
|--------------------|--------------|--------------|
| Long service leave | <u>3,240</u> | <u>3,129</u> |
|--------------------|--------------|--------------|

Ruralco Holdings Limited and Controlled Entities
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For the Year Ended 30 September 2015

Note 18: Employee benefits (continued)

(b) Share based payment arrangements

Accounting policy

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

Description of share based payment arrangements

The Ruralco Limited Executive Incentive Plan

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

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

Senior management plan

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

Measurement of fair values

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

| Grant date | Vesting date | Share price at grant date | Discount rate | Expected dividend yield | Expected price volatility | S&P/ASX Small | Correlation to Total Return Index | Fair value |
|------------|--------------|------------------------------|---------------|-------------------------------|---------------------------------|--|---|------------|
| | | | | | | Ordinaries Total Return Index volatility | | |
| | | \$ | % | % | % | % | | \$ |
| 1-Oct-11 | 1-Oct-14 | 3.18 | 3.4 | 6.0 | 30 | n/a | n/a | 2.73 |
| 1-Oct-12 | 1-Oct-15 | 3.40 | 2.6 | 6.7 | 30 | n/a | n/a | 2.83 |
| 20-May-14 | 1-Oct-16 | 3.88 | 3.4 | 5.3 | 30 | 15 | 0.08 | 2.41 |
| 1-Oct-14 | 1-Oct-17 | 3.51 | 2.2 | 5.0 | 30 | 15 | 0.06 | 1.97 |

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

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Note 18: Employee benefits (continued)

(c) Share based payment arrangements

Reconciliation of outstanding performance rights

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

| Grant date | Vesting date | Fair value at grant | Opening balance | Granted | Vested | Forfeited | Closing balance |
|-------------|--------------|---------------------|-----------------|---------|-----------|-----------|-----------------|
| 2015 | | | | | | | |
| 1-Oct-11 | 1-Oct-14 | 2.67 | 300,752 | - | (164,578) | (136,174) | - |
| 10-Sep-12 | 30-Sep-15 | 2.86 | 150,000 | - | - | (150,000) | - |
| 1-Oct-12 | 1-Oct-15 | 2.79 | 343,516 | - | (343,516) | - | - |
| 1-Oct-13 | 1-Oct-16 | 2.42 | 475,942 | - | (123,240) | (126,161) | 226,541 |
| 1-Oct-14 | 1-Oct-17 | 1.97 | - | 422,516 | - | (61,959) | 360,557 |
| | | | 1,270,210 | 422,516 | (631,334) | (474,294) | 587,098 |
| 2014 | | | | | | | |
| 1-Oct-10 | 1-Oct-13 | 1.31 | 263,880 | - | (232,355) | (31,525) | - |
| 1-Oct-11 | 1-Oct-14 | 2.67 | 300,752 | - | - | - | 300,752 |
| 10-Sep-12 | 30-Sep-14 | 3.03 | 275,000 | - | (125,000) | - | 150,000 |
| 1-Oct-12 | 1-Oct-15 | 2.79 | 384,664 | - | - | (41,148) | 343,516 |
| 1-Oct-13 | 1-Oct-16 | 2.42 | - | 475,942 | - | - | 475,942 |
| | | | 1,224,296 | 475,942 | (357,355) | (72,673) | 1,270,210 |

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

Expense recognised in profit or loss

As set out in Note 19(a), the total share based payment expense recognised in profit or loss was \$1.6 million (2014: \$1.1 million)

Ruralco Holdings Limited and Controlled Entities
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Notes to the Consolidated Financial Statements
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Note 19: Group composition

Accounting policy

(i) Subsidiaries

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

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

(ii) Non-controlling interests

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

(iii) Changes in the Group's ownership interests

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

(iv) Equity accounted for investees

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

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

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

Critical accounting estimates and judgements

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

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

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

(a) Subsidiaries

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

| | | Percentage Owned (%) | |
|---|---|---------------------------------|-------------|
| | | 2015 | 2014 |
| Ruralco Holdings Limited – Company | * | | |
| A company incorporated in Australia | | | |
| Subsidiaries | | | |
| ACN 103 517 522 Pty Ltd | * | 100.0 | 100.0 |
| Ag Concepts Advisory Pty Ltd | * | 100.0 | - |
| Ag Concepts Unlimited Pty Ltd | * | 100.0 | 50.1 |
| Agritech Rural Pty Ltd | | 50.1 | 50.1 |
| Agritech Unit Trust | | 50.1 | 50.1 |
| Agriwest Rural Pty Ltd | | 51.0 | 51.0 |
| Archards Irrigation Pty Ltd | * | 100.0 | 51.0 |
| B J Underwood Pty Ltd | * | 100.0 | 100.0 |
| BGA AgriServices Pty Ltd | * | 100.0 | 100.0 |
| BR&C Agents Pty Ltd | | 51.0 | 51.0 |
| Combined Rural Traders Pty Ltd | * | 100.0 | 100.0 |
| CQ Ag Services Pty Ltd | | 57.5 | 57.5 |
| Dairy Livestock Services Pty Ltd | | 51.0 | 51.0 |
| Davidson Cameron & Co Dubbo Pty Ltd | * | 100.0 | 100.0 |
| Davidson Cameron & Co. Narrabri Pty Ltd | * | 100.0 | 100.0 |
| Davidson Cameron Clydsdale & Co. Pty Ltd | | 67.0 | 67.0 |
| Davidson Cameron McCulloch Pty Ltd | * | 100.0 | 100.0 |
| Davidson Cameron Pty Ltd | * | 100.0 | 100.0 |
| Farmworks Rural Pty Ltd | * | 100.0 | 100.0 |
| Frontier International Agri Pty Ltd | | 70.0 | 70.0 |
| Frontier International Northern Pty Ltd | | 70.0 | 70.0 |
| GDL Real Estate Pty Ltd | | 64.5 | 72.5 |
| Grant Daniel Long Pty Ltd | | 64.5 | 72.5 |
| Ingham Farm Centre Pty Ltd | * | 100.0 | 100.0 |
| Kimberley Rural Pty Ltd | | 100.0 | 100.0 |
| Merredin Rural Supplies Pty Limited | * | 100.0 | 100.0 |
| National Waterexchange Pty Ltd (formerly CRT Real Estate Pty Ltd) | * | 100.0 | 100.0 |
| North West Farm Equipment Company Pty Ltd | * | 100.0 | 100.0 |
| North Western Rural Pty Ltd | ^ | - | 53.5 |
| Northern Livestock & Property Pty Ltd | | 55.0 | 100.0 |
| Northern Rural Group Pty Ltd | | 60.0 | 60.0 |
| NT Rural Pty Ltd | * | 100.0 | 100.0 |
| Platinum Operations Pty Ltd | | 62.6 | 50.1 |
| Primaries of WA Pty Ltd | * | 100.0 | 100.0 |
| Primaries Property Pty Ltd | * | 100.0 | 100.0 |
| Queensland Rural Pty Ltd (formerly FNQG8 Pty Ltd) | | 55.0 | 55.0 |
| Rahoom Pty Ltd | | 100.0 | 79.1 |
| Rawlinson & Brown Pty Ltd | * | 100.0 | 82.6 |
| Relyon (Australia) Pty Ltd | * | 100.0 | - |
| Roberts Don Mac Pty Ltd | | 50.0 | 50.0 |
| Roberts Hawkins Pty Ltd | | 50.0 | 50.0 |
| Roberts Huon Valley Pty Ltd | | 50.0 | 50.0 |
| Roberts Limited | * | 100.0 | 100.0 |

Ruralco Holdings Limited and Controlled Entities
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Notes to the Consolidated Financial Statements
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Note 19: Group composition (continued)

| (a) Subsidiaries (continued) | | Percentage Owned | |
|---|---|-------------------------|-------------|
| | | (%) | |
| | | 2015 | 2014 |
| Roberts Orford Triabunna Pty Ltd | | 50.0 | 50.0 |
| Roberts Regional North Pty Ltd | | 50.0 | 50.0 |
| Roberts Shearwater Pty Ltd | | 50.0 | 50.0 |
| Rodwells & Co Pty Ltd | * | 100.0 | 100.0 |
| Ruralco Employee Share Plan Pty Ltd | * | 100.0 | 100.0 |
| Ruralco Employee Share Plan Trust | | 100.0 | 100.0 |
| Ruralco Finance Pty Ltd | * | 100.0 | 60.0 |
| Ruralco Insurance Pty Ltd | * | 100.0 | 100.0 |
| Ruralco Water Brokers Pty Ltd | | 70.0 | 70.0 |
| Ruralco Wool Pty Ltd | * | 100.0 | 100.0 |
| RuralSmart Pty Ltd | | 51.0 | 51.0 |
| Saffin Kerr Bowen Pty Ltd | | 63.0 | 63.0 |
| Saffin Kerr Bowen Wilson Pty Ltd | | 63.0 | 63.0 |
| Savage Barker & Backhouse Pty Ltd (formerly Queensland Rural Pty Ltd) | * | 100.0 | 100.0 |
| Southern Australian Livestock Pty Ltd | | 81.7 | 80.8 |
| Stevens Egan Johnston Pty Ltd | | 71.0 | 71.0 |
| Sureseason Australia Pty Ltd | ^ | - | 100.0 |
| Tasmania Farm Equipment Pty Ltd | * | 100.0 | 100.0 |
| Tasmanian Grain Elevators Pty Ltd | * | 100.0 | 100.0 |
| Terra Firma Fertilisers Pty Limited | * | 100.0 | 100.0 |
| Territory Rural McPherson Pty Ltd | | 51.0 | 51.0 |
| Territory Rural Pty Ltd | | 62.7 | 62.7 |
| The Farm Shop (WA) 1999 Pty Ltd | * | 100.0 | 100.0 |
| Total Eden Holdings Pty Ltd | * | 100.0 | 100.0 |
| Total Eden McCrackens Group Pty Ltd | * | 100.0 | 100.0 |
| Total Eden Pty Ltd | * | 100.0 | 100.0 |
| Total Eden NZ Limited | | 100.0 | 100.0 |
| WMG Agriservices Pty Ltd (formerly Macintyre Rural Pty Ltd) | | 61.0 | 53.5 |

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

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

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

Ruralco Holdings Limited and Controlled Entities
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For the Year Ended 30 September 2015

Note 19: Group composition (continued)

(b) Deed of cross guarantee

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

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

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

- Ag Concepts Advisory Pty Ltd included in the closed group on 16 September 2015
- Ag Concepts Unlimited Pty Ltd included in the closed group on 30 September 2015
- Archards Irrigation Pty Ltd included in the closed group on 14 August 2015
- Davidson Cameron & Co Dubbo Pty Ltd included in the closed group on 14 August 2015
- Davidson Cameron & Co. Narrabri Pty Ltd included in the closed group on 14 August 2015
- Davidson Cameron McCulloch Pty Ltd included in the closed group on 14 August 2015
- Davidson Cameron Pty Ltd included in the closed group on 14 August 2015
- Primaries of WA Pty Ltd included in the closed group on 12 January 2015
- Primaries Property Pty Ltd included in the closed group on 14 August 2015
- Rawlinson & Brown Pty Ltd included in the closed group on 30 September 2015
- Relyon (Australia) Pty Ltd included in the closed group on 16 September 2015
- Ruralco Finance Pty Ltd included in the closed group on 16 September 2015
- Ruralco Insurance Pty Ltd included in the closed group on 14 August 2015

Set out below is a summary of the consolidated statement of profit or loss and comprehensive income, and movement in consolidated retained earnings, for the year ended 30 September 2015 and the consolidated statement of financial position as at 30 September 2015 of the Closed Group after eliminating all transactions between members.

| | 2015 | 2014 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Statement of Profit or Loss and Comprehensive Income | | |
| Revenue | 1,295,242 | 1,113,237 |
| Cost of goods sold | (1,072,995) | (940,254) |
| Depreciation expense | (3,801) | (2,667) |
| Amortisation expense | (3,084) | (2,806) |
| Personnel expenses | (128,319) | (91,239) |
| Property and equipment expenses | (22,510) | (14,300) |
| Motor vehicle expenses | (13,298) | (9,510) |
| Marketing and advertising expense | (4,595) | (2,347) |
| Data and telephony expenses | (3,225) | (2,603) |
| Other expenses | (24,272) | (19,468) |
| Finance costs | (8,272) | (13,632) |
| Share of profit of equity accounted for investees | 828 | 869 |
| Profit before income tax | 11,699 | 15,280 |
| Income tax expense | (3,882) | (2,274) |
| Profit after tax | 7,817 | 13,006 |
| Other comprehensive income after tax | (1,415) | 3,851 |
| Total comprehensive income for the year, net of tax | 6,402 | 16,857 |

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Notes to the Consolidated Financial Statements
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Note 19: Group composition (continued)
(b) Deed of cross guarantee (continued)

| | 2015 | 2014 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Statement of Financial Position | | |
| Current assets | | |
| Cash and cash equivalents | - | 20,908 |
| Trade and other receivables | 341,367 | 299,034 |
| Inventories | 75,188 | 65,899 |
| Assets classified as held for sale | 2,700 | 1,750 |
| Total current assets | 419,255 | 387,591 |
| Non-current assets | | |
| Trade and other receivables | - | 7 |
| Investments and other financial assets | 43,763 | 46,860 |
| Property, plant and equipment | 22,493 | 35,249 |
| Deferred tax assets | 11,417 | 9,226 |
| Intangible assets | 110,927 | 89,878 |
| Total non-current assets | 188,600 | 181,220 |
| Total assets | 607,855 | 568,811 |
| Current liabilities | | |
| Trade and other payables | 310,231 | 276,930 |
| Loans and borrowings | 60,490 | 35,512 |
| Current tax liabilities | 2,858 | 2,256 |
| Employee benefits | 13,281 | 11,218 |
| Make good provision | - | 390 |
| Deferred consideration | 504 | 181 |
| Total current liabilities | 387,364 | 326,487 |
| Non-current liabilities | | |
| Loans and borrowings | 461 | 23,440 |
| Deferred tax liability | 8,420 | 7,631 |
| Employee benefits | 2,386 | 2,044 |
| Make good provision | 792 | 197 |
| Deferred consideration | 942 | 285 |
| Total non-current liabilities | 13,001 | 33,597 |
| Total liabilities | 400,365 | 360,084 |
| Net assets | 207,490 | 208,727 |
| Equity | | |
| Share capital | 170,757 | 166,289 |
| Reserves | 12,613 | 12,769 |
| Retained profits | 24,120 | 29,669 |
| Total equity | 207,490 | 208,727 |
| Retained profits at the beginning of the financial year | 29,669 | 29,116 |
| Profit after tax | 7,817 | 13,006 |
| Dividends provided for or paid | (8,634) | (11,654) |
| Transfers (to) / from reserves | (2,052) | - |
| Impact from entrance / (exit) from closed group | (2,680) | - |
| Disposal of instruments held at fair value | - | (799) |
| Retained profits at the end of the financial year | 24,120 | 29,669 |

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Note 19: Group composition (continued)

(c) Parent company

As at, and throughout the financial year ended 30 September 2015 the parent company of the Group was Ruralco Holdings Limited. The results, financial position and specific commitment and contingent liability disclosure is included below.

| | Company | |
|--|----------------|----------------|
| | 2015 | 2014 |
| | \$'000 | \$'000 |
| Result of the parent entity | | |
| Profit for the period after tax | 502 | (2,519) |
| Other comprehensive income | - | 4,496 |
| Total comprehensive income for the period | <u>502</u> | <u>1,977</u> |
| Financial position of the parent entity at year end | | |
| Current assets | 50,681 | 58,928 |
| Total assets | 307,344 | 192,854 |
| Current liabilities | 66,744 | 34,275 |
| Total liabilities | 70,211 | 58,328 |
| Total equity of the parent entity comprising of: | | |
| Share capital | 149,532 | 145,088 |
| Retained earnings | (25,075) | (12,491) |
| Cash flow hedge reserve | - | 26 |
| Share based payments reserve | 2,874 | 1,903 |
| Total equity | <u>127,331</u> | <u>134,526</u> |

Parent entity contingencies

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

Contingent liabilities not considered remote

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

Parent entity guarantees in respect of debts of its subsidiaries

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

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Note 19: Group composition (continued)

(d) Equity accounted investments

Interests are held in the following associates and joint ventures:

| Name | Principal activities | Ownership interest | | Carrying amount of investment using the equity method | |
|--------------------------------------|----------------------|--------------------|-------|---|--------------|
| | | 2015 | 2014 | 2015 | 2014 |
| | | % | % | \$'000 | \$'000 |
| <i>Joint Ventures</i> | | | | | |
| Western Riverina Fertilisers Pty Ltd | Rural merchandising | 50 | 41.29 | 417 | 609 |
| Agfarm Unit Trust | Grain marketing | 50 | 50 | 8,499 | 8,044 |
| | | | | <u>8,916</u> | <u>8,653</u> |

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

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| Balance at beginning of the financial year | 8,653 | 12,929 |
| Share of associated company's net profit after tax | 828 | 938 |
| Dividends | (565) | (723) |
| Disposal during the year | - | (4,491) |
| Balance at end of the financial year | <u>8,916</u> | <u>8,653</u> |

Summary financial information for equity accounted investees is as follows:

| | Ownership interest % | Assets \$'000 | Liabilities \$'000 | Revenue \$'000 | Profit after tax \$'000 |
|--------------------------------------|----------------------------|------------------|-----------------------|-------------------|-------------------------------|
| 2015 | | | | | |
| Western Riverina Fertilisers Pty Ltd | 50 | 1,427 | 576 | 2,919 | 120 |
| Agfarm Unit Trust | 50 | 4,631 | 3,443 | 7,158 | 1,568 |
| | | <u>6,058</u> | <u>4,019</u> | <u>10,077</u> | <u>1,688</u> |
| 2014 | | | | | |
| Western Riverina Fertilisers Pty Ltd | 41.29 | 1,875 | 554 | 4,436 | 187 |
| Lachlan Fertilisers Rural Pty Ltd* | 50 | - | - | 29,537 | 1,326 |
| Agfarm Unit Trust | 50 | 18,600 | 18,207 | 6,961 | 393 |
| | | <u>20,475</u> | <u>18,761</u> | <u>40,934</u> | <u>1,906</u> |

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

* Lachlan Fertilisers Rural Pty Ltd was sold on 31 July 2014. Assets and liabilities are therefore nil as at 30 September 2014 and 2015. Revenue and profit after tax amounts covers a period from 1 October 2013 to the date of sale.

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Note 19: Group composition (continued)

(e) Non controlling interests (NCI)

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

| | Frontier International Agri Pty Ltd | | BR&C Agents Pty Limited | | Platinum Operations Pty Limited | | Rawlinson & Brown Pty Limited* | |
|--|--|----------------|----------------------------|--------------|------------------------------------|--------------|-----------------------------------|----------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| NCI percentage | 30% | 30% | 49% | 49% | 37.4% | 49.9% | 0% | 17.4% |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Current assets | 9,992 | 2,445 | 11,388 | 6,884 | 16,707 | 10,491 | 7,152 | 8,567 |
| Non current assets | 1,930 | 1,333 | 2,072 | 2,291 | 1,659 | 1,486 | 3,598 | 3,660 |
| Current liabilities | (13,436) | (4,892) | (9,085) | (5,222) | (15,672) | (9,651) | (5,515) | (4,557) |
| Non current liabilities | (76) | (84) | (321) | (851) | (445) | (472) | (551) | (2,580) |
| Net assets | (1,590) | (1,198) | 4,054 | 3,102 | 2,249 | 1,854 | 4,684 | 5,090 |
| Carrying amount of NCI | (477) | (359) | 1,986 | 1,520 | 841 | 925 | - | 886 |
| Revenue | 187,649 | 56,886 | 30,620 | 34,348 | 105,312 | 98,853 | 17,089 | 15,909 |
| Profit | (942) | (1,212) | 1,712 | 763 | 1,606 | 1,094 | 968 | 1,389 |
| OCI | 793 | (1,962) | - | - | - | - | - | - |
| Total comprehensive income | (149) | (3,174) | 1,712 | 763 | 1,606 | 1,094 | 968 | 1,389 |
| Profit allocated to NCI | (283) | (364) | 868 | 374 | 619 | 546 | 143 | 242 |
| OCI allocated to NCI | 238 | (589) | - | - | - | - | - | - |
| Cash flows from operating activities | (1,302) | (15,735) | 4,771 | 1,869 | (905) | 837 | 1,788 | 3,937 |
| Cash flows from investing activities | (217) | (425) | (263) | (587) | (381) | (226) | (23) | (337) |
| Cash flows from financing activities | 3,455 | 16,453 | (4,452) | 90 | 158 | (408) | (2,089) | (7,305) |
| Net increase/(decrease) in cash | 1,936 | 293 | 56 | 1,372 | (1,128) | 203 | (324) | (3,705) |

*Note that Rawlinson & Brown Pty Limited was 100% owned as at 30 September 2015.

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Note 20: Business combinations

Accounting policy

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

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

Critical accounting estimates and judgements

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

(a) Acquisitions

2015

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

| Acquisition of businesses on the following dates: | Date acquired |
|--|----------------------|
| Landscape Australia Pty Ltd | 30 November 2014 |
| Peter Lees Real Estate Pty Ltd | 31 May 2015 |
| Peter Ruaro | 1 June 2015 |
| First National Keith & Bordertown | 1 July 2015 |
| W.H. Bailey & Sons Pty Ltd | 1 August 2015 |
| CIAA Pty Ltd | 11 September 2015 |

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

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

(i) Summary of acquisition - Landscape Australia

| | \$'000 |
|---|---------------------|
| Consideration transferred: | |
| Cash consideration paid on acquisition date net of cash acquired | 9,182 |
| | <u>9,182</u> |
| Identifiable assets acquired and liabilities assumed: | |
| Assets | |
| Receivables | 5,696 |
| Inventories | 50 |
| Property, plant and equipment | 810 |
| Other assets | 28 |
| Other intangibles recognised upon acquisition | 249 |
| Liabilities | |
| Payables | (3,193) |
| Provisions | (243) |
| Net assets acquired | <u>3,397</u> |
| Goodwill: | |
| Fair value of the consideration paid | 9,182 |
| Less: Recognised amount of identifiable assets acquired and liabilities assumed | (3,397) |
| Goodwill (allocated to Water Services CGU group) | <u>5,785</u> |

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

The result during the post-acquisition period to 30 September 2015 was a contribution of \$23.3 million to revenue and a profit after tax of \$0.7 million. Had the results of Landscape Australia been included from the beginning of the financial year, a further \$3.7 million in revenue and \$0.5 million of profit after tax would have been recognised as part of the Ruralco Holdings Group results.

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Note 20: Business combinations (continued)

(a) Acquisitions (continued)

(ii) Summary of acquisition - Peter Lees Real Estate Pty Ltd

| | |
|---|---------------|
| | \$'000 |
| Consideration transferred: | |
| Cash consideration paid on acquisition date net of cash acquired | 1,530 |
| | <u>1,530</u> |
| Identifiable assets acquired and liabilities assumed: | |
| Assets | |
| Other intangibles recognised upon acquisition | 1,070 |
| Liabilities | |
| Provisions | (25) |
| Net assets acquired | <u>1,045</u> |
| Goodwill: | |
| Fair value of the consideration paid | 1,530 |
| Less: Recognised amount of identifiable assets acquired and liabilities assumed | (1,045) |
| Goodwill (allocated to Tasmanian Operations CGU group) | <u>485</u> |

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

The result during the post-acquisition period to 30 September 2015 was a contribution of \$0.3 million to revenue and a profit after tax of \$0.1 million. Had the results of Peter Lees been included from the beginning of the financial year, a further \$0.5 million in revenue and \$0.1 million of profit after tax would have been recognised as part of the Ruralco Holdings Group results.

(iii) Summary of acquisition - Peter Ruaro

| | |
|---|---------------|
| | \$'000 |
| Consideration transferred: | |
| Cash consideration paid on acquisition date net of cash acquired | 468 |
| Deferred consideration at net present value at acquisition effective date | 1,670 |
| | <u>2,138</u> |
| Identifiable assets acquired and liabilities assumed: | |
| Assets | |
| Property, plant and equipment | 5 |
| Other intangibles recognised upon acquisition | 213 |
| Net assets acquired | <u>218</u> |
| Goodwill: | |
| Fair value of the consideration paid | 2,138 |
| Less: Recognised amount of identifiable assets acquired and liabilities assumed | (218) |
| Goodwill (allocated to Mainland Operations CGU group) | <u>1,920</u> |

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

The result during the post-acquisition period to 30 September 2015 was a contribution of \$0.5 million to revenue and a profit after tax of \$0.2 million. Had the results of Peter Ruaro been included from the beginning of the financial year, a further \$0.6 million in revenue and \$0.2 million of profit after tax would have been recognised as part of the Ruralco Holdings Group results.

(iv) Summary of other acquisitions

| | |
|---|---------------|
| | \$'000 |
| Consideration transferred: | |
| Cash consideration paid on acquisition date net of cash acquired | 1,534 |
| | <u>1,534</u> |
| Identifiable assets acquired and liabilities assumed: | |
| Assets | |
| Inventories | 478 |
| Property, plant and equipment | 122 |
| Other intangibles recognised upon acquisition | 316 |
| Liabilities | |
| Provisions | (19) |
| Net assets acquired | <u>897</u> |
| Goodwill: | |
| Fair value of the consideration paid | 1,534 |
| Less: Recognised amount of identifiable assets acquired and liabilities assumed | (897) |
| Goodwill (allocated to Mainland Operations CGU group) | <u>637</u> |

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

The results during the post-acquisition period to 30 September 2015 was a contribution of \$0.9 million to revenue and a loss after tax of \$0.1 million. Had the results of these businesses been included from the beginning of the financial year, a further \$5.3 million in revenue and \$0.3 million of profit after tax would have been recognised as part of the Ruralco Holdings Group results.

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Note 20: Business combinations (continued)

(a) Acquisitions (continued)

2014

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

Acquisition of controlling interest in the following legal entities on the following dates:

| | Percentage acquired | Date acquired |
|---|--------------------------------|----------------------|
| Total Eden Holdings Pty Limited | 100.0% | 28 February 2014 |
| Total Eden McCrackens Group Pty Limited | 100.0% | 28 February 2014 |
| Total Eden Pty Limited | 100.0% | 28 February 2014 |
| Total Eden NZ Limited | 100.0% | 28 February 2014 |

Acquisition of businesses on the following dates:

| | | |
|------------------------|--------|-----------------|
| Peter Dargan Livestock | 100.0% | 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

\$'000

Consideration transferred:

| | |
|---|----------------------|
| Cash consideration paid on acquisition date net of cash acquired | 57,379 |
| Deferred consideration at net present value at acquisition effective date | 2,683 |
| | <u>60,062</u> |

Identifiable assets acquired and liabilities assumed:

Assets

| | |
|---|--------|
| Trade and other 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

| | |
|----------------------------|----------------------|
| Trade and other payables | (19,603) |
| Provisions | (3,724) |
| Borrowings | (876) |
| Net assets acquired | <u>21,044</u> |

Goodwill:

| | |
|--|----------------------|
| Fair value of the consideration paid | 60,062 |
| Less: Recognised amount of identifiable assets acquired and liabilities assumed | (21,044) |
| Goodwill (allocated to Mainland Operations and Water Services CGU groups) | <u>39,018</u> |

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 were included in "Other expenses".

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Note 20: Business combinations (continued)

(a) Acquisitions (continued)

(ii) Summary of acquisition - Peter Dargan Livestock

\$'000

Consideration transferred:

| | |
|---|-------------------|
| Cash consideration paid on acquisition date | 211 |
| Contingent consideration not yet paid | 466 |
| | <u>677</u> |

The Group had 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:

Assets

| | |
|-------------------------------|---|
| Other assets | 2 |
| Property, plant and equipment | 1 |

Liabilities

| | |
|------------|------|
| Provisions | (41) |
|------------|------|

Net assets acquired

(38)

Goodwill

| | |
|---|-------------------|
| Fair value of the consideration paid | 677 |
| Less: Recognised amount of identifiable assets acquired and liabilities assumed | 38 |
| Goodwill (allocated to Mainland Operations CGU group) | <u>715</u> |

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

(b) New business established:

2015

Business name

Date established

| | |
|---|----------------|
| Relyon (Australia) Pty Ltd | 14 July 2015 |
| Ag Concepts Advisory Pty Ltd | 7 August 2015 |
| BGA Agriservices North Queensland Pty Ltd | 20 August 2015 |

2014

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 |

(c) Disposal of operations

2015

(i) Disposal of Sureseason Australia Pty Ltd

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

(ii) Disposal of North Western Rural Pty Ltd

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

2014

(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 a \$0.1 million in losses after tax to the Group's results for the year ended 30 September 2014.

(ii) Disposal of Lachlan Fertiliser Pty Ltd

On 31 July 2014, the group disposed of its interest in Lachlan Fertiliser for sales proceeds totalling \$4.1 million. Lachlan Fertiliser contributed approximately \$1.3 million in profit after tax to the Group's results for the year ended 30 September 2014.

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Note 21: Related party transactions

Accounting policy

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

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

(a) Transactions with related parties

| | 2015 | 2014 |
|---|-------------|-------------|
| | \$ | \$ |
| The following transactions occurred with related parties in the year: | | |
| Purchase of goods from subsidiaries by associates | 906,143 | 6,300,991 |
| Purchase of goods from subsidiaries by directors and their related entities | 264,405 | 712,647 |
| Interest paid by subsidiaries to their related entities | 76,673 | - |
| Interest received by parent from joint ventures and associates | 40,144 | 29,307 |

(b) Outstanding balances at reporting date

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

| | | |
|---|-----------|-----------|
| Current receivables | | |
| - Other related parties | 683,451 | 1,454,231 |
| Non-current receivables | | |
| - Other related parties | 3,768 | 7,425 |
| Loans and borrowings | | |
| - Other payable to related parties | 1,737,113 | 1,627,234 |
| Receivable from joint ventures and associates | 270,467 | 3,926 |

Amounts repaid to related parties in relation to related party loans was \$306,124.

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

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Note 22: Financial risk management

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

The financial risks managed by the Group are as follows:

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

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

(a) Credit risk

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

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

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

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

Trade indemnity insurance is arranged over Farmworks, Total Eden, select Frontier customers and meat processors. The insurance amounts are those that are considered prudent for the level of activities and the exposure to individual debts. Excluding wholly owned subsidiaries and joint venture party receivables, 30.7% (2014: 21.8%) of the total exposure to trade receivables is insured.

The Group is also exposed to credit risk through its seasonal finance facility arrangements with an external financier. This seasonal finance facility contains a put option that allows the external financier to legally transfer debts meeting certain criteria. The put option is in place for those loans of an amount equal to or greater than the expected defaults of these loans and accordingly, the Group retains substantially all the risks and rewards of ownership of the seasonal finance debtors funded by the external financier and therefore recognises the seasonal finance debtors as a receivable with an equal amount payable to the external financier. Included in trade receivables past due 90 days is \$8,080,436 (2014: \$7,248,404) classified as seasonal finance.

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Note 22: Financial risk management (continued)

(b) Liquidity risk

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

Maturities of financial liabilities

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

2015

| | Contracted cash flows | | | | | | | | |
|---|-----------------------|----------------|--------------|----------------|-------------------|-------------------|-------------------|--------------|--------------|
| | Carrying amount | Total amount | At call | 1 year or less | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 4 years | Over 4 years | Over 5 years |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Derivative financial liabilities | | | | | | | | | |
| Derivative financial instruments | 1,681 | 1,681 | - | 1,681 | - | - | - | - | - |
| Non-derivative financial liabilities | | | | | | | | | |
| Bank overdraft | 1,869 | 1,924 | 1,924 | - | - | - | - | - | - |
| Bank loans | 52,000 | 53,138 | - | 53,138 | - | - | - | - | - |
| Other loans | 2,104 | 2,122 | - | 2,122 | - | - | - | - | - |
| Trade and other payables | 267,626 | 267,626 | - | 267,626 | - | - | - | - | - |
| Loans from related parties | 1,737 | 1,737 | 1,737 | - | - | - | - | - | - |
| Finance lease liabilities | 2,079 | 2,147 | - | 1,128 | 606 | 175 | 178 | 60 | - |
| Total financial liabilities | 329,096 | 330,375 | 3,661 | 325,695 | 606 | 175 | 178 | 60 | - |

2014

| | | | | | | | | | |
|---|----------------|----------------|--------------|----------------|---------------|------------|------------|-----------|----------|
| Derivative financial liabilities | | | | | | | | | |
| Derivative financial instruments | 2,808 | 2,808 | - | 2,808 | - | - | - | - | - |
| Non-derivative financial liabilities | | | | | | | | | |
| Bank loans | 51,375 | 54,309 | - | 30,911 | 23,398 | - | - | - | - |
| Other loans | 1,919 | 1,944 | - | 1,944 | - | - | - | - | - |
| Trade and other payables | 336,308 | 336,308 | - | 336,308 | - | - | - | - | - |
| Loans from related parties | 1,627 | 1,710 | 1,710 | - | - | - | - | - | - |
| Depositors | 7,333 | 7,658 | - | 6,105 | 1,263 | 290 | - | - | - |
| Finance lease liabilities | 2,578 | 2,690 | - | 1,083 | 867 | 503 | 184 | 53 | - |
| Total financial liabilities | 403,948 | 407,427 | 1,710 | 379,159 | 25,528 | 793 | 184 | 53 | - |

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Note 22: Financial risk management (continued)

(c) Currency risk

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

Sensitivity analysis - Foreign exchange rate exposures

The following sensitivity analysis is based on the foreign exchange rate risk exposures in existence at the balance sheet date. At 30 September 2015, if foreign exchange rates had moved as illustrated in the table below, with all other variables held constant, the impact on the financial statements would be as follows:

| | 2015 | | 2014 | |
|--------------|------------------------------|------------------|------------------------------|------------------|
| | Post tax profit \$'000 | Equity \$'000 | Post tax profit \$'000 | Equity \$'000 |
| AUD/USD +10% | - | 4,027 | - | 4,699 |
| AUD/USD -10% | - | (4,027) | - | (4,699) |

(d) Interest rate risk

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

| Interest rate repricing | | | | | | | | | |
|--------------------------------------|------------------|--|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------|-----------------|
| 2015 | 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 | 2.35% | 677 | - | - | - | - | - | - | 677 |
| Trade receivables (interest bearing) | 4.82% | 5,689 | 48,980 | - | - | - | - | - | 54,669 |
| Loans to related parties | 4.12% | 60 | 1,252 | - | - | - | - | - | 1,312 |
| Total financial assets | | 6,426 | 50,232 | - | - | - | - | - | 56,658 |
| Financial liabilities | | | | | | | | | |
| Bank overdraft | 2.94% | 1,869 | - | - | - | - | - | - | 1,869 |
| Bank loans | 2.19% | - | 52,000 | - | - | - | - | - | 52,000 |
| Other loans | 0.85% | - | 2,104 | - | - | - | - | - | 2,104 |
| Loans from related parties | 2.59% | 1,737 | - | - | - | - | - | - | 1,737 |
| Finance lease liability | 5.63% | - | 1,128 | 574 | 157 | 151 | 23 | 46 | 2,079 |
| Total financial liabilities | | 3,606 | 55,232 | 574 | 157 | 151 | 23 | 46 | 59,789 |
| | | 2,820 | (5,000) | (574) | (157) | (151) | (23) | (46) | (3,131) |

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Note 22: Financial risk management (continued)

(d) Interest rate risk (continued)

2014

| | Interest rate repricing | | | | | | | | Total \$'000 |
|--------------------------------------|-------------------------|------------------------------|-------------------|----------------------|----------------------|----------------------|----------------------|-----------------|-----------------|
| | Interest rate | Floating interest rate | 1 year or less | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 4 years | Over 4 to 5 years | Over 5 years | |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| 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 |
| Other loans | 1.30% | - | 1,919 | - | - | - | - | - | 1,919 |
| Loans from related parties | 5.09% | 1,627 | - | - | - | - | - | - | 1,627 |
| Depositors | 3.59% | - | 5,893 | 1,178 | 262 | - | - | - | 7,333 |
| Finance lease liability | 6.57% | - | 1,016 | 766 | 420 | 146 | 40 | - | 2,388 |
| Total financial liabilities | | 50,627 | 11,203 | 1,944 | 682 | 146 | 40 | - | 64,642 |
| Net exposure to interest rate risk | | (18,274) | 33,641 | (1,944) | (682) | (146) | (40) | - | 12,555 |

Sensitivity analysis - Interest rate exposures

The following sensitivity analysis is based on the net interest rate risk exposures in existence at the balance sheet date. At 30 September 2015, 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:

| | 2015 | | 2014 | |
|--------------------|------------------------------|------------------|------------------------------|------------------|
| | Post tax profit \$'000 | Equity \$'000 | Post tax profit \$'000 | Equity \$'000 |
| + 100 basis points | (59) | - | 101 | - |
| - 100 basis points | 59 | - | (101) | - |

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Note 23: Events after the balance sheet date

The Group has entered into an agreement to acquire the entities listed below with a completion date of 1 October 2015. This transactions are deemed to be business combinations and will be accounted as such in the 2016 financial year. A total consideration of \$3.9 million was paid, or is payable, in return of net assets provisionally valued at \$1.6 million. The residual value of \$2.3 million will be provisionally captured as goodwill and other intangibles. The goodwill will be allocated to the Mainland Operations CGU group.

Businesses acquired

A & B Rural Supplies Pty Ltd
 DDG Rural Pty Ltd
 Herbert Valley Rural Pty Ltd
 Mackay Rural Supplies Pty Ltd

Excluding the transaction above, there are no matters or circumstances that have arisen since 30 September 2015 which are not otherwise dealt with in this report or in the consolidated financial statements, that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the subsequent financial periods.

Note 24: Auditors' remuneration

| | 2015 | 2014 |
|---|----------------|----------------|
| | \$ | \$ |
| Audit services | | |
| Audit and review of financial statements - KPMG | 418,000 | 459,000 |
| Other regulatory audit services - KPMG | 32,000 | 57,000 |
| | <u>450,000</u> | <u>516,000</u> |
| Audit and review of financial statements - Other auditors | 28,785 | 19,969 |
| Other services | | |
| Tax compliance services - KPMG | 158,380 | 195,700 |
| Other non-assurance services - KPMG | 75,350 | 45,500 |
| | <u>233,730</u> | <u>241,200</u> |