

ASX release – 17 May 2016

## 2016 Half Year Financial Results

### DIVERSIFIED BUSINESS MODEL CONTINUES TO DELIVER RECORD RESULTS

- Revenue of \$803.7m up 8% (1H15: \$742.8m)
- Underlying EBITDA<sup>1</sup> of \$27.5m up 2% (1H15: \$26.9m)
- Underlying NPAT<sup>2</sup> of \$11.5m up 2% (1H15: \$11.3m)
- Underlying ROCE of 17.4% up 1.7 pts (1H15: 15.7%)
- Interim fully franked dividend of 8 cents per share declared (1H15: 9 cents)

Ruralco Holdings Limited (ASX:RHL) today released its half year results for the six months to 31 March 2016 announcing growth in revenue to \$803.7m and growth in underlying net profit to \$11.5m.

Chairman, Richard England, confirmed Directors declared a fully franked interim dividend of 8 cents per share with a record date of 3 June 2016, payable to shareholders on 21 June 2016. The Dividend Reinvestment Plan continues to operate in respect of the interim dividend.

“This represents a 55% dividend payout ratio in line with the Board’s new dividend policy and supports the Group’s strategic growth agenda via network expansion and vertical integration. The record result reflects the maturing of new businesses in the network and highlights the strength of the Group’s earnings platform and its geographical diversity in balancing the effect of the tough seasonal conditions we’ve experienced in the first half” said Mr England.

Key activity highlights are outlined below:

#### Agency

- Improved customer penetration, strong livestock prices and higher real estate volumes contributing to a 10% increase in Agency gross profit;

#### Rural Supplies

- Successful integration of geographically diverse retail network acquisitions and pursuit of the Group’s water and chemicals proprietary product portfolio has driven an 8% increase in Rural Supplies gross profit;

#### Water

- Broadening of focus in Total Eden from civil and commercial projects towards leveraging Ruralco’s strength in agriculture, along with strong demand for water entitlements, has driven 4% growth in Water gross profit; and

#### Live Export

- An increase in volumes exported to key target markets has grown Frontier gross profit by 18%.

Speaking on the record results, Ruralco’s Chief Executive Officer Travis Dillon noted, “We are focusing on what we can control as a business. The quality of the people in our network and our diverse geographies and activities has delivered strong results.”

<sup>1</sup> Underlying EBITDA and NPAT exclude the impact of non-recurring items: \$0.8m at EBITDA and \$0.7m at NPAT

<sup>2</sup> Attributable to shareholders

“Our agency result is a testament to the investments we have made in developing our network. Our focus on working together to leverage opportunities across the business has allowed us to take advantage of the strong market conditions.”

“Our strategy to invest in a broad based suite of water businesses is beginning to yield acceptable earnings growth with the dry conditions in the current half driving strong demand for water products and services.”

“Water is a fundamental input for agriculture and a key area for government investment in agriculture focused infrastructure, such as the Swan Valley Irrigation Scheme in Tasmania aimed at enhancing the agricultural productive capacity of the region. Total Eden has recently been awarded this contract, due to commence in June, which will involve the design and build of a pump station and the laying of a 37km underground pipe network that will guarantee water delivery to 22 private landholders.”

## Strategy Update

The Group’s continued focus on its four key strategic initiatives has seen good progress made during the half.

### Vertical Integration

Focus on vertical integration in the rural supplies value chain through water products plus exclusive access to the established Marubeni proprietary products range, providing customers with the benefit of a trusted international brand.

Frontier has moved into cattle backgrounding and finishing programs in Northern Australia and grain feedlot trials for domestic supermarket and export processors in Southern Australia. The combined total capacity of these positions is approximately 20,000 head.

Supporting the Group’s vision to lead the market in innovation, Ruralco has agreed to be a cornerstone investor in SproutX, Australia’s leading AgTech accelerator program. SproutX is a joint initiative of the National Farmers Federation and Findex Australia to foster Australian innovation and commercialise the best new AgTech ventures in farming. Involvement in SproutX would provide Ruralco with first mover advantage, positioning the Group as the path to market for new Ag innovations.

“We want to be investing in sustainable growth opportunities for the business to ensure we leverage our broader product offering. We also continue to explore innovative technologies to provide efficiencies and profitable outcomes for our customers.” said Mr. Dillon.

### Network Growth

The Group continues to fill remaining gaps in its retail network and leverage its water footprint with the acquisition of Complete Ag & Seed in South Australia and Statewide Irrigation in Victoria. The integration of Mackay Rural, announced at the full year, has delivered strong results in its first six months of trading.

The successful launch of the new CRT trading model in January 2016 has already lead to benefits with an additional seven new CRT members joining the Group.

### People & Culture

Safety is embedded in everything the Group does with continued focus yielding a reduction in LTIFR.

Following the 2015 Employee Engagement Survey, significant work has been undertaken to align staff with the values and strategic direction of the organisation.

Talent development remains a key focus with the Ruralco Graduate Program launched during the half designed to develop future leaders for the business. Investment in further education for employees includes a new, year-round training and development program, and a commitment to developing senior leaders through sponsorship of the WiMBA qualification at Macquarie University.

The Group remains committed to its Diversity strategy and action plan with the roll out of the Ruralco paid maternity leave scheme, which will be effective from 1 July 2016.

### **Back Office Optimisation**

Progress on back office optimisation to lower the cost of doing business continues. However, IT initiatives to drive process and system enhancements involve a short term increase in cost as the Group continues to execute on its strategy of building a scalable back office.

Finance, supply chain and procurement continue to partner with the business to realise efficiencies. Key initiatives in the period include the centralisation of Total Eden back office functions, renegotiation of key indirect procurement contracts and the roll out of an online management reporting tool to provide the business with more accessible real-time business performance information.

Mr Dillon commented that, "Our ongoing focus on working capital management continues to provide balance sheet support for bolt-on acquisitions and control of gearing metrics within Board approved targets, even as the top line grows. I'm pleased that our improved working capital efficiency measures and lower average net debt is improving the cash generated from operations."

### **Social Responsibility**

Ruralco proudly supports the work of Lifeline as it provides necessary support services to those in rural and regional Australia. The partnership with Lifeline is progressing well with the initial investment equating to over 1,000 calls for help being answered to date. Pleasingly, an additional \$40,000 has been raised through fundraising efforts in the Ruralco and CRT network.

### **Outlook**

The Bureau of Meteorology has forecast above average rainfall for most of mainland Australia over the winter cropping period.

Mr Dillon commented that "Should the higher forecast rainfall eventuate over the next three months, this should support broadacre cropping regions and favourable inflows into the southern river systems. Together with continued high prices for cattle and sheep, the agency business should continue to perform strongly."

"Our focus continues to be on our strong relationships, this being central to our core purpose: we're here for Australian farmers. Agriculture is a very exciting industry with many growth opportunities. With our diverse platform and the support of the best people in the business, I believe we are in very strong position to be Australia's premier agribusiness."

ENDS

### **Further information:**

Travis Dillon, Chief Executive Officer, ph: 0419 440 380

Adrian Gratwicke, Chief Financial Officer, ph: 0419 025 025

ABN 40 009 660 879

## APPENDIX 4D

Previous corresponding period – Half year ended 31 March 2015

## \$A'000

Revenue from ordinary activities	Up	8.2%	to	\$803,651
Profit from ordinary activities after tax attributable to equity holders of the company	Up	3.2%	to	\$10,827
Net profit for the period attributable to equity holders of the company	Up	3.2%	to	\$10,827
		Amount per security		Franked amount per security
Interim dividend		8 cents		8 cents
Previous corresponding period Interim dividend		9 cents		9 cents

Record date for determining entitlements to the dividend  
Date interim dividend is payable

3 June 2016  
21 June 2016

It is recommended that this Half Year Report is read in conjunction with the Consolidated Interim Financial Report of Ruralco Holdings Limited as at and for the period ending 31 March 2016.

## 2016

Net tangible asset backing per ordinary security

# 2015

\$1.21

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

Entity	Date	Percentage acquired
Mackay Rural Supplies Pty Ltd	1 October 2015	100%
A&B Rural Supplies Pty Ltd	1 October 2015	100%
DDG Rural Pty Ltd	1 October 2015	100%
Herbert Valley Rural Pty Ltd	1 October 2015	100%
Statewide Irrigation & Rural Supplies Pty Ltd	1 February 2016	100%

During the period the reporting entity established the following entities:

Entity	Date	Percentage acquired
CIAA Pty Ltd	23 March 2016	100%

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

Entity	Date	Percentage divested
Roberts Don Mac Pty Ltd	1 December 2015	50%

#### Details of associates and joint venture entities

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

Associate / Joint venture	Percentage held by the group
Agfarm Pty Ltd	50%
Agfarm Unit Trust	50%
Western Riverina Fertilisers Pty Ltd	50%

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

#### Dividend reinvestment plan

The dividend reinvestment plan will apply to this dividend.

#### Review

The accounts are not subject to any review dispute or qualification.



Ilona Alsters  
Company Secretary  
17 May 2016

# **Ruralco Holdings Limited**

ABN 40 009 660 879

## **Interim Financial Report**

**For the half year ended 31 March 2016**

# Ruralco Holdings Limited – Interim Financial Report

For the half year ended 31 March 2016

## Directors' Report

Your Directors submit their report together with the consolidated interim financial report for the half year ended 31 March 2016 and the independent auditor's review report thereon.

### DIRECTORS

The Directors of the Company at any time during or since the end of the interim period are:

**Richard A F England FCA, MAICD**

Chairman (non executive) since 5 February 2007. Director since 9 July 2002.

**Travis Dillon RBM (Adv Dip), MAICD**

Managing Director and CEO since 16 November 2015.

**Michael J Millner MAICD**

Director (non executive) since 5 February 2007.

**John H Tuskin MAICD**

Director (non executive) since 1 October 2013.

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

Director (non executive) since 1 September 2014.

**Trudy Vonhoff MBA, BBUS (Hons), GAICD, SF Fin**

Director (non executive) since 1 September 2014.

**Ross Burney B.Ec**

Director (non executive) since 1 September 2014 (resigned 24 February 2016).

### REVIEW AND RESULTS OF OPERATIONS

The Group achieved growth in revenue of 8% above the prior corresponding period (pcp) to \$803.7million. Reported net profit after tax (NPAT) attributable to equity holders grew 3% above the pcp to \$10.8 million and reported EBITDA grew 4% above the pcp to \$26.7million. These results have been driven by a strong agency and water result, continuing increased scale in the Group's live export business and the impact of executing the Group's strategy via targeted vertical integration and network expansion acquisitions in rural supplies.

Underlying EBITDA<sup>1</sup> and underlying NPAT grew 2% above the pcp (to \$27.5million and \$11.5million respectively). Underlying NPAT and EBITDA excludes the impact of costs not considered to form part of the Group's recurring results, which in this period includes costs associated with restructuring the Hobart based legal team partially offset by a gain on disposal of a non-core subsidiary business. Set out below is a reconciliation between underlying and reported profit measures.

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

**Ruralco Holdings Limited – Interim Financial Report**  
**Directors' Report (continued)**

***Reconciliation of underlying to reported earnings***

<i>Half year ended 31 March 2016</i>	Underlying 2016 \$m	Significant items 2016 \$m	Reported 2016 \$m	Reported 2015 \$m	Change \$m	Change %
<b>Revenue</b>	<b>803.7</b>	-	<b>803.7</b>	<b>742.8</b>	60.9	8%
<b>Gross profit</b>	<b>160.2</b>	-	<b>160.2</b>	<b>149.7</b>	10.5	7%
Earnings before interest, tax, depreciation and amortisation (EBITDA) <sup>2</sup>	27.5	(0.8)	26.7	25.7	1.0	4%
Depreciation and amortisation expense	(4.8)	-	(4.8)	(4.1)	(0.7)	18%
Net finance costs	(3.1)	-	(3.1)	(4.2)	1.1	(25%)
<b>Profit before tax</b>	<b>19.6</b>	<b>(0.8)</b>	<b>18.8</b>	<b>17.4</b>	1.4	8%
Tax	(6.3)	0.2	(6.1)	(5.6)	(0.5)	8%
Non-controlling interest	(1.8)	(0.1)	(1.9)	(1.3)	(0.6)	40%
<b>Net profit after tax attributable to shareholders (NPAT)</b>	<b>11.5</b>	<b>(0.7)</b>	<b>10.8</b>	<b>10.5</b>	<b>0.3</b>	3%

A summary of performance and highlights by activity is set out below:

***Agency***

Agency gross profit growth of 10% above the pcg reflects increased customer penetration and strong commodity prices that have continued for most of the period.

***Livestock***

Livestock gross profit growth of 10% above the pcg driven by improved customer penetration and strong livestock prices through the period with increased restocker demand, reduced supply and strong international demand keeping prices high.

***Real estate***

Real estate gross profit growth of 19% above pcg driven by higher volumes sold and the impact of real estate network growth acquisitions.

***Wool***

Wool gross profit 4% below pcg with lower volumes sold reflecting the impact of dry conditions on wool cut, which has also lead to an increase in turn-off rates. Despite this, the Group has increased its market share of wool receivals compared to the pcg.

***Rural supplies***

Rural supplies gross profit growth of 7% above pcg driven by sales and margin improvement in merchandise despite prolonged dry conditions in Victoria, Tasmania and southwest Queensland. The geographical diversity of the Group's retail network, good seasonal conditions in Western Australia and growth from the Group's water and chemicals proprietary product portfolio, have mitigated the impact of these dry seasonal conditions in the period.

***Financial services***

Financial services gross profit growth of 5% above pcg reflects the impact of the Ruralco Seasonal Finance product launched in June last year. The Group has also improved insurance and finance broker coverage in the period and the Mecardo platform has grown its subscriber base to over 1,400.

<sup>2</sup> EBITDA includes share of equity accounted for investee's profit



**Ruralco Holdings Limited – Interim Financial Report**  
**Directors' Report (continued)**

**Water**

Water gross profit growth of 4% above the pcg driven by the broadening of focus in Total Eden from civil and commercial projects to leverage Ruralco's strength in agriculture coupled with strong demand for water entitlements.

The turnaround plan in Total Eden Services is on target with strong momentum in irrigation project work. Total Eden was recently awarded the contract for the Swan Valley Irrigation Scheme in Tasmania, a project to install a 37km underground pipe network and pump station that will guarantee water delivery to 22 private landholders to enhance agricultural productive capacity in the region. This performance has been offset by a decline in Total Eden retail gross profit owing to a more subdued water selling season this year, particularly in Queensland and Western Australia.

Water broking gross profit growth has been driven by sustained elevated demand for temporary water entitlements across a number of farming sectors and an increase in demand for permanent entitlements. Dry conditions have also reduced allocations, which has led to sustained higher prices, particularly in the temporary market.

**Live export**

Live export gross profit growth of 14% above the pcg reflecting a 3% increase in volumes. Underlying sales mix is more weighted to dairy cattle into the Chinese market, which has offset reduced volumes to Vietnam. Despite reasonable volume growth, vessel utilisation is playing an increasing role in trading decisions amongst competitors, leading to margin pressure.

**Balance sheet**

Working capital at 31 March 2016 was 2% below the pcg at \$159.8million reflecting ongoing improvement in working capital management with improvements also noted in working capital efficiency measures (average working capital<sup>3</sup> reduced from \$142.3million to \$134.8million and average working capital as a % of sales reduced from 8.3% to 7.2%).

Total capital employed<sup>4</sup> has increased by 3% to \$333.9million reflecting the increase in intangible assets from the impact of acquisitions undertaken since March 2015 and investment in information technology and system enhancements.

The Group's underlying ROCE<sup>5</sup> has increased to 17.4% (31 March 2015: 15.7%) reflecting the improved working capital and growth in the capital light agency businesses.

**Cash flow**

The Group ended the period with cash on hand of \$12.7million reflecting the focus on working capital management and improving cash generated from operations (net operating cash outflow decreased by 30% to \$29.5million). The Group normally has a net outflow of cash used in operations in the first half due to the seasonality of its operations.

Investing cash outflows were 7% higher than the pcg at \$13.1million reflecting the increase in IT capital investment, acquisitions and the impact of the purchase of treasury shares in the period (to satisfy FY15 long term incentive share scheme grants).

Financing cash inflows were 59% higher than the pcg at \$56.4million reflecting an increase in funds drawn under the Group's new debtor securitisation financing facility to fund working capital, tax instalments and investing activities with the prior year first half benefitting from cash still on hand from the 2014 equity raising.

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<sup>3</sup> Average working capital for 12 months

<sup>4</sup> Net assets less net debt

<sup>5</sup> Underlying EBITDA/ 12 month average total capital employed

**Ruralco Holdings Limited – Interim Financial Report**  
**Directors' Report (continued)**

**Debt and capital management**

Net debt has increased by 11% from the pcg to \$111.2million but average net debt has decreased by 6% from the pcg to \$98.9million as ongoing working capital management continues to provide balance sheet support to bolt-on acquisitions and control of gearing metrics. The Group's gearing<sup>6</sup> ratio is 33% (31 March 2015: 31%), which is consistent with the seasonal trend of the business for this point in the trading cycle.

The Group continues to ensure the flexibility of its funding facilities with the \$60million Multi Option Facility renegotiated in the period to extend its tenure to 18 months and benefitting from a slightly reduced cost. At 31 March 2016, the Group had drawn down \$120million of the \$150million debtor securitisation facility.

At the Group's AGM on 19 February 2016, the Board stated its intention to review its approach to capital management within the context of its refreshed strategy and growth aspirations. The Board has now completed this review and has identified new policy approaches to dividend determination and gearing.

In setting the policies, the Board recognises the following demands on the Group's cash flows:

- To provide an adequate return to the shareholders of Ruralco (being a diversified agribusiness);
- To fund the Group's working capital and maintenance capex requirements;
- To fund the Group's growth acquisitions in line with stated strategic objectives; and
- To maintain an optimal capital structure and repay debt as required to meet applicable banking covenants.

In acknowledging these competing demands, the Board has established the following guiding principles:

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

In the context of the half year results, the Group's gearing of 33% is within the Board's preferred range with the Group's working capital cycle traditionally resulting in higher gearing in the first half of the year. In addition, the declaration of an interim dividend of 8 cents per share results in a dividend payout ratio of 55% on an underlying earnings basis, which is within the Board's preferred range.

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<sup>6</sup> Net debt/(Net debt + Total Shareholders Equity)

**Ruralco Holdings Limited – Interim Financial Report**  
**Directors' Report (continued)**

**Interim dividend**

Directors have declared a fully franked dividend of 8 cents per share payable to shareholders on 21 June 2016. The Dividend Reinvestment Plan will operate in respect of the interim dividend.

**Safety**

Ruralco is alert to identifying risks within the workplace and taking appropriate measures to address and remedy these.

The Company continues to strengthen its safety procedures and reinforces these by way of communication and training throughout the organisation. The Group's Lost Time Injury Frequency Rate (LTIFR) reduced to 2.98% in the period (31 March 2015: 3.45%) with the safety and welfare of our people remaining a top priority.

**Outlook**

Ruralco is making good progress on its four strategic priorities and the positive impact of vertical integration and network growth opportunities is already reflected in these half year results. Performance will continue to be influenced by seasonal, market and international trade related factors:

- Bureau of Meteorology is expecting May to July rainfall to be above average for most of mainland Australia. This is expected to bring much needed rains to the broadacre crop growing areas and favourable inflows into southern river systems over winter/spring;
- Livestock prices are expected to remain high in the short to medium term driven by continuing global demand and tight supply;
- Lower production is expected to support wool prices in the short term;
- Low interest rates and continuing interest of domestic and foreign buyers in the sector is expected to continue to drive growth in real estate;
- Now with greater control of vessel scheduling and associated costs this positions the Frontier business well for the northern dry season, albeit short haul margins are currently under pressure;
- Below-average inflows and current dry conditions has led to water storage levels being well below average. Opening water availability for 2016-17 is almost certain to be very low and is expected to keep water prices high; and
- Strong pipeline of projects across all key strategic growth areas

**Ruralco Holdings Limited – Interim Financial Report  
Directors' Report (continued)**

**AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the half year ended 31 March 2016.

**ROUNDING**

The amounts contained in the interim financial report have been rounded to the nearest thousand dollars (where rounding is applicable) unless otherwise stated, under the option available to the company under ASIC Class Order 98/100 dated 10 July 1998. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Richard England', is positioned above the printed name and title.

**Richard England  
Chairman**

Sydney  
17 May 2016



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Ruralco Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 March 2016 there have been:

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

KPMG

KPMG

Anthony Travers  
*Partner*

Sydney

17 May 2016

**Ruralco Holdings Limited**  
**ABN 40 009 660 879**  
**Consolidated Interim Statement of Comprehensive Income**  
**For the Half Year ended 31 March 2016**

	Notes	Half Year to 31-Mar-16 \$'000	Half Year to 31-Mar-15 \$'000
Revenue	4	803,651	742,765
Cost of goods sold		(643,421)	(593,060)
Depreciation expense		(2,652)	(2,522)
Amortisation expense		(2,164)	(1,568)
Personnel expenses		(91,481)	(79,438)
Property and equipment expenses		(14,092)	(13,786)
Motor vehicle expenses		(9,064)	(8,986)
Bad debt expense		(1,287)	(2,148)
Marketing and advertising expenses		(3,930)	(3,096)
Data and telephony expenses		(2,155)	(2,101)
Other expenses		(11,617)	(14,916)
<b>Results from operating activities</b>		<b>21,788</b>	<b>21,144</b>
Share of net profits of equity accounted investees		90	485
Bank charges		(676)	(649)
Borrowing costs		(281)	(917)
Interest expense		(2,184)	(2,648)
Total finance costs		(3,141)	(4,214)
<b>Profit before income tax</b>		<b>18,737</b>	<b>17,415</b>
Income tax expense	5	(6,026)	(5,571)
<b>Profit for the period</b>		<b>12,711</b>	<b>11,844</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit and loss</i>			
Revaluations of property, plant and equipment		-	(595)
Early adoption of AASB 9 <i>Financial instruments</i>		(3,420)	-
Total items that will not be reclassified to profit and loss		(3,420)	(595)
<i>Items that may be reclassified to profit and loss</i>			
Changes in the fair value of cash flow hedges		2,207	(923)
Foreign currency translation differences		(72)	(21)
Total items that may be reclassified to profit and loss		2,135	(944)
<b>Total comprehensive income for the period</b>		<b>11,426</b>	<b>10,305</b>
<b>Total profit attributable to:</b>			
Equity holders of the company		10,827	10,495
Non-controlling interests		1,884	1,349
<b>Total profit for the period</b>		<b>12,711</b>	<b>11,844</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the company		8,737	9,443
Non-controlling interests		2,689	862
<b>Total comprehensive income for the period</b>		<b>11,426</b>	<b>10,305</b>
<b>Earnings per share (cents per share)</b>			
- Basic		13.72	13.53
- Diluted		13.72	13.53

The accompanying notes form part of these condensed consolidated interim financial statements.

**Ruralco Holdings Limited**  
**ABN 40 009 660 879**  
**Consolidated Interim Statement of Financial Position**  
**As at 31 March 2016**

	Notes	As at 31-Mar-16 \$'000	As at 30-Sep-15 \$'000
<b>Current assets</b>			
Cash and cash equivalents		12,695	677
Trade and other receivables		383,713	368,716
Prepayments		5,883	7,450
Inventories		158,941	111,015
Biological assets		6,549	8,863
Derivative financial assets		1,858	-
Assets held for sale		1,000	2,700
<b>Total current assets</b>		<b>570,639</b>	<b>499,421</b>
<b>Non-current assets</b>			
Trade and other receivables		596	4
Investments in equity accounted investees		9,005	8,916
Other financial assets		229	229
Property, plant and equipment		41,938	39,864
Intangible assets		139,825	134,224
Deferred tax assets		15,914	15,468
<b>Total non-current assets</b>		<b>207,507</b>	<b>198,705</b>
<b>Total assets</b>		<b>778,146</b>	<b>698,126</b>
<b>Current liabilities</b>			
Trade and other payables		396,171	374,862
Derivative financial instruments		545	1,681
Loans and borrowings		123,139	58,739
Current tax liabilities		2,430	6,547
Employee benefits		17,811	17,104
Make good provision		289	-
Deferred consideration		372	1,016
<b>Total current liabilities</b>		<b>540,757</b>	<b>459,949</b>
<b>Non-current liabilities</b>			
Loans and borrowings		769	1,050
Deferred tax liabilities		8,518	8,518
Employee benefits		3,268	3,240
Make good provision		583	792
Deferred consideration		827	2,104
<b>Total non-current liabilities</b>		<b>13,965</b>	<b>15,704</b>
<b>Total liabilities</b>		<b>554,722</b>	<b>475,653</b>
<b>Net assets</b>		<b>223,424</b>	<b>222,473</b>
<b>Equity</b>			
Share capital	8	172,568	170,731
Retained earnings		32,989	30,935
Reserves		10,298	10,458
<b>Total equity attributable to equity holders of the Company</b>		<b>215,855</b>	<b>212,124</b>
Non-controlling interests		7,569	10,349
<b>Total equity</b>		<b>223,424</b>	<b>222,473</b>

The accompanying notes form part of these condensed consolidated interim financial statements.

**Ruralco Holdings Limited**  
**ABN 40 009 660 879**  
**Consolidated Interim Statement of Changes in Equity**  
**for the Half Year ended 31 March 2016**

Attributable to equity holders of the Company

	Issued capital \$'000	Retained earnings \$'000	Capital profits reserve \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	General reserve \$'000	Foreign currency translation reserve \$'000	Share based payment reserve \$'000	Reserve for own shares \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>1 October 2014</b>	<b>166,289</b>	<b>34,483</b>	<b>2,179</b>	<b>7,110</b>	<b>(1,963)</b>	<b>2,800</b>	<b>8</b>	<b>2,357</b>	<b>(1,699)</b>	<b>211,564</b>	<b>10,404</b>	<b>221,968</b>
<b>Total comprehensive income for the period</b>												
Profit for the period	-	10,495	-	-	-	-	-	-	-	10,495	1,349	11,844
Other comprehensive income	-	2,137	-	(2,677)	(442)	(52)	(18)	-	-	(1,052)	(487)	(1,539)
Total comprehensive income for the period	-	12,632	-	(2,677)	(442)	(52)	(18)	-	-	9,443	862	10,305
<b>Transactions with owners recorded directly in equity</b>												
- Dividends to equity holders	-	(4,086)	-	-	-	-	-	-	-	(4,086)	(3,466)	(7,552)
- Issue of ordinary shares	2,097	(2,097)	-	-	-	-	-	-	-	-	-	-
- Performance rights	-	-	-	-	-	-	-	638	-	638	-	638
- Shares purchased and held in trust	-	-	-	-	-	-	-	-	-	-	-	-
- Own shares held in trust allocated	-	-	-	-	-	-	-	-	-	-	-	-
- Changes in non-controlling interest	-	(2,255)	-	-	-	-	-	-	-	(2,255)	(681)	(2,936)
Total transactions with owners of the Company	2,097	(8,438)	-	-	-	-	-	638	-	(5,703)	(4,147)	(9,850)
<b>31 March 2015</b>	<b>168,386</b>	<b>38,677</b>	<b>2,179</b>	<b>4,433</b>	<b>(2,405)</b>	<b>2,748</b>	<b>(10)</b>	<b>2,995</b>	<b>(1,699)</b>	<b>215,304</b>	<b>7,119</b>	<b>222,423</b>
<b>1 October 2015</b>	<b>170,731</b>	<b>30,935</b>	<b>2,179</b>	<b>4,383</b>	<b>(905)</b>	<b>2,800</b>	<b>75</b>	<b>3,993</b>	<b>(2,067)</b>	<b>212,124</b>	<b>10,349</b>	<b>222,473</b>
<b>Total comprehensive income for the period</b>												
Early adoption of AASB 9 Financial instruments(1)	-	(3,420)	-	-	-	-	-	-	-	(3,420)	-	(3,420)
Profit for the period	-	10,827	-	-	-	-	-	-	-	10,827	1,884	12,711
Other comprehensive income	-	-	-	-	1,402	-	(72)	-	-	1,330	805	2,135
Total comprehensive income for the period	-	7,407	-	-	1,402	-	(72)	-	-	8,737	2,689	11,426
<b>Transactions with owners recorded directly in equity</b>												
- Dividends to owners of the Company	-	(5,466)	-	-	-	-	-	-	-	(5,466)	(5,271)	(10,737)
- Issue of ordinary shares	1,837	-	-	-	-	-	-	-	-	1,837	-	1,837
- Performance rights	-	-	-	-	-	-	-	525	-	525	-	525
- Shares purchased and held in trust	-	-	-	-	-	-	-	-	(2,015)	(2,015)	-	(2,015)
- Own shares held in trust allocated	-	-	-	-	-	-	-	-	-	-	-	-
- Changes in non-controlling interest	-	113	-	-	-	-	-	-	-	113	(198)	(85)
Total transactions with owners of the Company	1,837	(5,353)	-	-	-	-	-	525	(2,015)	(5,006)	(5,469)	(10,475)
<b>31 March 2016</b>	<b>172,568</b>	<b>32,989</b>	<b>2,179</b>	<b>4,383</b>	<b>497</b>	<b>2,800</b>	<b>3</b>	<b>4,518</b>	<b>(4,082)</b>	<b>215,855</b>	<b>7,569</b>	<b>223,424</b>

(1) Refer note 3 for additional information on the early adoption of AASB 9 Financial Instruments.

The accompanying notes form part of these condensed consolidated interim financial statements.



**Ruralco Holdings Limited**  
**ABN 40 009 660 879**  
**Consolidated Interim Statement of Cash Flows**  
**For the Half Year ended 31 March 2016**

	Half Year to 31-Mar-16 \$'000	Half Year to 31-Mar-15 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	866,794	737,347
Payments to suppliers and employees	(885,849)	(774,207)
Interest received	2,885	3,346
Bank charges	(957)	(1,566)
Interest paid	(2,189)	(2,648)
Income taxes paid	(10,157)	(4,320)
Net cash flows used in operating activities	<u>(29,473)</u>	<u>(42,048)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	464	995
Proceeds from disposal of shares in subsidiaries	41	-
Proceeds from sale of business	526	-
Dividends received from investments	111	139
Payment for property, plant and equipment	(2,443)	(1,593)
Payment for intangible assets	(3,555)	(1,982)
Payment for treasury shares	(2,015)	-
Purchase of shares in existing subsidiaries	-	(668)
Acquisition of a subsidiary, net of cash acquired	(6,213)	(9,182)
Net cash flows used in investing activities	<u>(13,084)</u>	<u>(12,291)</u>
<b>Cash flows from financing activities</b>		
Loans advanced to related entities	(133)	(89)
Repayment of finance lease liabilities	(2,459)	(2,779)
Proceeds from draw down of borrowings	260,936	217,203
Repayment of borrowings	(193,000)	(164,000)
Net repayments to depositors	-	(7,333)
Dividends on ordinary shares in the company	(3,629)	(4,086)
Dividends to non-controlling interests	(5,271)	(3,466)
Net cash flows from financing activities	<u>56,444</u>	<u>35,450</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u><b>13,887</b></u>	<u><b>(18,889)</b></u>
Cash and cash equivalents at beginning of period	<u>(1,192)</u>	<u>26,890</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>12,695</b></u>	<u><b>8,001</b></u>

The accompanying notes form part of these condensed consolidated interim financial statements.

**Ruralco Holdings Limited**  
**ABN 40 009 660 879**  
**Condensed notes to the Consolidated Interim Financial Statements**  
**for the Half Year ended 31 March 2016**

**1 REPORTING ENTITY**

Ruralco Holdings Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia. The consolidated interim financial statements of the Company as at and for the half year ended 31 March 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Group is a for profit entity and is primarily involved in the provision of rural supplies and services.

The consolidated annual financial report of the Group as at and for the year ended 30 September 2015 is available upon request from the Company's registered office at Level 5, Building A, 26 Talavera Road, Macquarie Park, NSW, Australia or at [www.ruralco.com.au](http://www.ruralco.com.au).

**2 STATEMENT OF COMPLIANCE**

The consolidated interim financial statements are a condensed general purpose financial report which have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial statements do not include all notes of the type normally included within the annual financial report. Accordingly, the interim financial statements should be read in conjunction with the annual financial report of Ruralco Holdings Limited as at 30 September 2015 and any public announcements made by Ruralco Holdings Limited during the half year ended 31 March 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The consolidated interim financial statements were approved by the Board of Directors on 16 May 2016.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

**3 SIGNIFICANT ACCOUNTING POLICIES**

***Critical accounting estimates and judgements***

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

***Key estimates***

***(i) Impairment***

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

***(ii) Fair value***

The Group is required to determine the fair value of land, buildings, held for sale assets, livestock and financial instruments. The estimates and assumptions utilised to derive such values have been described in detail within the annual financial report of Ruralco Holdings Limited as at 30 September 2015.

**Ruralco Holdings Limited**  
**ABN 40 009 660 879**  
**Condensed notes to the Consolidated Interim Financial Statements**  
**for the Half Year ended 31 March 2016**

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Changes in accounting policies***

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 September 2015.

The principal Australian Accounting Standards and Interpretations that became effective and that were adopted or early adopted by the Group since 30 September 2015 were:

AASB 9 Financial Instruments, Impairment of Financial Assets (phase 2) and Hedge Accounting (phase 3). The Group early adopted the final two phases of AASB 9 from 1 October 2015. The early adoption of phase 2 introduces a new impairment assessment model for financial assets that has an impact on the Group's assessment of its doubtful debt allowances and resulted in an opening balance adjustment of \$4,885,000 to the provision for doubtful debts and \$3,419,500 to retained earnings post tax adjustments. The early adoption of phase 3 introduces a new hedge accounting methodology that will impact how the Group measures the effectiveness of its hedging arrangements, and allows the Group to recognise the movement in the time value of its hedging instruments in the hedge reserve until the underlying transaction has occurred, at which time any gains or losses are released through the profit or loss.

The adoption of these standards did not have an impact, other than set out above, on the Group's results in the current period.

**Ruralco Holdings Limited**  
**ABN 40 009 660 879**  
**Notes to the Consolidated Interim Financial Statements**  
**For the Half Year ended 31 March 2016**

	Half Year to 31-Mar-16 \$'000	Half Year to 31-Mar-15 \$'000
<b>4 REVENUE</b>		
Sale of goods and biological assets	735,255	678,624
Rendering of services	64,160	59,033
Sundry revenue	1,351	1,762
Interest revenue	2,885	3,346
	<u>803,651</u>	<u>742,765</u>

**5 INCOME TAX**

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated effective tax rate for the half year ended 31 March 2016 is 32% compared to 32% in the prior corresponding period.

**6 SIGNIFICANT ITEMS**

Profit for the half year includes the following items that are unusual because of their size, nature or incidence:

	Half Year to 31-Mar-16 \$'000	Half Year to 31-Mar-15 \$'000
<b>Gains:</b>		
Gain on disposal of business	393	11
	<u>393</u>	<u>11</u>
<b>Expenses:</b>		
Business restructure costs	(1,014)	(679)
Legal fees, settlements and acquisition related costs	(163)	(249)
Fair value adjustment on property	-	(240)
	<u>(1,177)</u>	<u>(1,168)</u>

**7 DIVIDENDS PAID AND PROPOSED**

	Half Year to 31-Mar-16 \$'000	Half Year to 31-Mar-15 \$'000
<b>Dividends paid during the half year to owners of the Company</b>		
Final franked dividend for the year ended 30 September 2015 of 7 cents per fully paid share paid on 18 December 2015 (2015: 8 cents in respect of the year ended 30 September 2014).	5,497	6,183
	<u>5,497</u>	<u>6,183</u>

**Dividends not recognised**

Since 31 March 2016, the directors have recommended the payment of an interim fully franked dividend to Ruralco Holdings Limited shareholders of 8 cents per fully paid ordinary share (2015: 9 cents). The aggregated amount of the proposed dividend, expected to be paid on 21 June 2016 out of 2016 profits, but not recognised as a liability at 31 March 2016 is \$6,325,306.

6,325	7,009
<u>6,325</u>	<u>7,009</u>

**Ruralco Holdings Limited**  
**ABN 40 009 660 879**  
**Notes to the Consolidated Interim Financial Statements**  
**For the Half Year ended 31 March 2016**

**8 ISSUED CAPITAL**

Movement in number of issued shares:

	As at 31-Mar-16 No. of shares	As at 30-Sep-15 No. of shares
Ordinary shares fully paid	79,066,330	78,531,866
As at the beginning of the period	78,531,866	77,291,069
Issue of ordinary shares in the period	534,464	1,240,797
As at the end of the period	<u>79,066,330</u>	<u>78,531,866</u>
	As at 31-Mar-16 \$'000	As at 30-Sep-15 \$'000
Ordinary shares fully paid	<u>172,568</u>	<u>170,731</u>

**9 SEGMENT REPORTING**

The Group comprises the following reportable segments:

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

	Rural services		Financial services		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	799,201	738,107	1,565	1,312	800,766	739,419
Interest revenue	2,885	3,217	-	129	2,885	3,346
Segment revenue	<u>802,086</u>	<u>741,324</u>	<u>1,565</u>	<u>1,441</u>	<u>803,651</u>	<u>742,765</u>
Segment results from operating activities	<u>43,162</u>	<u>35,573</u>	<u>(829)</u>	<u>78</u>	<u>42,333</u>	<u>35,651</u>
Unallocated operating costs					(20,545)	(14,507)
Results from operating activities					21,788	21,144
Interest expense	(2,184)	(2,648)	-	-	(2,184)	(2,648)
Bank charges and borrowing costs	(956)	(1,565)	(1)	(1)	(957)	(1,566)
Share of profits of equity accounted investees	90	485	-	-	90	485
Income tax expense					(6,026)	(5,571)
Profit for the period					<u>12,711</u>	<u>11,844</u>

**Ruralco Holdings Limited**  
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**Notes to the Consolidated Interim Financial Statements**  
**For the Half Year ended 31 March 2016**

**10 FAIR VALUE MEASUREMENT**

**(a) Fair value hierarchy**

The fair values of financial assets and financial liabilities are as follows:

	Level 1 Fair value \$'000	Level 2 Fair value \$'000	Level 3 Fair value \$'000	Total \$'000
<b>31 March 2016</b>				
<i>Assets</i>				
Derivative financial assets used for hedging	1,858	-	-	1,858
Biological assets	-	6,549	-	6,549
Assets held for sale	-	1,000	-	1,000
Land & buildings	-	21,839	-	21,839
	<u>1,858</u>	<u>29,388</u>	<u>-</u>	<u>31,246</u>
<i>Liabilities</i>				
Derivative financial liabilities used for hedging	(545)	-	-	(545)
	<u>(545)</u>	<u>-</u>	<u>-</u>	<u>(545)</u>
<b>30 September 2015</b>				
<i>Assets</i>				
Derivative financial assets used for hedging	-	-	-	-
Biological assets	-	8,863	-	8,863
Assets held for sale	-	2,700	-	2,700
Land & buildings	-	20,205	-	20,205
	<u>-</u>	<u>31,768</u>	<u>-</u>	<u>31,768</u>
<i>Liabilities</i>				
Derivative financial liabilities used for hedging	(1,681)	-	-	(1,681)
	<u>(1,681)</u>	<u>-</u>	<u>-</u>	<u>(1,681)</u>

**Financial instruments carried at fair value**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Fair value are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

**(b) Valuation techniques used to determine fair values**

Specific valuation techniques used to determine fair value include:

- Difference between contract foreign exchange rate and the quoted forward exchange rate for derivative financial instruments
- Cattle fair value is based on the market price of livestock of a similar age, weight, breed and genetic make-up and is determined by obtaining prevailing indicative prices from one or more brokers and then taking the average
- The use of quoted market prices for land and buildings

**(c) Fair value measurement at half year**

No change in the fair value of land and buildings was recognised in the period as these assets were fair valued in the prior year and the Group has a triennial revaluation policy.

The fair value calculation of foreign exchange forward contracts resulted in a gain of \$1,313,685 being recognised through cash flow hedge reserves as at 31 March 2016 (30 September 2015: loss of \$1,680,757).

The fair value of biological assets as at 31 March 2016 equated to \$6,549,021 (30 September 2015: \$8,863,004).

**Ruralco Holdings Limited**  
**ABN 40 009 660 879**  
**Notes to the Consolidated Interim Financial Statements**  
**For the Half Year ended 31 March 2016**

**11 FINANCING FACILITIES**

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

**31 March 2016**

<b>Facility (\$000)</b>	<b>Maturity</b>	<b>Facility limit</b>	<b>Utilised</b>
Multi option facility	Sep-17	60,000	-
Debtor securitisation facility	Jul-16	150,000	120,000

During the half year the following changes occurred with respect to the Group's bank facilities:

- The multi option facility has been extended to 30 September 2017.

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

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

The Group's debtor securitisation financing facility contains undertakings including a requirement to operate within certain financial triggers.

The main debtor securitisation facility financial triggers that the Group is subject to are in relation to bad debts, credits notes and debtor balances relative to sales. Financial triggers testing is undertaken and reported to the Board on a monthly basis. Reporting to the financiers occurs weekly. The Group was in compliance with all its financial triggers throughout the financial half year.

**30 September 2015**

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

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

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

The Group's debtor securitisation financing facility contains undertakings including a requirement to operate within certain financial triggers.

The main debtor securitisation facility financial triggers that the Group is subject to are in relation to bad debts, credits notes and debtor balances relative to sales. Financial triggers testing is undertaken and reported to the Board on a monthly basis. Reporting to the financiers occurs weekly. The Group was in compliance with all its financial triggers throughout the financial year.

**Ruralco Holdings Limited**  
**ABN 40 009 660 879**  
**Notes to the Consolidated Interim Financial Statements**  
**For the Half Year ended 31 March 2016**

**12 BUSINESS COMBINATIONS**

**(a) Acquisitions for the half year ended 31 March 2016**

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

**Acquisition of businesses on the following dates:**

Mackay Rural Supplies Pty Ltd	100%	1 October 2015
A&B Rural Supplies Pty Ltd	100%	1 October 2015
DDG Rural Pty Ltd	100%	1 October 2015
Herbert Valley Rural Pty Ltd	100%	1 October 2015
Statewide Irrigation & Rural Supplies Pty Ltd	100%	1 February 2016

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

The acquisition accounting for this half year end has been determined provisionally to allow the Group sufficient time to form a view as to the value of any separately identifiable net assets acquired.

**(i) Summary of acquisition - Mackay Rural Supplies Pty Ltd**

**\$'000**

**Consideration transferred:**

Cash consideration paid on acquisition date net of cash acquired	1,381
	<u>1,381</u>

**Provisional fair value of identifiable assets acquired and liabilities assumed:**

**Assets**

Receivables	1,139
Inventories	1,379
Property, plant and equipment	328

**Liabilities**

Payables	(2,668)
Provisions	<u>(122)</u>
Net assets/(liabilities)	<u>56</u>

**Goodwill:**

Fair value of the consideration paid	1,381
Less: Recognised amount of identifiable assets acquired and liabilities assumed	<u>(56)</u>
Provisional goodwill	<u>1,325</u>

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

The results during the post-acquisition period to 31 March 2016 was a contribution of \$7,587,092 to revenue and a profit after tax of \$219,856.



**Ruralco Holdings Limited**  
**ABN 40 009 660 879**  
**Notes to the Consolidated Interim Financial Statements**  
**For the Half Year ended 31 March 2016**

**12 BUSINESS COMBINATIONS (CONTINUED)**

**(a) Acquisitions for the half year ended 31 March 2016 (continued)**

**(ii) Summary of acquisition - A&B Rural Supplies Pty Ltd**

**\$'000**

**Consideration transferred:**

Cash consideration paid on acquisition date net of cash acquired	2,482
	<u>2,482</u>

**Provisional fair value of identifiable assets acquired and liabilities assumed:**

**Assets**

Receivables	3,323
Inventories	1,744
Property, plant and equipment	361

**Liabilities**

Payables	(3,305)
Provisions	(153)
Net assets/(liabilities)	<u>1,970</u>

**Goodwill:**

Fair value of the consideration paid	2,482
Less: Recognised amount of identifiable assets acquired and liabilities assumed	(1,970)
Provisional goodwill	<u>512</u>

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

The results during the post-acquisition period to 31 March 2016 was a contribution of \$6,712,408 to revenue and a profit after tax of \$88,255.

**(iii) Summary of acquisition - Statewide Irrigation & Rural Supplies Pty Ltd**

**\$'000**

**Consideration transferred:**

Cash consideration paid on acquisition date net of cash acquired	2,046
	<u>2,046</u>

**Provisional fair value of identifiable assets acquired and liabilities assumed:**

**Assets**

Inventories	295
Property, plant and equipment	74

**Liabilities**

Provisions	(70)
Net assets/(liabilities)	<u>299</u>

**Goodwill:**

Fair value of the consideration paid	2,046
Less: Recognised amount of identifiable assets acquired and liabilities assumed	(299)
Provisional goodwill	<u>1,747</u>

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

Had the results of this business been included from the beginning of the financial year, a further \$1,242,544 in revenue and \$105,332 of profit after tax would have been recognised as part of the Ruralco Holdings Group results.

**Ruralco Holdings Limited**  
**ABN 40 009 660 879**  
**Notes to the Consolidated Interim Financial Statements**  
**For the Half Year ended 31 March 2016**

**12 BUSINESS COMBINATIONS (CONTINUED)**

**(a) Acquisitions for the half year ended 31 March 2016 (continued)**

**(iv) Summary of other acquisitions**

	<b>\$'000</b>
<b>Consideration transferred:</b>	
Cash consideration paid on acquisition date net of cash acquired	(5)
	<u>(5)</u>
<b>Provisional fair value of identifiable assets acquired and liabilities assumed:</b>	
<b>Assets</b>	
Receivables	1,013
Inventories	374
Property, plant and equipment	257
<b>Liabilities</b>	
Payables	(1,903)
Provisions	(52)
Other creditors (prepaid balances)	(169)
Net assets/(liabilities)	<u>(480)</u>
<b>Goodwill:</b>	
Fair value of the consideration paid	(5)
Less: Recognised amount of identifiable assets acquired and liabilities assumed	480
Provisional goodwill	<u>475</u>

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

The results during the post-acquisition period to 31 March 2016 was a contribution of \$3,949,255 to revenue and a profit after tax of \$129,790.

**(b) Acquisitions for the half year ended 31 March 2015**

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

**Acquisition of businesses on the following dates:**

Landscape Australia Pty Limited	100.0%	30 November 2014
---------------------------------	--------	------------------

The acquisition of this business is consistent with the Group's strategy of broadening its geographic footprint by joining quality agribusinesses and people.

**(i) Summary of acquisition - Landscape Australia Pty Limited**

	<b>\$'000</b>
<b>Consideration transferred:</b>	
Cash consideration paid on acquisition date net of cash acquired	9,182
	<u>9,182</u>
<b>Identifiable assets acquired and liabilities assumed:</b>	
<b>Assets</b>	
Receivables	5,696
Inventories	50
Property, plant and equipment	1,077
Other assets	28
<b>Liabilities</b>	
Payables	(3,193)
Provisions	(243)
	<u>3,415</u>
<b>Goodwill:</b>	
Fair value of the consideration paid	9,182
Less: Recognised amount of identifiable assets acquired and liabilities assumed	(3,415)
Goodwill	<u>5,767</u>

**Ruralco Holdings Limited**  
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**For the Half Year ended 31 March 2016**

**13 COMMITMENTS AND CONTINGENCIES**

**a. Operating lease commitments**

*Leases as lessee*

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

	<b>As at 31-Mar-16 \$'000</b>	<b>As at 30-Sep-15 \$'000</b>
Future minimum payments under non-cancellable operating leases are as follows:		
Less than one year	22,848	23,012
Between one and five years	36,550	37,318
More than five years	837	4,516
	<u>60,235</u>	<u>64,846</u>

*Leases as lessor*

The Group leases space in four of its warehouses and three office spaces for periods up to five years.

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

Less than one year	2,098	1,755
Between one and five years	5,069	4,668
More than five years	32	-
	<u>7,199</u>	<u>6,423</u>

**b. Finance lease commitments**

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

	<b>As at 31-Mar-16 \$'000</b>	<b>As at 30-Sep-15 \$'000</b>
Less than one year	987	1,087
Between one and five years	715	1,109
	<u>1,702</u>	<u>2,196</u>
Future finance charges	(101)	(117)
Total lease liabilities	<u>1,601</u>	<u>2,079</u>
Representing lease liabilities:		
Current	939	1,029
Non-current	662	1,050
	<u>1,601</u>	<u>2,079</u>

**c. Capital and other commitments**

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

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

Livestock related commitments	1,479	11,835
Freight related commitments	28,538	8,283
	<u>30,017</u>	<u>20,118</u>

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**14 CONTINGENT LIABILITIES**

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

	<b>As at 31-Mar-16 \$'000</b>	<b>As at 30-Sep-15 \$'000</b>
Guarantees	<u>25,440</u>	<u>26,403</u>

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

**15 EVENTS AFTER THE BALANCE SHEET DATE**

The Group has entered into an agreement to acquire Complete Ag & Seed with a completion date of 1 May 2016. This transaction is deemed to be a business combination and will be accounted as such in the 2016 financial year. A total provisional consideration of \$1,533,433 was paid, or is payable, in return for net assets provisionally valued at \$714,149. The residual value of \$819,284 will be provisionally captured as goodwill and other intangibles. The goodwill will be allocated to the Mainland Operations CGU group.

Excluding the transaction above, there are no matters or circumstances that have arisen since 31 March 2016 which are not otherwise dealt with in this report or in the consolidated financial statements, that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the subsequent financial periods.

## Director's Declaration

In the opinion of the directors of Ruralco Holdings Limited ("the Company"):

1. the financial statements and notes set out on pages 8 to 22 are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the Group's financial position as at 31 March 2016 and of its performance for the six month period ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 17 of May 2016

Signed in accordance with a resolution of the directors:



**Richard England**  
Chairman



## **Independent auditor's review report to the members of Ruralco Holdings Limited**

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of Ruralco Holdings Limited, which comprises the consolidated statement of financial position as at 31 March 2016, consolidated interim statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 March 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Ruralco Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

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



### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ruralco Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 March 2016 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Anthony Travers  
*Partner*

Sydney

17 May 2016