

Appendix 4E

Preliminary Final Report to the Australian Stock Exchange

Name of Entity	Australian Rural Capital Limited
ACN	52 001 746 710
Financial Year Ended	30 June 2015
Previous Corresponding Reporting Period	30 June 2014

Results for Announcement to the Market

	\$	Percentage increase / (decrease) over previous corresponding period
Revenue from ordinary activities	84,612	+ 28.0%
Loss from ordinary activities after tax attributable to members	(716,869)	-17.3%
Loss for the period attributable to members	(716,869)	-17.3%
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	-
Previous corresponding period	Nil	-
Record date for determining entitlements to the dividends (if any)	n/a	

Dividends

Date the dividend is payable	n/a
Record date to determine entitlement to the dividend	n/a
Amount per security	n/a
Total dividend	n/a
Amount per security of foreign sourced dividend or distribution	n/a
Details of any dividend reinvestment plans in operation	n/a
The last date for receipt of an election	n/a

notice for participation in any dividend reinvestment plans	
---	--

NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.427	\$0.44

Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position:

See attached Annual Report

Commentary on the Results for the Period

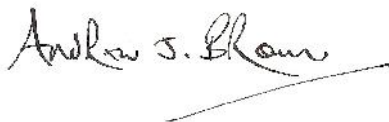
The earnings/(loss) per security and the nature of any dilution aspects: (8.6) cents
Returns to shareholders including distributions and buy backs: See attached Annual Report
Significant features of operating performance: See attached Annual Report
The results of segments that are significant to an understanding of the business as a whole: See attached Annual Report
Discussion of trends in performance: See attached Annual Report
Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified: See attached Annual Report

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	*	The accounts have been subject to review	
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	
If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification: n/a			
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification: n/a			

Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Annual Report

Signed By (Director/Company Secretary)	
Print Name	Andrew Brown
Date	31 July 2015

AUSTRALIAN RURAL CAPITAL LIMITED

ABN 52 001 746 710



**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

30 JUNE 2015

AUSTRALIAN RURAL CAPITAL LIMITED

ABN 52 001 746 710

DIRECTORY

Directors

James Jackson	Executive Chairman
Andrew Brown	Executive Director
Darren Anderson	Non Executive Director

Company Secretary

Andrew Brown

Registered Office

Suite 7.06
2-14 Kings Cross Road
POTTS POINT
NSW 2011

Communications

telephone: (02) 9380 9001
mail: GPO Box 4870, SYDNEY NSW 2001
email: info@ruralcapital.com.au
website: www.ruralcapital.com.au

Share Registry

Boardroom Limited
Level 12
Grosvenor Place
225 George Street
SYDNEY NSW 2000

Shareholder Enquiries: 1 300 737 760 / (02) 9290 9600

Shareholders requiring clarification of holdings, or requesting changes of name or address should contact Boardroom Limited directly. A variety of requisite forms may be downloaded from www.boardroomlimited.com.au

Bankers

National Australia Bank Limited
255 George Street
SYDNEY NSW 2000

Auditors

BDO East Coast Partnership
Level 11
1 Margaret Street
SYDNEY NSW 2000

Controlled Entities

Loftus Lane Investments Pty. Limited
Australian Rural Capital Management Pty. Limited

CONTENTS

Executive Chairman's Review	2
Directors' Report	5
Auditor's Independence Declaration	12
Financial Statements:	
Statement of Profit or Loss and Other Comprehensive Income	14
Statement of Financial Position	15
Statement of Changes in Equity	16
Statement of Cash Flows	17
Notes to Financial Statements	18
Directors' Declaration	44
Independent Auditor's Report	45
Other Required Information	47

In this Annual Report a reference to "Group", "we", "us" "ARC" or "our" is a reference to Australian Rural Capital Limited ABN 52 001 746 710 and the entities that it controls unless otherwise stated.

The ARC corporate governance statement is available on our website (www.ruralcapital.com.au) in the section titled "Corporate Governance" and at the ASX website (www.asx.com.au) under our Appendix 4G filing.

EXECUTIVE CHAIRMAN'S REVIEW

Dear Fellow Shareholders,

Welcome to my first annual report to shareholders as Chairman of Australian Rural Capital Limited (ARC). The past year has been both busy and challenging; our financial results are not what we had planned or envisaged which disappoints us. The headline loss of \$716,869 for the full year includes a non-cash, mark to market valuation of our stake in Namoi Cotton Co-operative Capital Stock to 29 cents per unit. This is approximately 4 cents per share lower than our prior year carrying value of 33 cents per units and accounts for \$466,762 of the loss. The annual operating cash costs of about \$250,000 account for the balance of the loss.

Our cash levels are now circa \$450,000, we own a wholesale financial services licence and 11.67 million Namoi Capital Stock Units. These Namoi units remain very thinly traded and we believe the most relevant indication of value for a strategic stake of this size would be the most recent volume transaction which last occurred in June 2014 at 38 cents per unit (this is against the asset value for the Namoi units of 113 cents).

The stated NTA for ARC is now 43 cents adopting the value of 29 cents per Namoi unit; however, if we were to value our Namoi units at 38 cents, our NTA would lift to approximately 55 cents per share. ARC also has \$11.8 million of carried forward tax losses which are not recognised on the balance sheet at present. The potential tax benefit of these is \$3.5 million that are dependent on profits, which we are working towards.

Australian Rural Capital Management (ARCM) a wholly owned subsidiary of ARC

We progress with our plans to launch a wholesale unlisted fund which will own large scale agricultural and agribusiness assets and businesses and will be managed by ARCM. The model is based around finding the correct assets at the correct valuation to provide the investor returns required. ARCM will receive management fees from the fund to manage the assets, and our preferred model is for ARC also to be an investor in the fund. We have always stated a key selection criteria from our investments is the ability to generate dividends as income for investors. On this model ARC will also receive dividends as an income on the investment it holds in the fund.

Namoi Cotton Investment

In the half-year letter to shareholders I indicated our view that Namoi could pay a distribution of 3 cents per unit, based on the historical payout ratio of between 45% and 60% of earnings and our earnings estimate. In the full year to February 2015, Namoi CCU did earn 5.7 cents per unit but only paid a dividend of 0.5 cents per unit for the year. This was below our expectation, as the strong cash flow of the Namoi business has been directed to further asset purchases along with debt amortisation schedules. However, understanding the outlook for 2016, which is forecast as a breakeven result at best, gives reason why cash at Namoi is being preserved. The continued use of debt by Namoi as the primary source of capital is not sustainable and we welcomed the statements made at the Namoi AGM this week when Namoi confirmed it remains committed to a target of term debt levels of \$20m to \$30m. We believe the current level of debt Namoi carries does act to depress the value of the units we hold as the investment markets have a low tolerance for financial risk. Namoi has a portfolio of operational hard assets, and we estimate them to be worth about \$1.65 per capital stock unit and therefore has considerable value beyond the total debt levels of approximately 55 cents per unit, with an NTA of \$1.13 per unit together with a plan to reduce the debt.

Namoi Cotton has a large strategic footprint in the fibre and food supply chains in some of Australia's most productive agricultural regions, excellent people and great capability and many options to grow and expand in the supply chains linking producers with markets. The key to this investment from our perspective is for Namoi to now implement the correct capital structure, which aligns the interests of the grower shareholders with the interests of the capital providers. This will enable the business to be correctly valued, appropriately funded and with the financial capability to further grow the business and execute on the opportunities available to build value for shareholders. This week at the Namoi AGM in Goondiwindi, which I did attend, Namoi disclosed much greater detail on its Strategic Plan and included the statement that "successful implementation of the plan requires capital to be raised and invested and work will now commence on developing the capital structure to facilitate delivery of the strategic plan". We are very encouraged by these statements and look forward to making a constructive contribution to this process.

Ricegrowers Limited

We have entered into a confidential services agreement with a number of the NSX listed Ricegrowers Limited A class and B class shareholders. We are discussing with these shareholders the capital restructure currently being proposed by Ricegrowers Limited. Our agreement is long running and we expect this project to be a drawn out process; however if successful, the reward will be material to ARC earnings.

Cash Reserves and a Loyalty Option Issue

In the start-up phase of this enterprise, we had expected cash was required to cover development and operating costs, and the theory was that our initial investment would produce the cash flow via dividends to fund these costs. As we pursue initiatives to develop the managed fund business, this now requires further expenditure for the establishment of legal structures and to undertake accounting and legal due diligence processes as well as regulatory compliance costs. These costs are above our operating budget of \$250,000 and ordinarily we would fund these from our cash reserves. However, given the absence of income from our investments and the drain on our cash reserves, we feel it prudent to bolster our cash reserves at this point in the development of the business.

I am very aware that we have yet to deliver any visible value, but we do feel confident we are building value within ARC as an asset manager and investor in the Agricultural and Agribusiness sectors. In order to enable all of our shareholders to potentially benefit as we grow the business, and at the same time to help with our funding, we are undertaking an issue of options to shareholders on a ratio of 9 new options for every 10 shares currently held. These options will cost 5 cents per option and have an exercise price of 50 cents per share and will be exercisable in ordinary shares at anytime over the next 5 years.

This issue of options is non-renounceable, however the options will be listed on the ASX. If the entire issue of approximately 8m options is taken up this will raise approximately \$400,000 which coupled with our existing cash enables us to operate and develop the business for the next 2 years. The issue will not be underwritten and ARC can choose to allocate, sell or cancel any shortfall.

Board Composition

Paul Young retired in June and we appointed Darren Anderson to the board. I wish to thank Paul for his contribution over the years and support as a shareholder. Darren brings new skills on the legal side to the board which are very complimentary to our existing directors, and we look forward to working with Darren.

Outlook

ARC is currently assessing a series of significant acquisitions, which if successful, we believe to be ideal assets to build such a wholesale fund around, and would attract third party support. We will advise the market of any further developments on this front when available. We have strong investor interest for our fund and support for further capital for ARC if we proceed. The investor interest in the sector continues to broaden and many operations are seeking capital; the task is to capture the opportunities that fit our requirements.

I wish to thank my fellow directors for your contributions over the year and also thank all of our shareholders for your continued support.

We remain optimistic that we can deliver on our objectives.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John', with a long horizontal flourish extending to the right.

James A Jackson
Executive Chairman

DIRECTORS' REPORT

The Directors present their annual report on Australian Rural Capital Limited ("the Company") and its controlled entities ("Group" or "Economic Entity") for the financial year ended 30 June 2015.

DIRECTORS

The names and details of the Directors of the Company in office at the date of this report are:

James Andrew Jackson (*Executive Chairman*)

James Jackson has background and experience in both capital markets and agribusiness. He worked for JB Were in Australia and SG Warburg & Co in both London and New York over a ten year period in Equity Capital Markets and Institutional Sales transacting with significant American and European institutional investors. He is now a company director and professional investor, and was a director of the ASX listed MSF Sugar Limited (known formerly as The Maryborough Sugar Factory Ltd) from 2004 and Chairman from 2008 until the agreed takeover in 2012. This was during a period of significant growth and shareholder value creation for the company. The skills and expertise relevant to the position of director include a deep knowledge of agribusiness, financial risk management, strategic analysis and development and implementation of strategy and corporate governance. He has strong interest in agriculture and a large network in rural Australia and the capital markets. James holds a Bachelor of Commerce from the University of Queensland, completed the Program for Management Development at Harvard Business School and is a Fellow of the Australian Institute of Company Directors.

During the past three years, James has served as a non-executive Director of Elders Limited (appointed 13/4/2014) and MSF Sugar Limited (appointed 24/6/2004; resigned 4/4/2012).

Andrew John Brown (*Executive Director and Company Secretary*)

Andrew Brown has 35 years experience in the Australian equity market as a stockbroker, corporate investor and funds manager. Andrew has an honours degree majoring in economics and econometrics from the University of Manchester, England and is a Graduate of the Australian Institute of Company Directors.

During the past three years, Andrew has served as a Director of the following other public companies:

- Adelaide Resources Limited (appointed 30/4/2009; resigned 25/6/2013)
- Australasian Wealth Investments Limited (appointed 22/12/2005; resigned 31/10/2013)
- Cheviot Bridge Limited (Executive Director – ongoing)
- Cheviot Kirribilly Vineyard Property Group (appointed 10/6/2008; resigned 29/4/2013)

Darren Anderson (*Non Executive Director*)

Darren Anderson has significant legal and commercial experience and expertise gained over a 27 year career to date. He is a partner of Brisbane legal firm Broadley Rees Hogan Lawyers and specialises in providing legal services to the property industry. He has particular expertise in major acquisitions and disposals in residential, industrial and rural property, structured property development, due diligence and property finance arrangements.

Darren brings extensive legal knowledge and background particularly in real property transactions, and the structuring of finance and due diligence. He has a good understanding of corporate governance, financial accounting and risk assessment.

He holds a Bachelor of Commerce and Bachelor of Laws (Second Class Honours) from the University of Queensland and is admitted as a Solicitor in the Supreme Court of Queensland.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (continued)

Interests in the Shares of the Company and Related Bodies Corporate

The relevant interests of each director in the share capital of the Company shown in the Register of Directors' Shareholding as at the date of this report is:

	<i>Ordinary Shares</i>
Mr James Jackson	1,611,406
Mr Andrew Brown	566,890
Mr Darren Anderson	255,319

Interests in Contracts or Proposed Contracts with the Company

Andrew Brown, through a family owned company, A. Brown and Company Pty. Limited has a contract to provide management services to the Company as disclosed in the Remuneration Report of this Directors' Report. James Jackson has a contract to provide management services to the Company as described in the Remuneration Report of this Directors' Report.

PRINCIPAL ACTIVITIES

The group's primary activities are:

- (A) Equity investment – investment in rural and agricultural companies, securities, schemes and entities;
- (B) Funds management and financial services – operation of a wholesale funds management business.

Other than the re-focus of activity on investment in the rural and rural related area, there were no significant changes in the nature of the economic entity's principal activities during the financial year.

RESULTS AND DIVIDENDS

The net loss after income tax for the financial year to 30 June 2015 was \$716,869 (2014: \$611,192). No dividends were paid or declared during the year.

REVIEW OF OPERATIONS

A full review of operations is given on pages 2, 3 and 4 which include the Executive Chairman's Review.

TRADING IN COMPANY SHARES

During the 12 months to 30 June 2015, the Company's shares traded in the following ranges (post 10-1 consolidation):

Quarter ending	High price	Low price	Closing price	Volume
30 th September 2014	\$ 0.60	\$ 0.50	\$ 0.55	585,537
31 st December 2014	\$ 0.55	\$ 0.50	\$ 0.55	13,392
31 st March 2015	\$ 0.55	\$ 0.50	\$ 0.55	107,863
30 th June 2015	\$ 0.575	\$ 0.515	\$ 0.515	53,450

Source: ASX

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (continued)

SIGNIFICANT EVENTS DURING THE YEAR

A meeting of shareholders held on 25 July 2014 approved the placement of 2,870,985 pre-consolidation shares at \$0.05 made on 30 June 2014 and 1,109,015 pre-consolidation shares on 10 July 2014. In addition, the meeting approved a consolidation of the Company's shares on a 10-1 basis, the placement of a further 1,500,000 new post-consolidation shares at \$0.52 per share, approved an issue of options to Baron Partners Limited and James Andrew Jackson, approved the election of James Andrew Jackson to the board of Directors and the placement of a further 4,369,536 new shares (post consolidation) in exchange for 7,282,560 capital units of Namoi Cotton Co-operative Limited.

On 12 September 2014, after approval from shareholders at the Annual General Meeting, the Company changed its name from Tidewater Investments Limited to Australian Rural Capital Limited.

Australian Rural Capital Limited continued to build its shareholding in Namoi Cotton Co-operative Limited (**Namoi**) during the year and at 30 June 2015 held a total of 11,679,604 capital units representing 10.6% of such securities on issue.

On 27 December 2014, the Company acquired Foundry Investment Partners Pty. Limited (renamed Australian Rural Capital Management Pty. Limited), the holder of AFSL 302802.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of a committee of Directors) attended by each of the Directors of the Company for the 12 months to 30 June 2015 was:

	Directors' Meetings held during period in office		Audit Committee Meetings held during period in office	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
James Jackson ^a	9	9	1	1
Andrew Brown	9	9	-	-
Darren Anderson ^b	1	1	-	-
Paul Young ^c	9	9	2	2
Stephen Roberts ^d	1	1	1	1

a: appointed 25 July 2014

b: appointed 5 June 2015

c: resigned 5 June 2015

d: resigned 5 September 2014

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (continued)

REMUNERATION REPORT (AUDITED)

(A) Key Management Personnel

The names and positions of key management personnel of the Company who have held office during the financial year are:

Directors

James Jackson	Executive Chairman	Appointed 25 July 2014
Andrew Brown	Executive Director	
Darren Anderson	Non Executive Director	Appointed 5 June 2015
Paul Young	Non Executive Director	Resigned 5 June 2015
Stephen Roberts	Non Executive Director	Resigned 5 September 2014

(B) Directors Remuneration for the financial years ended 30 June 2015 and 30 June 2014

	<i>Short-Term Benefits</i>			<i>Post Employment Benefits</i>		<i>Share Based Payments</i>	
	Salaries & fees	Cash bonuses	Non Monetary Benefits	Super-annuation	Other	Options	Total
2015							
James Jackson	\$70,313	-	-	-	-	\$32,552	\$102,865
Andrew Brown	\$50,000	-	-	-	-	-	\$50,000
Darren Anderson	\$2,083	-	-	-	-	-	\$2,083
Paul Young	\$10,000	-	-	\$10,000	-	-	\$20,000
Stephen Roberts	-	-	-	\$3,333	-	-	\$3,333
TOTAL	\$132,396	-	-	\$13,333	-	\$32,552	\$178,281
2014							
Paul Young	\$18,000	-	-	\$2,000	-	-	\$20,000
Andrew Brown	\$83,333	-	-	-	-	-	\$83,333
Stephen Roberts	-	-	-	\$20,000	-	-	\$20,000
TOTAL	\$101,333	-	-	\$22,000	-	-	\$123,333

(C) Specified Executives Remuneration for the years ended 30 June 2015 and 30 June 2014

	<i>Short-Term Benefits</i>			<i>Post Employment Benefits</i>		<i>Share Based Payments</i>	
	Salaries & fees	Cash bonuses	Non Monetary Benefits	Super-annuation	Other	Options	Total
2015 and 2014							
There were no specified executives in the period from 1 July 2013 to 30 June 2014 and 1 July 2014 to 30 June 2015.							

(D) Remuneration Policy

The Non Executive Directors annually review and recommend the remuneration packages of senior management. The payment of bonuses, options and other incentive payments are annually reviewed by the Non Executive Directors as part of the review of Executive Directors and Specified Executives.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (continued)

REMUNERATION REPORT (AUDITED) (continued)

The Non Executive Directors can exercise their discretion in relation to approving bonuses, options and incentives but will do so by reference to measurable performance criteria, and are able to seek independent advice on the appropriateness of remuneration packages.

The remuneration policy, which sets the terms and conditions for senior executives, was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the Board. Executives have historically received a base salary, superannuation, performance incentives and retirement benefits. Remuneration is reviewed annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed Companies and independent advice, but has regard to expected significant share ownership in the Company. The policy is designed to attract appropriate executives and reward them for performance that results in long-term growth in shareholder value.

As a result of an overall reduction in operations, all services to the Company are provided on an outsourced basis by third parties, including the provision of services of the Executive Chairman.

The current remuneration for Non Executive Directors is set by resolution of shareholders at a maximum \$400,000 per annum in aggregate. This amount of remuneration includes all monetary and non-monetary components. There are no schemes for retirement benefits for Non Executive Directors.

(E) Service Agreements

Remuneration and other terms of engagement of an Executive Director, Andrew Brown, was formalised in a service agreement, effective 1 September 2013, the key terms of which are payment of up to \$50,000 per annum to A. Brown and Company Pty. Limited, invoiced monthly. In August 2014, the Company signed an agreement with James Jackson, the key terms of which are payment of \$75,000 per annum payable monthly.

(F) Options held by Specified Directors and Specified Executives

James Jackson was granted a total of 450,000 options by approval of a General Meeting held on 25 July 2014. These options vest in three tranches of 150,000 options on 25 July 2015, 25 July 2016 and 24 July 2017 providing Mr. Jackson remains in the employ of the Company. The options are exercisable at \$0.70 per share until 31 December 2020. The conditions for the issue of the first tranche of 150,000 options were met, which means they have now vested and are held by Mr. Jackson.

(G) Shareholdings by Specified Directors and Specified Executives

Directors	Balance at 1/7/14 ^a	Received as Remuneration	Options Exercised	Net change – other ^b	Balance at 30/6/15
James Jackson	-	-	-	1,611,406	1,611,406
Andrew Brown	883,719	-	-	(316,829)	566,890
Darren Anderson	-	-	-	255,319	255,319
Stephen Roberts	187,045	-	-	-	187,045
Paul Young	186,688	-	-	336,830	523,518
TOTAL	1,257,452	-	-	1,886,726	3,144,178

a: balance at 1/7/14 adjusted for 10-1 consolidation effective 1 August 2014; there were no changes between 1 July 2014 and 1 August 2014

b: net change – other refers to shares purchased or sold during the financial year

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (continued)

REMUNERATION REPORT (AUDITED) (continued)

(H) Performance of Australian Rural Capital Limited

The Company's initial aim of generating shareholder wealth through investment in micro-cap companies and financial services businesses has changed since 2009 mainly because of two investments in the wine sector proving problematic and thereby significantly reducing the Economic Entity's access to capital. Consequently, the Company returned capital to shareholders in the form of large fully franked dividends and capital returns, via distribution of underlying investments. In turn, this led to a high fixed cost base relative to capital investment and significant investment concentration of the Company's remaining capital, producing volatile returns. In July 2014, the Company refocused its investment strategy onto the rural, agricultural and related sectors. These factors, together with the moderate performance of equity markets, have ensured that the Company's share price and market capitalisation has progressively fallen over the past five years, including the latest twelve months, when the major influence has been the flat performance of capital units in the largest investment Namoi Cotton Co-operative Limited.

The table below shows the performance for the Company as measured by its share price, market capitalisation, distributions via dividends and capital returns and profit from all operations (discontinued or ongoing) over the last five financial years.

	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Share price (adjusted) ¹	\$1.70	\$1.10	\$0.60	\$0.60	\$0.52
Market capitalisation (\$000's)	4,259	2,756	1,540	1,765	4,595
Dividends paid (\$000's)	251	-	-	-	-
Capital returns (\$000's)	-	1,441	-	-	-
Profit/(loss) for the year (\$000's)	(616)	(1,333)	319	(611)	(717)

1: adjusted for 10-1 consolidation effective 8 August 2014

This concludes the Remuneration Report, which has been audited.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Pursuant to Access and Indemnity deeds signed by the parties when each Director was appointed, the Company has agreed to indemnify each Director against any liability incurred by being a Director of the Company and to pay all of the Directors reasonable defence costs in relation to any claim alleging any liability on the part of the Director as a result of being a Director of the Company. The Company has agreed to maintain Director's and Officers' Liability Insurance upon terms and conditions reasonably satisfactory to the Directors and to pay all reasonable or market premiums in respect to the insurance for a period of 7 years following the date when any Director ceases to be a Director of the Company. Under the terms of the policy, the Company is precluded from disclosing the details of premiums paid.

ENVIRONMENTAL REGULATION

No significant environmental regulations apply to the economic entity.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (continued)

CHANGES IN STATE OF AFFAIRS

During the financial year, there was no significant change in the state of affairs of the economic entity other than those noted under significant events during the year.

PROCEEDINGS ON BEHALF OF THE COMPANY

There are no material legal or other proceedings being made on behalf of the Company or against the Company as at the date of this report.

SUBSEQUENT EVENTS

On 30 July 2015, the Company lodged a prospectus with ASIC for the issue of approximately 8,030,863 Options on the basis of 9 Options for every 10 shares held at 7 August 2015 at a price of \$0.05 per Option. This rights issue is not underwritten but if fully subscribed would raise a total of \$401,543 before expenses. Each Option has an exercise price of \$0.50 per share and expires on 31 August 2020.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors expect to continue to work towards enhancing the value of the investment in Namoi Cotton Cooperative Limited. The Company is also seeking to expand its funds management activities through the establishment of wholesale funds investing in selected agricultural assets as well as advising outside parties on the restructuring of agricultural company capital structures. The Directors have excluded information on the expected results of the economic entity since financial performance is partly reliant on gains from the sale of investment securities or mark to market adjustments, which inherently cannot be forecast. The Directors have budgeted an operating loss of \$250,000 from the normal operations of the Company, prior to the costs/benefits of any funds management expansion initiatives.

NON AUDIT SERVICES

The auditors of the Company did not provide any non-audit related services to the Company.

AUDITOR'S INDEPENDENCE DECLARATION


The auditor's independence declaration is included on page 12.

Dated at Sydney this 31st day of July 2015.

Signed in accordance with a resolution of the Board of Directors of Australian Rural Capital Limited



J A Jackson - Chairman



A J Brown – Director

AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY CRAIG MAXWELL TO THE DIRECTORS OF AUSTRALIAN RURAL CAPITAL LIMITED

As lead auditor of Australian Rural Capital Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Rural Capital Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Craig Maxwell', is written over a light blue horizontal line.

Craig Maxwell
Partner

BDO East Coast Partnership

Sydney, 31 July 2015

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

FINANCIAL REPORT FOR THE YEAR TO 30th JUNE 2015

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Statement of Changes in Equity for the year ended 30 June 2015

Statement of Cash Flows for the year ended 30 June 2015

NOTES:

1. Statement of Significant Accounting Policies
2. Revenues
3. Profit/(Loss) for the Year
4. Finance Costs
5. Auditors Remuneration
6. Income Tax
7. Dividends and Franking Credit Balances
8. Earnings per Share
9. Cash and Cash Equivalents
10. Financial Assets (Current)
11. Trade and Other Receivables
12. Financial Assets (Non Current)
13. Controlled Entities
14. Parent Entity Information
15. Financial Assets
16. Trade and Other Payables
17. Borrowings
18. Contingent Liabilities
19. Issued Capital
20. Share Based Payments
21. Key Management Personnel
22. Capital and Leasing Commitments
23. Cash Flow Information
24. Events Subsequent to Reporting Date
25. Related Party Information and Transactions
26. Acquisition of controlled entity
27. Financial Instruments, Risk Management and Capital Risk Management
28. Company Details
29. Segment Reporting

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED
30 JUNE 2015

		Economic Entity	
	Note	2015	2014
		\$	\$
Continuing operations			
Revenues	2	84,612	66,121
Other expenses	3A	(799,354)	(624,478)
Finance costs	4	(2,401)	(21,905)
(Loss)/profit before income tax		(717,143)	(580,262)
Income tax benefit/(charge)	6	274	(30,930)
(Loss)/profit after income tax		(716,869)	(611,192)
(Loss)/profit attributable to non-controlling interests		-	-
(Loss)/profit after income tax and non-controlling interests		(716,869)	(611,192)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income attributable to owners of Australian Rural Capital Limited		(716,869)	(611,192)
Basic (loss)/earnings (cents) per share from continuing operations	8	(8.6)	(23.0)
Diluted (loss)/earnings (cents) per share from continuing operations	8	(8.6)	(23.0)
Dividends (cents) per share	7	-	-

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	Economic Entity	
		2015	2014
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	9	455,691	655,459
Financial assets	10,15	3,387,070	656,301
Trade and other receivables	11	3,648	2,782
TOTAL CURRENT ASSETS		3,846,409	1,314,542
NON-CURRENT ASSETS			
Financial assets	12	-	10,000
Deferred tax assets	6B	14,284	11,520
Goodwill	26	7,709	-
TOTAL NON-CURRENT ASSETS		21,993	21,520
TOTAL ASSETS		3,868,402	1,336,062
CURRENT LIABILITIES			
Trade and other payables	16	50,733	49,768
TOTAL CURRENT LIABILITIES		50,733	49,768
TOTAL LIABILITIES		50,733	49,768
NET ASSETS		3,817,669	1,286,294
EQUITY			
Issued Capital	19	18,322,780	15,129,356
Share based payments reserve	20	54,820	-
Accumulated Losses		(14,559,931)	(13,843,062)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF AUSTRALIAN RURAL CAPITAL LIMITED		3,817,669	1,286,294

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

ECONOMIC ENTITY	Issued Capital \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
As at 30 June 2013	14,985,807	-	(13,231,870)	1,753,937
Total comprehensive income for the year	-	-	(611,192)	(611,192)
Contribution of equity	143,549	-	-	143,549
As at 30 June 2014	15,129,356	-	(13,843,062)	1,286,294
Total comprehensive income for the year	-	-	(716,869)	(716,869)
Share based payments	-	54,820	-	54,820
Contribution of equity	3,193,424	-	-	3,193,424
As at 30 June 2015	18,322,780	54,820	(14,559,931)	3,817,669

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	Economic Entity	
		2015	2014
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(278,294)	(317,443)
Purchases of investments		(788,884)	(1,324,024)
Proceeds from sale of investments		6,620	2,200,994
Purchases of derivative instruments		-	(58,270)
Sales of derivative instruments		-	74,882
Dividends received		80,262	12,599
Interest received		2,363	929
Finance costs paid		(2,401)	(21,905)
Tax refund		421	-
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	23 (A)	(979,913)	567,762
CASH FLOWS FROM INVESTING ACTIVITIES:			
Repayment of loans to related entities	26	50,022	-
Payment for purchase of business, net of cash acquired	26	(59,996)	-
NET CASH FLOW USED IN INVESTING ACTIVITIES		(9,974)	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from equity issuance		835,451	143,549
Costs of equity issuance		(45,272)	-
Dividends paid (2011 year dividend cheque presented)		(60)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		790,119	143,549
Net (decrease)/increase in cash held		(199,768)	711,311
Cash at the beginning of the financial year		655,459	(55,852)
Cash at the end of the financial year	9	455,691	655,459

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been approved for issue by the Board of Directors of Australian Rural Capital Limited on 31 July 2015. The Company changed its name from Tidewater Investments Limited to Australian Rural Capital Limited on 12 September 2014. The functional currency of the entity is measured using the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the economic entity's functional and presentation currency.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements cover the economic entity, consisting of Australian Rural Capital Limited and its subsidiaries and covers the financial year ended 30 June 2015. Australian Rural Capital Limited is a publicly listed entity, incorporated and domiciled in Australia.

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Group. The principal accounting policies adopted in the preparation of this financial report are set out below.

A. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ("AASB's"), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements also comply with International Financial Reporting Standards.

The Group is a "for-profit" entity, the principal activities of which during the financial year ended 30 June 2015 included 'equity investment' and 'funds management and financial services'. There were no significant changes in the nature of the group's activities during the financial year.

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on historic costs as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Amendments to Accounting Standards

In accordance with Corporations Amendment (Corporate Reporting Reform) Act 2010, the economic entity has dispensed with the inclusion of parent company accounts but discloses the requisite information for the parent company as per note 14.

B. Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Rural Capital Limited ("company" or "parent entity") as at 30 June 2015 and the results of all subsidiaries for the year then ended. Australian Rural Capital Limited and its subsidiaries together are referred to in these financial statements as "group" or "the economic entity".

Subsidiaries are all those entities over which the economic entity has control. The economic entity controls an entity when the economic entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the economic entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the economic entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the economic entity.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

Investments in subsidiaries are accounted for at the lower of cost or recoverable value in the individual financial statements of the parent entity.

C. Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ("CODM"). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

D. Income Tax

The income tax (expense) revenue for the year comprises current income tax (expense) income and deferred tax (expense) income.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax (liabilities) assets are therefore measured at the amounts expected to be (paid to) recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the financial year as well unused tax losses.

Current and deferred income tax (expense) benefit is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Australian Rural Capital Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as at 1 July 2003.

The wholly-owned entities have not compensated Australian Rural Capital Limited for deferred tax liabilities assumed by Australian Rural Capital Limited on the date of the implementation of the legislation.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

E. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Net gain on investments are recognised when a contract note is issued in the case of a sale of shares or when a signed transfer agreement has been effected with the purchaser.

F. Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation, using the effective interest rate method.

Fair value

Fair value is determined based on last sale prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the economic entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

G. Trade and Other Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at the reporting date plus accrued interest and less, where applicable, any unearned income or provision for doubtful debts.

H. Trade and Other Payables

Accounts payable represent the principal amounts outstanding at the reporting date plus, where applicable, any accrued interest.

I. Finance Costs

Borrowing costs are expensed in the period in which they are incurred.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

J. Employee Benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised as current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

Share based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees and directors.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees and directors in exchange for the rendering of services.

Share based payments are expensed over the period that the payments vest to the employee and directors with a corresponding increase in equity over the vesting period. The current series of payments are options, valued by means of averaging (1) a six step binomial option calculation and (2) a Black-Scholes option calculation. Both option calculation methods use an exercise price of \$0.70, underlying security price of \$0.55, 25% volatility and risk-free rate of 2.9% with no dividend payment assumptions.

K. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash includes cash at bank and on hand and term deposits, offset by loans from a margin lending or overdraft facility.

L. Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australia Taxation Office. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position. Cash flows in the Statement of Cash Flows are included on a gross basis. The GST component of cash flows arising from investing and financing activities that are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

M. Contributed Equity

Ordinary shares are classified as equity.

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

If the entity reacquires its own equity instruments, for example, as part of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised in equity.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

N. Earnings Per Share

Basic earnings per share

Basic earnings per share is determined by dividing net profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

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

O. Plant and Equipment

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the economic entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a reducing balance basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

P. Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Q. Impairment of Non-Financial Assets

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

R. Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

S. Leases

No assets have been acquired under finance leases.

Lease payments for operating leases or licence assignments, where substantially all the risks and benefits remain with the lessor or assignor, are charged as expenses on a straight line basis.

T. Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

U. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

V. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

W. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. The judgements, estimates and assumptions that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities is primarily in relation to Level 2 Financial Assets, which is discussed further in Note 27F and share based payments, which is discussed further in Note 20.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

	Economic Entity	
	2015	2014
	\$	\$
2. REVENUES		
Profit from sale of investments	1,986	-
Interest	2,365	929
Dividends received – other corporations	80,261	11,099
Change in fair value of investments retained	-	37,480
Net realised gains on derivatives trading	-	16,613
TOTAL REVENUES	84,612	66,121

For the 2014 financial period, the net financial impact of investments sold was shown on a gross basis, including cash proceeds from sale, cash cost and fair value movement of investments sold.

For the current reporting period the financial impact of the investments sold have been shown on a net basis to align with current accounting Standards. For comparatives for the 2014 financial reporting period have been amended to align with this disclosure.

3. PROFIT/(LOSS) FOR THE YEAR

(A) EXPENSES

Auditors remuneration – audit, audit review and accruals	43,333	45,000
Change in fair value of investments retained	466,762	-
Directors fees, employee benefits and costs	145,729	123,333
Directors fees and costs – share based	32,552	-
Loss on sale of investments	-	408,655
Office and occupancy expenses - other	3,030	2,850
Other expenses	85,680	44,640
Share-based advisory expenses	22,268	-
TOTAL EXPENSES EXCLUDING FINANCE COSTS	799,354	624,478

For the 2014 financial period, the net financial impact of investments sold was shown on a gross basis, including cash proceeds from sale, cash cost and fair value movement of investments sold.

For the current reporting period the financial impact of the investments sold have been shown on a net basis to align with current accounting Standards. For comparatives for the 2014 financial reporting period have been amended to align with this disclosure.

(B) SIGNIFICANT REVENUE AND EXPENSES (FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS)

Proceeds from sale of investments	6,620	2,200,993
Total cost of investments sold	(4,634)	(2,609,648)
Realised gain/(loss) on investments sold	1,986	(408,655)

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

	Economic Entity	
	2015	2014
	\$	\$
3. PROFIT/(LOSS) FOR THE YEAR (continued)		
Realised gain/(loss) on investments sold consists of:		
Gains	1,986	153,181
Losses	-	(561,836)
	<u>1,986</u>	<u>(408,655)</u>

4. FINANCE COSTS

External	2,401	21,905
Total finance costs	<u>2,401</u>	<u>21,905</u>

5. AUDITORS REMUNERATION

Remuneration of the auditors of the parent entity for:

Auditing and reviewing the financial statements	37,533	45,000
Audit of controlled entities	5,800	-
	<u>43,333</u>	<u>45,000</u>

6. INCOME TAX

(A) INCOME TAX

The aggregate amount of income tax expense/(benefit) attributable to the year differs from the amount prima facie payable on the profit/(loss) from ordinary activities. The differences are reconciled as follows:

(Loss)/profit before tax	(717,143)	(580,262)
Prima facie income (benefit)/expense on the (loss)/profit before income tax at 30% (2014: 30%)	(215,143)	(174,079)
Add/(deduct) tax effect of:		
Tax losses not brought to account	215,143	174,079
Other timing differences	(274)	30,930
	<u>214,869</u>	<u>205,009</u>
Income tax (benefit)/expense attributable to entity	<u>(274)</u>	<u>30,930</u>

The effective tax rate of 0% (2014: -5.3%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2014: same) in respect of the current year.

Income tax benefit/(expense) is made up of:

Deferred tax	274	(30,930)
	<u>274</u>	<u>(30,930)</u>

(B) DEFERRED TAX ASSETS

Deferred tax assets comprise:

Temporary differences – accruals	14,284	11,520
	<u>14,284</u>	<u>11,520</u>

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

	Economic Entity	
	2015	2014
	\$	\$
<hr/>		
(C) RECONCILIATIONS		
The overall movement in the deferred tax account is as follows:		
Opening balance	11,520	42,450
Credit/(Debit) to statement of profit or loss and other comprehensive income	274	(30,930)
Balance arising from acquisition of controlled entity (note 26)	2,490	-
Closing balance	14,284	11,520
	<hr/>	<hr/>

(D) DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT

As at 30 June 2015, the economic entity had estimated unrecouped operating income tax losses of \$11,810,141 (2014: \$11,048,990) which are not presented on the Statement of Financial Position. The benefit of these losses of \$3,543,043 (2014: \$3,314,697) has not been brought to account as realisation is not probable.

The benefit will only be obtained if:

- (i) the companies derive future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (ii) the companies continue to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the companies in realising the benefit from the deductions for the losses.

7. DIVIDENDS AND FRANKING CREDIT BALANCES

Franking Credits

Balance of franking account at the reporting date adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.

19,802 5,906

No dividends were declared or paid in respect of the years ended 30 June 2015 or 30 June 2014.

8. EARNINGS PER SHARE

Continuing operations

(A) Earnings used in the calculation of basic EPS	(716,869)	(611,192)
Earnings used in the calculation of diluted EPS	(716,869)	(611,192)
(B) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS	8,357,302	2,656,341
Basic (loss)/earnings per share (cents)	(8.6)	(23.0)
Diluted (loss)/earnings per share (cents)	(8.6)	(23.0)

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

	Economic Entity	
	2015	2014
	\$	\$

9. CASH AND CASH EQUIVALENTS

Cash on hand and at bank	455,691	655,459
Net cash and cash equivalents as per Statement of Cash Flows	455,691	655,459

10. FINANCIAL ASSETS (CURRENT)

Fair value through profit or loss:

Listed investments at fair value		
- shares in listed corporations (note 15, 27F)	3,387,070	656,301
TOTAL	3,387,070	656,301

11. TRADE AND OTHER RECEIVABLES

CURRENT

Other debtors and receivables	3,648	2,782
	3,648	2,782

12. FINANCIAL ASSETS (NON CURRENT)

Fair value through profit or loss:

Unlisted investments at fair value:		
- shares in unlisted corporations at fair value (note 27F)	-	10,000
	-	10,000

13. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2015	2014
Parent Entity:			
Australian Rural Capital Limited	Australia	-	-
Controlled Entities of Australian Rural Capital Limited:			
Loftus Lane Investments Pty. Limited	Australia	100%	100%
Australian Rural Capital Management Pty. Limited [†]	Australia	100%	-
Rowe Street Investments Pty. Limited ^{††}	Australia	-	100%

[†] formerly Foundry Investment Partners Pty. Limited

^{††} controlled entity of Loftus Lane Investments Pty. Limited – deregistered 20 April 2015

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)**

	Economic Entity	
	2015	2014
	\$	\$
14. PARENT ENTITY INFORMATION		
Information relating to the parent entity, Australian Rural Capital Limited:		
Current Assets	3,653,439	656,205
Total Assets	4,926,560	1,868,656
Current Liabilities	1,130,274	554,405
Total Liabilities	1,130,274	554,405
Issued Capital	18,322,780	15,129,357
Share Based Payments Reserve	54,820	-
Accumulated Losses	(14,581,314)	(13,815,106)
Total Shareholders' Equity	3,796,286	1,314,251
 (Loss) of the parent entity	 (766,208)	 (587,996)
Total comprehensive income of the parent entity	(766,208)	(587,996)

As at 30 June 2015 and 30 June 2014, the parent entity had not entered into any guarantees in relation to the debts of its subsidiaries, nor had entered into any contractual commitments for the acquisition of property, plant or equipment.

As at 30 June 2015 and 30 June 2014, a financial facility entered into by the parent entity was secured by a fixed and floating charge against all controlled entities.

15. FINANCIAL ASSETS

The Economic Entity's shares in listed corporations include the following interests which account for over 5% of the Economic Entity's shareholders funds or 5% of the investee company's issued capital:

Namoi Cotton Co-operative Limited

Principal activity is cotton ginning and marketing

10.6% interest in Namoi Cotton Co-operative Limited (2014: 1.8%)	3,387,070	651,666
--	-----------	---------

16. TRADE AND OTHER PAYABLES**CURRENT (UNSECURED)**

Trade creditors	5,896	5,694
Other creditors and accruals	39,314	38,401
Other payables	5,523	5,673
	50,733	49,768

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)**

Economic Entity	
2015	2014
\$	\$

17. BORROWINGS

Australian Rural Capital Limited has an overdraft facility of \$400,000 with a major bank with a fixed and floating charge against all the assets of the Company and its controlled entity Loftus Lane Investments Pty. Limited.

In 2014, Rowe Street Investments Pty. Limited operated a margin lending facility which was secured against the shares held within the facility. The facility had a limit of \$450,000 and was undrawn at 30 June 2014. This facility was closed during the year to 30 June 2015 and Rowe Street Investments Pty. Limited deregistered.

18. CONTINGENT LIABILITIES

The Economic Entity has no outstanding contingent liabilities (2014: nil).

19. ISSUED CAPITAL

8,923,181 fully paid authorised ordinary shares
(2014: 29,426,534)

18,322,780	15,129,356
------------	------------

Terms and conditions of contributed equity:

Ordinary shares have no par value. Ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The voting rights attached to the ordinary shares at a general meeting of shareholders are such that on a show of hands every member present (in person or by proxy) shall have one vote and on a poll one vote for each share held.

**MOVEMENT IN ISSUED SHARES OF THE PARENT ENTITY FOR THE YEAR
ORDINARY SHARES**

Date	Details	Number of shares	\$
1 July 2014	Opening balance	29,426,534	15,129,356
11 July 2014	Placement: 1,109,015 shares at \$0.05 per share	1,109,015	55,451
1 August 2014	10-1 share consolidation	(27,481,904)	-
4 August 2014	Issue in consideration for shares of Namoi Cotton Cooperative Limited	4,369,536	2,403,245
4 August 2014	Placement: 1,500,000 shares at \$0.52 per share	1,500,000	780,000
	Cost of issues	-	(45,272)
30 June 2015	Closing balance	8,923,181	18,332,780

20. SHARE BASED PAYMENTS

Executive Remuneration

Advisory Services

Set out below are summaries of options granted under the plan:

Grant Date	Expiry Date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
4/8/2014	31/12/2020	0.70	-	450,000	-	-	450,000
4/8/2014	31/12/2018	0.70	-	240,000	-	-	240,000

2014

Grant Date	Expiry Date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Nil options granted or held for the period ending 30 June 2014							

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant Date	Expiry Date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free rate at grant date	Fair value at grant date
4/8/2014	31/12/2020	0.55	0.70	25%	-	2.90%	57,802
4/8/2014	31/12/2018	0.55	0.70	25%	-	2.90%	22,320

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

21. KEY MANAGEMENT PERSONNEL

The names and positions held by Key Management Personnel of the economic entity who have held office during the financial year are:

Directors

James Jackson	Chairman - Executive
Andrew Brown	Director – Executive
Darren Anderson	Director – Non Executive
Paul Young	Director – Non Executive
Stephen Roberts	Director – Non Executive

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2015	2014
	\$	\$
Short-term employee benefits	132,396	101,333
Post-employment benefits	13,333	22,000
Share based payments	32,552	-
	178,281	123,333

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at start of the year^a	Received as part of remuneration	Additions	Disposals / other	Balance at the end of the year
2015					
<i>Ordinary shares</i>					
James Jackson	-	-	1,611,406	-	1,611,406
Andrew Brown	883,719	-	-	(316,829)	566,890
Darren Anderson	-	-	255,319	-	255,319
Paul Young	186,688	-	336,830	-	523,518
Stephen Roberts	187,045	-	-	-	187,045
	1,257,452	-	2,203,555	(316,829)	3,144,178
2014					
<i>Ordinary shares</i>					
Andrew Brown	8,636,097	-	201,072	-	8,837,169
Paul Young	1,623,082	-	243,795	-	1,866,877
Stephen Roberts	1,870,451	-	-	-	1,870,451
	12,129,630	-	444,867	-	12,574,497

a: balance at start of 2015 adjusted for 10-1 consolidation effective 1 August 2015

Related party transactions

Related party transactions are set out in note 25.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

22. CAPITAL AND LEASING COMMITMENTS

(A) OPERATING LEASE COMMITMENTS

The Economic Entity has no outstanding operating lease commitments (2014: nil).

(B) CAPITAL COMMITMENTS

The Economic Entity has no outstanding capital commitments (2014: nil).

(C) SUPERANNUATION

The Company contributes superannuation payments on behalf of directors of the economic entity in accordance with prescribed Government legislation. The Company is not committed to funding any shortfall in the earnings of any of the individual superannuation funds.

	Economic Entity	
	2015	2014
	\$	\$
<hr/>		
23. CASH FLOW INFORMATION		
(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX		
Operating (loss)/profit after income tax	(716,869)	(611,192)
Cash flows excluded from profit/(loss) attributable to operating activities:		
Purchases of investments	(788,884)	(1,324,024)
Proceeds from sales of investments	6,620	2,200,994
Non cash flows in operating profit/(loss):		
Change in fair value of investments retained	466,762	(37,480)
Profit on sale of investments and derivatives	(1,986)	392,042
Share based payments	54,820	-
Changes in assets and liabilities net of acquisitions:		
(Increase)/decrease in deferred tax balances	(274)	30,930
(Increase)/decrease in sundry debtors & prepayments	(857)	2,967
Decrease/(Increase) in trade creditors & accruals	741	(87,831)
Other	14	1,356
Cash flows (used in)/provided by operations	(979,913)	567,762

(B) NON CASH FLOW FINANCING ACTIVITY

On 4 August 2014, the Company issued 4,369,536 ordinary shares at a notional issue price of \$0.55 per share in exchange for 7,282,620 Co-operative Capital Units of Namoi Cotton Co-operative Limited (2014: nil).

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

	Economic Entity	
	2015	2014
	\$	\$
<hr/>		
Overdraft/loan and margin lending facilities	400,000	850,000
Amount utilised	-	-
Unused loan facilities	400,000	850,000
	<hr/>	

23. CASH FLOW INFORMATION (continued)

(C) LOAN FACILITIES

Australian Rural Capital Limited has an overdraft facility of \$400,000 with a major bank with a fixed and floating charge against all the assets of the Company and its controlled entity Loftus Lane Investments Pty. Limited. and Rowe Street Investments Pty. Limited. The overdraft facility is currently available until 31 July 2015 and as at the reporting date attracted an interest rate of 12.9% per annum. The Company expects the facility will be extended for a further twelve months.

In 2014, the Economic Entity also operated a secured loan facility provided by a margin lending provider. The facility had a limit of \$450,000 and had no fixed maturity date.

24. EVENTS SUBSEQUENT TO REPORTING DATE

On 31 July 2015, the Company lodged a prospectus with ASIC for the issue of approximately 8,030,863 Options on the basis of 9 Options for every 10 shares held at 7 August 2015 at a price of \$0.05 per Option. This rights issue is not underwritten but if fully subscribed would raise a total of \$401,543 before expenses. Each Option has an exercise price of \$0.50 per share and expires on 31 August 2020.

On 25 July 2015, the first tranche of 150,000 options exercisable at \$0.70 by 31 December 2020 issued to James Jackson on 4 August 2014 duly vested.

25. RELATED PARTY INFORMATION AND TRANSACTIONS

Ultimate Controlling Entity

The ultimate controlling entity of the economic entity is Australian Rural Capital Limited (refer notes 13 and 14).

Key management personnel remuneration

During the financial year, total remuneration of \$178,281 (2014: \$123,333) was paid to Directors and key management personnel by the economic entity, including partially owned controlled entities. Details of the payments and shareholdings in Australian Rural Capital Limited of Directors and key management personnel are shown in the Remuneration Report contained as part of the Directors Report on pages 8 - 10 of this Financial Report.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

25. RELATED PARTY INFORMATION AND TRANSACTIONS (continued)

Australian Rural Capital Limited transactions with controlled entities

During the financial year, Australian Rural Capital Limited advanced and repaid loans, sold and purchased goods and services, and provided management, accounting and administrative assistance to its controlled entities. At 30 June 2015, the parent owed controlled entities \$1,085,541 (2014: 504,718) and in 2014 controlled entities owed the parent entity \$2,725,794 prior to provisions for non-recovery. All loans advanced to and from these controlled entities are unsecured, subordinate to other liabilities and do not bear interest. Loans between members of the tax consolidated group are not on normal terms and conditions.

No dividends were received from controlled entities in either of the periods to 30 June 2015 or 30 June 2014.

In the year to 30 June 2014, Australian Rural Capital Limited charged management fees of \$9,011 to Loftus Lane Investments Pty. Limited and \$2,770 to Rowe Street Investments Pty. Limited. No management fees were charged in the year to 30 June 2015.

Other related party transactions

On 4 August 2014, the Company issued 240,000 options exercisable at \$0.70 at any time prior to 31 December 2018 to Baron Partners Limited. The options were issued after approval by shareholders, were in consideration of assistance in sourcing the Namoi Cotton Cooperative Limited investment opportunity, and for future retained advisory and administrative services. Paul Young, then a Director of the Company, is also a Director of Baron Partners Limited.

On 27 December 2014, Australian Rural Capital Limited acquired Foundry Investment Partners Pty. Limited (renamed Australian Rural Capital Management Pty. Limited) the holder of AFSL 302802, from Andrew Brown for \$60,022 being a premium of \$7,709 to net asset value.

On 15 February 2015, Andrew Brown, a Director of the Company, purchased 14,500,000 Cheviot Bridge Limited shares from Rowe Street Investments Pty. Limited, for a nominal value of \$72.50. Historically, the shares have been valued at \$0 within the Economic Entity's accounts.

26. ACQUISITION OF CONTROLLED ENTITY

(I) DESCRIPTION

On 23 December 2014, ARC acquired 100% of the issued capital of Foundry Investment Partners Pty. Limited (**FIP**) from Andrew Brown, a Director of ARC for \$60,022. On 15 February 2015, FIP changed its name to Australian Rural Capital Management Pty. Limited (**ARCM**). ARCM is the owner of Australian Financial Services Licence 302802 which the economic entity intends to use to further its funds management activities.

The acquired business contributed \$nil revenues and loss after tax of (\$7,234) to the consolidated entity for the period from 23 December 2014 to 30 June 2015. If the acquisition occurred on 1 July 2014, the full year contributions would have been revenues of \$11,494 and a loss after tax of \$(7,416). The values identified in relation to the acquisition of Australian Rural Capital Management Pty Ltd are final as at 30 June 2015.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

26. ACQUISITION OF CONTROLLED ENTITY (continued)

(II) DETAILS OF ACQUISITION OF CONTROLLED ENTITY

The carrying amounts of assets and liabilities at the date of acquisition of FIP are as follows:

	Acquiree's carrying amount	Fair value
	\$	\$
Cash	26	26
Loans to related party (†)	50,022	50,022
Deferred tax assets	2,490	2,490
TOTAL ASSETS	52,538	52,538
Creditors	(225)	(225)
NET ASSETS	52,313	52,313
Goodwill		7,709
Total purchase consideration		60,022

† at the date of acquisition, the related party was Andrew Brown, a Director of the Economic Entity.

Between 24 December 2014 and 29 December 2014, the loan was fully repaid.

As at the reporting date, a loan of \$48,902 is outstanding from the parent entity to ARCM, and is eliminated on consolidation.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

27. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT

The economic entity undertakes transactions in a range of financial instruments including:

- listed shares and equity type securities in other corporations;
- cash assets;
- receivables;
- payables;
- deposits; and
- bills of exchange and commercial paper.

As a consequence, the Economic Entity is exposed to a number of financial risks. The Directors believe that these risks fall into two categories:

- “largely controllable risks” including interest rate risk, credit risk, and liquidity and operational risks; and
- “partly controllable risks” mainly arising from financial market risk.

We seek to sensibly mitigate the controllable risks but recognise that our financial performance is likely to be highly volatile as a result of “mark-to-market” accounting conventions, and the economic entity’s portfolio of investments in agribusiness related companies, which may be influenced by global soft commodity markets, currency fluctuations or weather related factors.

The Board provides overall guidance in respect of risk management, mainly in the areas of approving individual security investments, and providing advice and guidance in respect of the economic entity’s debt financing of its activities. The economic entity generally does not enter into derivative contracts as part of its day to day business, and has no major necessity to hedge specific exposures, given its relatively simple debt and equity financing structures and lack of overseas assets and liabilities.

(A) CAPITAL RISK MANAGEMENT

We aim to manage equity and debt capital in order to provide returns for shareholders, whilst maintaining the Economic Entity’s ability to pay its debts as and when they come due. As a smaller corporation, there is limited ability to manage the overall cost of capital, since equity capital may not always be accessible, and if so, only at significant theoretical cost. These costs may result in significant dilution to existing shareholders percentage interest in the economic entity.

In addition, the supply of debt capital is also not always assured as a result of the economic entity’s requirements to use major commercial banks. Since the economic entity’s business is of a specialist nature, commercial banks may not always be willing to lend to support its activities, or may do so on terms which are highly constraining. These constraints include not only the price of available credit – referenced by its margin over market based bank bill rates – but also the variable nature of covenants required to be observed by the economic entity.

To manage overall capital risks, it may be necessary for the Board of Directors to adjust the level of dividends paid to shareholders, return capital to shareholders or issue new shares. Capital is monitored on an overall basis, although in the past has had to be done so with an emphasis on maintaining access to debt facilities made available to the economic entity. These have historically required the economic entity to maintain stipulated ratios of total liabilities to total tangible assets, minimum net worth (in dollar terms), restricted the ability to pay dividends in certain circumstances, and required that a parcel of securities be lodged with the economic entity’s debt financier. The economic entity fully repaid facilities which required maintenance of such criteria on 14 July 2010, although it has utilised overdraft facilities, from time to time, since that date.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

27. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

(B) LARGELY CONTROLLABLE RISKS – INTEREST RATE RISK AND EXPOSURES

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets, such as interest bearing bank accounts. Historically, our interest rate liability risk arose primarily from drawdowns of bank accepted bills with a maximum of 180 days duration, supported by a facility with a major commercial bank, with a floating charge over the assets of the economic entity. The timing of rollover of these bank accepted bills gave rise to variable interest rate and cash flow risks. The economic entity currently has access to loan facilities provided by short term bank overdraft. The parent entity largely assumes interest rate risk insofar as it acts as an effective treasury for the economic entity by arranging debt facilities with a major commercial bank. These proceeds, together with other available capital, are available to be loaned to controlled entities through non-interest bearing inter-company loan accounts.

At current interest rates, over the course of a full year, an increase of 100 basis points in borrowing rates with an accompanying change in deposit rates would increase pre-tax profit by \$4,556 (2014: \$6,555).

Interest rate risk is not specifically managed since the economic entity has no fixed balance sheet inflow/outflow requirements which would require complex asset-liability management, and the maximum 180 day bill accepted drawdown nature of the previous facility inhibited such a requirement. Given the equity nature of the economic entity's investments, the Directors believe that any increases in the costs of debt finance could be mitigated by the sale of equity investments.

The following table summarises interest rate risk, for the economic entity with weighted average interest rates at reporting date.

	Interest Rate	Fixed Interest Rate \$	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
ECONOMIC ENTITY 2015					
Financial assets:					
Cash and cash equivalents	0.03%	-	455,691	-	455,691
Trade and other receivables	-	-	-	3,648	3,648
Investments	-	-	-	3,387,070	3,387,070
		-	455,691	3,390,718	3,846,409
Financial Liabilities:					
Trade and other payables	-	-	-	50,733	50,733
		-	-	50,733	50,733
Net Financial Assets		-	455,691	3,339,985	3,795,676
ECONOMIC ENTITY 2014					
Financial assets:					
Cash and cash equivalents	0.56%	-	655,459	-	655,459
Trade and other receivables	-	-	-	2,782	2,782
Investments	-	-	-	666,301	666,301
		-	655,459	669,083	1,324,542
Financial Liabilities:					
Trade and other payables	-	-	-	49,768	49,768
		-	-	49,768	49,768
Net Financial Assets		-	655,549	619,325	1,274,774

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

27. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

(C) LARGELY CONTROLLABLE RISKS – CREDIT RISK

Credit risk is the risk that a contracting entity will not complete its obligations under an agreement or financial instrument and cause us to incur a financial loss. We have exposure to credit risk on various financial assets included in our statement of financial position.

Over the course of the financial year, the economic entity's major credit risk relates to its exposure to sold securities transactions where Members of ASX Limited are required to settle such transactions in the normal course of business on the Australian Securities Exchange. Members of ASX Limited are generally covered by the National Guarantee Fund for the types of transactions entered into by the Economic Entity. To help manage this risk, we monitor our exposures to individual entities. The maximum amount to which the economic entity is exposed as at 30 June 2015 is \$nil (2014: \$nil).

The economic entity is also exposed to credit risk through bank deposits and other simple money market instruments. These risks are managed by the economic entity placing short term deposits and bills only with highly rated major domestic commercial banks.

(D) LARGELY CONTROLLABLE RISKS – OPERATIONAL AND LIQUIDITY RISK

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the due date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial asset at all.

To help mitigate these risks we maintain constant monitoring of the economic entity's financial position through a series of cross-linked financial programs, and attempt to ensure the economic entity has accessible liquidity in the form of cash, readily saleable securities and access to bank and margin financing. The contracted cash flows of all financial liabilities (refer note 16) are equal to their carrying value and will mature within twelve months of the reporting date.

(E) PARTLY CONTROLLABLE RISKS – FINANCIAL MARKET AND SECURITIES RISK

Financial market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. In the main, this occurs due to the economic entity's investments in listed ordinary shares whose share prices can fluctuate significantly over short periods of time.

The Board of Directors regard financial market risk as being only partly controllable, since investing in ordinary shares is an inherent component of the economic entity's activities, from which it seeks to profit. The economic entity is subject to significant risks which it is largely unable to control as a result of investing in smaller and "microcap" companies, together with companies which themselves hold financial assets.

Investments in these companies are subject to more volatile price fluctuations as a result of:

- illiquidity of trading in the investee company's securities;
- potential proprietary conflict from large shareholdings owned by management or Directors;
- concentration of major shareholdings, which can lead to extreme negative fluctuations in share prices when single investors seek to sell their securities in the investee company, irrespective of the business performance of the investee;
- lack of diversification of business activities of the investee company, rendering the investee susceptible to volatility within a single industry; and
- non-voting or restricted voting securities or other restrictive mechanisms enshrined in investee constitutions.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

27. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

In respect of individual securities, the Board of Directors monitors and approves significant exposures to individual securities, other than controlled entities. In addition, the inherent risks of significant exposures to individual entities are, on occasion, partly mitigated by board representation on the investee company. Due to the nature of securities owned, there is limited correlation with traditional stock market indices.

In the event that the listed company portfolio increased or decreased in value by 10% from the levels of 30 June 2015, there would be a corresponding positive or negative impact on pre-tax profit/(loss) of \$338,707 (2014: \$65,630).

In the year to 30 June 2014, the economic Entity traded in Contracts for Difference (“CFDs”). A CFD is a contract, usually entered into between the investor and an investment bank or other financial organization, whereby the two parties exchange the difference between the opening and closing prices of the financial instrument.

CFDs are generally highly leveraged and do not confer the direct benefits of ownership of the underlying instrument. In many cases, the underlying investment is a futures contract. The Economic Entity has a preference for dealing with CFD providers offering direct access to the market in the underlying securities which provides a higher degree of the provider acting as “agent” rather than “principal”.

The Economic Entity uses CFDs to hedge against certain underlying equity positions, to short sell or take leveraged long positions in specific securities, currencies, indices, commodities and sovereign debt benchmarks,

Investments in CFDs are subject to significant fluctuations in value as a result of the volatility of the underlying instrument allied to financial leverage. Apart from the natural attributes of hedging, the economic entity typically restricts its positions in underlying exposure terms to a maximum of ten times the equity placed in the CFD provider’s account. At 30 June 2014, the equity in the single CFD providers account was nil.

At 30 June 2014, the Economic Entity held no CFD positions and had available nil equity in the single CFD provider’s account. In the period from 1 July 2013 to 5 November 2013 when trading ceased, the Economic Entity held average daily position exposures of \$67,528 and average single positions of \$33,698. The largest single position held was a long position in the British Pound versus Australian Dollar in August 2013 of \$593,066. The largest overall equity positions were \$177,238 net long on 11 October 2013 and \$660,003 net short on 20 September 2013.

(F) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

As of 1 July 2009, the group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

27. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

(F) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	3,387,070	-	-	3,387,070
TOTAL	3,387,070	-	-	3,387,070
30 June 2014	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	656,301	10,000	-	666,301
TOTAL	656,301	10,000	-	666,301

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2015	30 June 2014				
Held for trading non-derivative financial assets (see notes 10, 15)	Listed Australian equity securities: Agricultural industry - \$3,387,070	Listed Australian equity securities: Agricultural industry - \$651,666	Level 1	Quoted bid prices in an active market	N/A	N/A
Held for investment non-derivative financial assets (see note 12)	Unlisted Australian equity security: biotechnology industry - \$nil	Unlisted Australian equity security: biotechnology industry - \$10,000	Level 2	Directors' valuation adjustments to Observable prices in private transactions	N/A	N/A

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Other data on net fair values of assets and liabilities is presented in notes 10, 12 and 15 to the financial statements.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

27. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

(G) RECONCILIATION OF NET FINANCIAL ASSETS TO NET ASSETS

	Economic Entity	
	2015	2014
	\$	\$
Net Financial Assets as above	3,795,676	1,274,774
Non financial assets and liabilities:		
Deferred tax assets	14,284	11,520
Goodwill	7,709	-
Net assets per balance sheet	3,817,669	1,286,294

28. COMPANY DETAILS

The Registered Office and Principal Place of Business of the Economic Entity is Suite 7.06, 2-14 Kings Cross Road, POTTS POINT NSW 2011.

29. SEGMENT REPORTING

The Economic Entity has two reportable segments, which both solely operate in one geographic segment, being Australia. Segment results, assets and liabilities include items directly attributable to a segment. Information about each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Executive Chairman, who is also the chief operating decision maker.

Segment profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of each operating segment. The reportable segments are as follows:

- Funds management:** management of investment vehicles and provision of funds management services.
- Investment:** investment in agriculture related entities, schemes and securities; “microcap” Australian companies, and other financial services entities.
- Corporate:** corporate expenses include all financing costs except those directly attributable to investment, and personnel costs associated with the Economic Entity except the use of outside personnel as Directors of partly owned subsidiaries and compliance committees which are capable of allocation to a specific business segment; interest and dividend income is allocated to “Investment”.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

29. SEGMENT REPORTING (continued)

2015	Funds Management \$	Investment \$	Corporate \$	TOTAL \$
External revenue	-	82,248	-	82,248
Interest revenue	-	2,365	-	2,365
Expenses other than finance, depreciation and amortisation	(7,233)	(466,762)	(325,360)	(799,355)
SEGMENT RESULT	(7,233)	(382,149)	(325,360)	(714,742)
Finance Costs	(1)	-	(2,400)	(2,401)
PROFIT/(LOSS) BEFORE INCOME TAX	(7,234)	(382,149)	(327,760)	(717,143)
Income tax expense	-	-	274	274
PROFIT/(LOSS) AFTER INCOME TAX	(7,234)	(382,149)	(327,486)	(716,869)
Segment Assets	2,490	3,842,761	23,151	3,868,402
Segment Liabilities	6,104	-	44,629	50,733
Capital Expenditure	-	-	-	-
2014	Funds Management \$	Investment \$	Corporate \$	TOTAL \$
External revenue	-	65,192	-	65,192
Interest revenue	-	929	-	929
Expenses other than finance, depreciation and amortisation	-	(408,655)	(215,823)	(624,478)
SEGMENT RESULT	-	(342,534)	(215,823)	(558,357)
Finance Costs	-	(9,264)	(12,641)	(21,905)
PROFIT/(LOSS) BEFORE INCOME TAX	-	(351,798)	(228,464)	(580,262)
Income tax expense	-	-	(30,930)	(30,930)
PROFIT/(LOSS) AFTER INCOME TAX	-	(351,798)	(259,394)	(611,192)
Segment Assets	-	1,320,760	14,302	1,336,062
Segment Liabilities	-	-	49,768	49,768
Capital Expenditure	-	-	-	-

AUSTRALIAN RURAL CAPITAL LIMITED

DIRECTORS DECLARATION

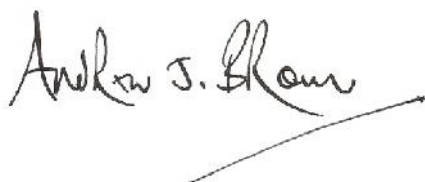
In accordance with a resolution of the Board of directors of Australian Rural Capital Limited, we declare that:

- (a) The financial statements and notes of the Economic Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Economic Entity's financial position as at 30 June 2015 and of its performance for the year ended on that date;
 - (ii) complying with Accounting Standards and Corporations Regulations; and
 - (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and
- (b) In the opinion of the directors, there are reasonable grounds to believe that the Economic Entity will be able to pay its debts as and when they become due and payable.
- (c) The Managing Director has declared that:
 - (i) the financial records of the Economic Entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (iii) the financial statements and notes for the financial year give a true and fair view.
- (d) The remuneration disclosures that are contained in pages 8 to 10 of the Directors' Report comply with Australian Accounting Standard AASB 124 Related Parties and Corporations Regulations 2001.

On behalf of the Board



J A Jackson
Chairman



A J Brown
Director

Date: 31 July 2015

INDEPENDENT AUDITOR'S REPORT



Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Australian Rural Capital Limited

Report on the Financial Report

We have audited the accompanying financial report of Australian Rural Capital Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Rural Capital Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Australian Rural Capital Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Australian Rural Capital Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Craig Maxwell', is written over a faint, stylized 'BDO' logo.

Craig Maxwell
Partner

Sydney, 31 July 2015

AUSTRALIAN RURAL CAPITAL LIMITED.

OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2015

A. Range of Shares Issued as at 23 July 2015

As at 23 July 2015 there were 8,923,181 shares held by 403 shareholders, all of which were quoted on the ASX.

Range	Holders	Shares held	% of capital
1-1,000	322	54,134	0.61
1,001-5,000	31	65,699	0.74
5,001-10,000	7	57,723	0.65
10,001-100,000	23	1,159,428	12.99
Over 100,001	20	7,586,197	85.02
Totals	403	8,923,181	100.00

There are 322 shareholders owning a total of 54,134 shares who own unmarketable parcels of the Company's securities.

B. Top Twenty shareholders as at 23 July 2015

Holder	Shares held	% of capital
Mistover Pty Ltd <Mistover A/C>	840,000	9.41
Federal Pacific Holdings Pty Ltd	762,406	8.54
Agrico Investments Pty Limited	758,298	8.50
E R Nixon Pty Ltd <ER Nixon Retirement Fund A/C>	708,000	7.93
Ego Pty Ltd	494,750	5.55
Agrico Pty Ltd <Palm Super Fund A/C>	466,835	5.23
Abron Management Services Pty Ltd <Brown Family Super A/C>	450,750	5.05
Clapsy Pty Ltd <Baron Super Fund A/C>	385,796	4.32
HSBC Custody Nominees (Australia) Limited	375,960	4.21
Pethol (Vic) Pty Ltd <Macdy No 5 Super Fund A/C>	350,001	3.92
P K Capital Pty Ltd	311,500	3.49
Andrew Adcock Pty Limited	300,000	3.36
Data Investments Pty Ltd <Deep North Securit S/F A/C>	255,319	2.86
BT Portfolio Services Limited <Dunworth Super Fund A/C>	240,000	2.69
Baron Nominees Pty Limited	200,000	2.24
Dr Stephanie Phillips	150,000	1.68
Artesian Capital Management (Australia) Pty Ltd	146,720	1.64
Clapsy Pty Ltd <Baron Super Fund A/C>	137,722	1.54
T B I C Pty Ltd <Crommelin Family Account>	136,000	1.52
Stiletto Investments Pty Ltd	116,140	1.30
TOTAL TOP TWENTY SHAREHOLDERS	7,586,197	85.02

C. Voting Rights

Shareholders are entitled to one vote for each share held. On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll, every shareholder so present shall have one vote for every share held.

OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2015 (CONTINUED)

D. Substantial Shareholders

The company is aware of six shareholders who hold relevant interests of in excess of 5% of the company's ordinary shares as at 23 July 2015:

Holder	Shares held	% of capital
James Andrew Jackson (relevant interests)	1,611,406	18.1%
Agrico investments Pty. Limited	1,225,132	13.7%
E R Nixon Pty. Limited	708,000	7.9%
Andrew John Brown (relevant interests)	566,890	6.4%
Ego Pty. Limited	494,750	5.6%

E. Corporate Governance Statement and Information

The Company's Corporate Governance Statement and other corporate governance related information including Securities Trading Policy, Board Charter, Risk and Audit Committee Charter and Code of Conduct is available at the Company's website: www.ruralcapital.com.au/about_us/corporate_governance