AUSTRALIAN RURAL CAPITAL LIMITED

ABN 52 001 746 710

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

30 JUNE 2016

DIRECTORY

Directors

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

Company Secretary
Andrew Brown

Registered Office
c/- Broadley Rees Hogan
Level 24
111 Eagle Street
BRISBANE
QLD 4000

Communications

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email:	info@ruralcapital.com.au
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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
Level 19
100 Creek Street
BRISBANE
QLD 4000

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

Controlled Entity
Australian Rural Capital Management Pty. Limited

CONTENTS

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,

Your Board is pleased to report a full year net profit after tax of $262,986 for the year to June 30, 2016. This was largely due to the increased valuation of our investment in Namoi Cotton Capital Units to 35 cents per unit, hence a positive mark to market result together with tight control over our operating costs and transaction expenses. Interestingly, in a modest but tangible manner this is what we are seeking to achieve, positive investment returns at a reasonable cost to our shareholders and our investors and hence to create sustainable shareholder value. Our challenge now is to grow our business whilst remaining true to these objectives.

Our stated Net Tangible Assets ("NTA") are 50 cents per share and pleasingly our share price currently trades at a premium to our NTA. It is an objective of ARC to create a business model to be valued upon our earnings and earnings potential along with our assets, which along with Namoi Cotton stake include our AFSL license, our cash holdings of circa $400,000 and the approximate $11.5 million of carried forward tax losses, which have a potential tax benefit of approximately $3.4m.

Namoi Cotton Investment

Pleasingly it would appear that our investment in Namoi Cotton is starting to turn the corner. On the operational front the business continues to be operating below full capacity with ginning volumes and marketing volumes impacted by smaller crops in the regions of operation [due to recent drought conditions]. The cash outcome was a breakeven for the 2015 season and now based on slightly larger volumes and lower costs, the guidance for the year to February 2017, (which captures the 2016 crop) is a positive cash flow of between $5 and $8 million. This is on a business operating at 57% of installed capacity on our calculations, which continues to highlight the potential of this business if and when operating at full capacity. Further to this, cotton marketing volumes and the storage and packing volumes of grains and pulses have continued to grow and contribute, highlighting the opportunities for Namoi to capture incremental revenues from the existing cost base and to broaden the revenue mix beyond fibre to other food commodities.

However, to grow a business, you require capital and with forecast debt levels still too high at $47.5m, we were encouraged to discover at the Namoi AGM in Moree last week, that the Board of Namoi now considers a single ASX listed class of share as a more suitable corporate structure for Namoi Cotton. We understand this move to change the capital structure will now be explored over the next 3 months prior to going to a vote of Growers and Capital Unit Holders. We have commenced engagement in this process and look forward to further information. Your Board will continue to make a positive contribution to this process and in the best interests of ARC shareholders.

S Kidman and Co Limited

On April 20, 2016 we entered into an agreement to make a joint offer for Kidman alongside Dakang Australia our bidding partner. If successful ARC would have acquired a stake of 20% of Kidman which we planned to house in an investment company managed by Australian Rural Capital Management Pty Ltd (a 100% subsidiary owned by ARC). On April 29, 2016 the Federal Treasurer made a preliminary decision to not support our bidding partners FIRB application and subsequently on May 3, 2016, the joint bidders withdrew the offer for Kidman.

We were excited by the prospect of investing in a valuable set of assets and brand in Kidman, with significant potential for both horizontal and vertical expansion with the application of capital. Consistent with our model, our proposed 20% stake entitled ARC to meaningful influence over the business and board representation to protect our investors' interests. We remain positive on the Asian protein consumption opportunity and were particularly attracted to the grass fed and organic potential within Kidman. We continue to work with Dakang Australia on this opportunity to create a structure acceptable to FIRB and the Federal Treasurer and the Kidman Board and Shareholders. Our progress to date has cost ARC about $150,000 and we believe we remain well positioned to advance this transaction.

Australian Rural Capital Management (ARCM)

Our work into the investment vehicle and structure required to house our investments and facilitate further capital raising whilst ensuring ARC remains the investment manager of these investments has resulted in the selection of a structure. We believe an unlisted investment company is the best structure to undertake this activity and the liquidity event for this entity will be the eventual listing of this structure. ARC will own a stake in the new company which will be called ARC Investor Ltd (ARCI). ARCM will be the manager and receive management fees and performance fees from ARCI. As we have stated in the past, a key selection criterion from our investments is the ability to generate dividends for shareholders. Therefore, ARCI will also seek to pay dividends and ARC will also participate in these dividends as another source of income.

Director Retirement and Appointment

As foreshadowed in a previous ASX announcement, Andrew Brown a long serving Director of ARC (and the entities that preceded ARC) will be retiring from his position as Director on 31 August 2016. We wish to thank Andrew for his work, analysis and counsel which has enabled ARC to remain functioning over the years in a role that has become increasingly onerous and demanding. His significant contribution over the past two years has clearly contributed to the solid foundation and platform that ARC now has to work from. We look forward to reporting on our progress to him as a shareholder and wish him well.

Also as previously announced, Wayne Massey, who was appointed a non- executive director in December 2015 and will now assume greater executive duties and functions as Andrew Brown retires and we again welcome Wayne to this role.

New Company Secretary

Further to the retirement of Andrew Brown we also wish to announce the appointment of Chris Lobb as the joint Company Secretary, and he has commenced duties today. Chris is a very experienced company secretary in both private and public entities including numerous ASX listed companies and trusts. He has held the position at Gandel Retail Trust, MSF Sugar Limited and CSG Limited and has extensive executive experience at Colonial First State Global Asset Management and currently at Merton's, a corporate governance adviser. We welcome Chris to ARC and look forward to benefiting from his skills and experience.

Outlook

We continue to work on the two assets we have advanced to date, being Namoi Cotton and S. Kidman and Co Limited. At the same time and true to our objectives outlined above, we are also evaluating other opportunities in various agricultural sectors [within Australia]. The listed Loyalty Options that were issued last year have provided us with a structure that enables the on-going funding as we develop the business, without having to seek further capital outside of existing shareholders. We have now established our new corporate and registered office in Brisbane and have Wayne Massey and Chris Lobb in the new expanded roles.

I now wish to further thank all my fellow directors for their efforts, contribution and counsel over the past year which has proved to be invaluable and productive. I also wish to acknowledge the input and contribution of our valued advisers.

We remain committed to the development of the investment management segment of the business in order to grow the scale and influence of our activities which will create value for our shareholders.

I continue to look forward to reporting our progress to you and thank you for your ongoing support.

Yours sincerely,

James A Jackson
Executive Chairman

August 4, 2016

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 2016.

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).

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:

- Australasian Wealth Investments Limited (appointed 22/12/2005; resigned 31/10/2013)
- Cheviot Bridge Limited (in Liquidation) (appointed 14/2/2003 – ongoing)
- East 72 Holdings Limited (appointed 22/4/2016 – ongoing)

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.

Wayne Massey *(Non Executive Director)* (appointed 14 December 2015)*; (Executive Director from 1 July 2016)*
Wayne Massey has occupied a number of senior finance executive positions in the sugar industry since 1998, including a period as Chief Financial Officer of MSF Sugar Ltd from 2008 to 2012 (ASX listed until 2012). Wayne has experience in mergers and acquisitions, debt management and development of futures and currency capability. He has also held Director positions of unlisted Australian parent and subsidiary companies in the sugar industry in recent years and has been a Director of SMART, an Industry Superannuation Fund

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:

	Ordinary Shares	*ASX Listed Options*
Mr James Jackson	1,762,126	1,500,266
Mr Andrew Brown	566,890	510,201
Mr Darren Anderson	255,319	229,788
Mr Wayne Massey	-	-

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. This contract will cease on 31 August 2016. 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 profit after income tax for the financial year to 30 June 2016 was $262,986 (2015: loss $716,869). No dividends were paid or declared during the year.

TRADING IN COMPANY SHARES

During the 12 months to 30 June 2016, the Company's shares traded in the following ranges:

Quarter ending	*High price*	*Low price*	*Closing price*	*Volume*
30th September 2015	$0.55½	$0.47½	$0.47½	407,739
31st December 2015	$0.50½	$0.45	$0.45	138,010
31st March 2016	$0.67	$0.44	$0.55	330,849
30th June 2016	$0.85	$0.46	$0.57	1,013,224

Source: ASX

REVIEW OF OPERATIONS

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

SIGNIFICANT EVENTS DURING THE YEAR

On 31 July 2015, the Company announced an issue of up to 8,030,863 ASX listed options (ASX: ARCO) on the basis of 9 ARCO for every 10 Shares held as at 7 August 2015. ARCO were issued at a price of $0,05, have an expiry date of 31 August 2020 and are exercisable at $0.50 per ARC Share. All ARCO were allotted in two tranches on 4 September 2015 and 21 October 2015 and raised $387,254 net of fees and GST.

The Company continued to examine various new investments and funds management opportunities during the year. Considerable effort was expended on developing a takeover offer for S. Kidman and Co. Limited ("Kidman"), a significant pastoral and cattle breeding concern in tandem with two Chinese partners. The agreed joint takeover offer, with the Company seeking to acquire 20% of Kidman (80% Dakang Australia) was announced on 20 April 2016 together with an agreed Bid Implementation Agreement ("Kidman Transaction"). As part of this proposed transaction, the Company organised, agreed and signed a financing package with an international bank to fund the initial purchase of the stake in Kidman.

On 29 April 2016, the Treasurer announced that the Kidman Transaction, in that form, would not be allowed to proceed under the Commonwealth's foreign investment review process; as a consequence, Dakang Australia withdrew its application to the Foreign Investment Review Board. In an ASX announcement of 3 May 2016, the Company reiterated that it wished to continue to work with Dakang Australia and Kidman to seek an acceptable amended Kidman Transaction, which remains the prevailing position.

Australian Rural Capital Limited continued to build its shareholding in Namoi Cotton Co-operative Limited (**Namoi**) during the year and at 30 June 2016 held a total of 11,857,249 capital units representing 10.8% of such securities on issue. Namoi's announcement of an adviser to assist in the review of its capital structure made in December 2015 saw renewed interest in its securities. The capital units improved in price from $0.29/unit on 30 June 2015 to $0.35 on 30 June 2016, touching a high point of $0.38½in February 2016.

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 2016 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	9	9	2	2
Andrew Brown	9	8	-	-
Darren Anderson	9	9	2	2
Wayne Massey [a]	6	6	1	1

a: appointed 14 December 2015

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	
Andrew Brown	Executive Director	
Darren Anderson	Non Executive Director	
Wayne Massey	Non Executive Director	Appointed 14 December 2015

(B) Directors Remuneration for the financial years ended 30 June 2016 and 30 June 2015

	Short-Term Benefits			*Post Employment Benefits*		*Share Based Payments*	
2016	**Salaries & fees**	**Cash bonuses**	**Non Monetary Benefits**	**Super-annuation**	**Other**	**Options**	**Total**
James Jackson	$75,000	-	-	-	-	$17,580	$92,580
Andrew Brown	$50,000	-	-	-	-	-	$50,000
Darren Anderson	$23,958	-	-	$2,500	-	-	$26,458
Wayne Massey	$14,439	-	-	$1,458	-	-	$15,897
TOTAL	**$163,397**	**-**	**-**	**$3,958**	**-**	**$17,580**	**$184,935**
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**

(C) Specified Executives Remuneration for the years ended 30 June 2016 and 30 June 2015

	Short-Term Benefits			*Post Employment Benefits*		*Share Based Payments*	
2015 and 2014	**Salaries & fees**	**Cash bonuses**	**Non Monetary Benefits**	**Super-annuation**	**Other**	**Options**	**Total**
There were no specified executives in the period from 1 July 2015 to 30 June 2016 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.

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. This arrangement will conclude on 31 August 2016. 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 and second tranches 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 1/7/15	Received as Remuneration	Options Exercised [a]	Net change – other[b]	Balance at 30/6/16
James Jackson	1,611,406	-	100,000	50,720	1,762,126
Andrew Brown	566,890	-	-	-	566,890
Darren Anderson	255,319	-	-	-	255,319
Wayne Massey	-	-	-	-	-
TOTAL	2,433,615	-	100,000	50,720	2,584,335

a: ASX listed options (ASX: ARCO)
b: net change – other refers to shares purchased or sold during the financial year

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, ensured that the Company's share price has progressively fallen over the past five years. There has been improvement over the latest twelve months, influenced by the improved performance of capital units in the largest investment, Namoi Cotton Co-operative Limited and positive perception of participation in the Kidman Transaction.

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 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Share price (adjusted)[1]	$1.10	$0.60	$0.60	$0.52	$0.57
Market capitalisation ($000's)	2,756	1,540	1,765	4,595	5,143
Dividends paid ($000's)	-	-	-	-	-
Capital returns ($000's)	1,441	-	-	-	-
Profit/(loss) for the year ($000's)	(1,333)	319	(611)	(717)	263

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.

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

Nil.

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 cash operating costs of approximately $350,000 from the normal operations of the Company, prior to the costs/benefits of any funds management expansion initiatives or dividend receipts.

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 Brisbane this 4th day of August 2016.

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

J A Jackson - Chairman *A J Brown – Director*

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Level 11, 1 Margaret St
Sydney NSW 2000

Australia

DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF AUSTRALIAN RURAL CAPITAL LIMITED

As lead auditor of Australian Rural Capital Limited for the year ended 30 June 2016, 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.

Arthur Milner
Partner

BDO East Coast Partnership

Sydney, 4 August 2016

FINANCIAL REPORT FOR THE YEAR TO 30th JUNE 2016

NOTES:

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	Economic Entity 2016 $	Economic Entity 2015 $
Continuing operations			
Revenues	2	719,552	84,612
Other expenses	3A	(455,541)	(799,354)
Finance costs	4	(1,802)	(2,401)
Profit/(loss) before income tax		262,209	(717,143)
Income tax benefit	7	777	274
Profit/(loss) after income tax		262,986	(716,869)
Profit/(loss) attributable to non-controlling interests		-	-
Profit/(loss) after income tax and non-controlling interests		262,986	(716,869)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income attributable to owners of Australian Rural Capital Limited		262,986	(716,869)
Basic earnings/(loss) (cents) per share from continuing operations	8	2.9	(8.6)
Diluted earnings/(loss) (cents) per share from continuing operations	8	2.3	(8.6)
Dividends (cents) per share	6	-	-

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 2016

	Note	Economic Entity 2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	9	394,079	455,691
Financial assets	10,14	4,150,022	3,387,070
Trade and other receivables	11	14,025	3,648
TOTAL CURRENT ASSETS		4,558,126	3,846,409
NON-CURRENT ASSETS			
Deferred tax assets	7B	15,061	14,284
Goodwill	25	7,709	7,709
TOTAL NON-CURRENT ASSETS		22,770	21,993
TOTAL ASSETS		4,580,896	3,868,402
CURRENT LIABILITIES			
Trade and other payables	15	44,543	50,733
TOTAL CURRENT LIABILITIES		44,543	50,733
TOTAL LIABILITIES		44,543	50,733
NET ASSETS		4,536,353	3,817,669
EQUITY			
Issued Capital	18A	18,372,780	18,322,780
Options Reserve	18B	388,118	-
Share based payments reserve	19	72,400	54,820
Accumulated Losses		(14,296,945)	(14,559,931)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF AUSTRALIAN RURAL CAPITAL LIMITED		4,536,353	3,817,669

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

ECONOMIC ENTITY	Issued Capital $	Share Based Payments Reserve $	Options Reserve $	Accumulated Losses $	Total Equity $
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**
Total comprehensive income for the year	-	-		262,986	262,986
Issuance of options - reserve	-	-	388,118	-	388,118
Share based payments reserve	-	17,580	-	-	17,580
Contribution of equity (net)	50,000	-	-	-	50,000
As at 30 June 2016	**18,372,780**	**72,400**	**388,118**	**(14,296,945)**	**4,536,353**

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 2016

	Note	Economic Entity 2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(453,656)	(278,294)
Purchases of investments		(48,535)	(788,884)
Proceeds from sale of investments		-	6,620
Dividends received		4,386	80,262
Interest received		741	2,363
Finance costs paid		(1,802)	(2,401)
Tax refund		-	421
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	**22 (A)**	**(498,866)**	**(979,913)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Repayment of loans to related entities	**25**	-	50,022
Payment for purchase of business, net of cash acquired	**25**	-	(59,996)
NET CASH FLOW USED IN INVESTING ACTIVITIES		**-**	**(9,974)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from equity issuance		-	835,451
Costs of equity issuance		-	(45,272)
Proceeds from issue of options		401,543	-
Cost of issue of options		(14,289)	-
Proceeds from exercise of options		50,000	-
Dividends paid (2011 year dividend cheque presented)		-	(60)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**437,254**	**790,119**
Net (decrease)/increase in cash held		(61,612)	(199,768)
Cash at the beginning of the financial year		455,691	655,459
Cash at the end of the financial year	**9**	**394,079**	**455,691**

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

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 4 August 2016. 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 2016. 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 2016 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 13.

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 2016 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.

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.

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

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-fee 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.

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. 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.

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.

P. 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.

Q. 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.

R. 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.

S. 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.

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

U. 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.

V. 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.

	Economic Entity	
	2016	**2015**
	$	**$**
2. REVENUES		
Profit from sale of investments	-	1,986
Interest	748	2,365
Dividends received – other corporations	4,386	80,261
Change in fair value of investments retained	714,418	-
TOTAL REVENUES	**719,552**	**84,612**

3. PROFIT/(LOSS) FOR THE YEAR

(A) EXPENSES

Auditors remuneration – audit, audit review and accruals	36,741	43,333
Change in fair value of investments retained	-	466,762
Directors fees, employee benefits and costs	167,355	145,729
Directors fees and costs – share based	17,580	32,552
Legal costs	97,131	652
Office and occupancy expenses - other	2,791	3,030
Other expenses	133,943	85,028
Share-based advisory expenses	-	22,268
TOTAL EXPENSES EXCLUDING FINANCE COSTS	**455,541**	**799,354**

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

Proceeds from sale of investments	-	6,620
Total cost of investments sold	-	(4,634)
Realised gain/(loss) on investments sold	-	1,986
Realised gain/(loss) on investments sold consists of:		
Gains	-	1,986
Losses	-	-
	-	1,986

4. FINANCE COSTS

External	1,802	2,401
Total finance costs	1,802	2,401

	Economic Entity	
	2016	**2015**
	$	**$**
5. AUDITORS REMUNERATION		
Remuneration of the auditors of the parent entity for:		
Auditing and reviewing the financial statements	36,667	37,533
Audit of controlled entities	74	5,800
	36,741	43,333

Non-audit services

The auditors of the Company, BDO East Coast Partnership, did not provide any non-audit related services to the Company. However, BDO network firms did provide services in the year. The Board of Directors in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to BDO (Australia) Limited for non-audit services provided during the relevant years:

	2016	**2015**
	$	**$**
Taxation services	19,854	-

6. 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.	21,682	19,802

No dividends were declared or paid in respect of the years ended 30 June 2016 or 30 June 2015.

	Economic Entity 2016 $	2015 $

7. 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:

	2016 $	2015 $
Profit/(loss) before tax	262,208	(717,143)
Prima facie income tax expense/(benefit) on the profit/(loss) before income tax at 30% (2015: 30%)	78,663	(215,143)
Add/(deduct) tax effect of:		
Tax losses used/(not brought to account)	(80,273)	215,143
Franking credits	(1,880)	-
Other timing differences	1,046	(274)
	(79,440)	214,869
Income tax (benefit)/expense attributable to entity	(777)	(274)

The effective tax rate of 0% (2015: 0%) mainly arises from adjustments to past deferred tax balances and a decision to bring to account tax losses (2015: not to bring to account tax losses) in respect of the current year.

	2016 $	2015 $
Income tax benefit/(expense) is made up of:		
Deferred tax	777	274
	777	274

(B) DEFERRED TAX ASSETS

	2016 $	2015 $
Deferred tax assets comprise:		
Temporary differences – accruals	15,061	14,284
	15,061	14,284

(C) RECONCILIATIONS

	2016 $	2015 $
The overall movement in the deferred tax account is as follows:		
Opening balance	14,284	11,520
Credit/(Debit) to statement of profit or loss and other comprehensive income	777	274
Balance arising from acquisition of controlled entity (note 25)	-	2,490
Closing balance	15,061	14,284

(D) DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT

As at 30 June 2016, the economic entity had estimated unrecouped operating income tax losses of $11,542,711 (2015: $11,810,141) which are not presented on the Statement of Financial Position. The benefit of these losses of $3,462,813 (2015: $3,543,043) 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.

	Economic Entity 2016 $	Economic Entity 2015 $
8. EARNINGS PER SHARE		
Continuing operations		
Earnings used in the calculation of basic EPS	262,986	(716,869)
Earnings used in the calculation of diluted EPS	353,143	(716,869)
Weighted average number of ordinary shares outstanding during the year used in calculation of EPS:		
basic EPS	8,930,558	8,357,302
diluted EPS	15,487,413	8,357,302
Basic earnings/(loss) per share (cents)	2.94	(8.57)
Diluted earnings/(loss) per share (cents)	2.28	(8.57)
9. CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	394,079	455,691
Net cash and cash equivalents as per Statement of Cash Flows	394,079	455,691
10. FINANCIAL ASSETS (CURRENT)		
Fair value through profit or loss:		
Listed investments at fair value		
- shares in listed corporations (note 14, 26F)	4,150,022	3,387,070
TOTAL	4,150,022	3,387,070
11. TRADE AND OTHER RECEIVABLES		
CURRENT		
Other debtors and receivables	14,025	3,648
	14,025	3,648

12. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned 2016	Percentage Owned 2015
Parent Entity:			
Australian Rural Capital Limited	Australia	-	-
Controlled Entities of Australian Rural Capital Limited:			
Loftus Lane Investments Pty. Limited†	Australia	-	100%
Australian Rural Capital Management Pty. Limited	Australia	100%	100%

† Loftus Lane Investments Pty. Limited was deregistered on 30 December 2015

	Economic Entity	
	2016	**2015**
	$	**$**

13. PARENT ENTITY INFORMATION

Information relating to the parent entity, Australian Rural Capital Limited:

	2016 $	2015 $
Current Assets	4,558,133	3,653,439
Total Assets	4,601,964	4,926,560
Current Liabilities	85,395	1,130,274
Total Liabilities	85,395	1,130,274
Issued Capital	18,372,780	18,322,780
Share Based Payments Reserve	72,400	54,820
Options Reserve	388,118	-
Accumulated Losses	(14,316,731)	(14,581,314)
Total Shareholders' Equity	4,516,567	3,796,286
Profit/(Loss) of the parent entity	264,583	(766,208)
Total comprehensive income of the parent entity	264,583	(766,208)

As at 30 June 2016 and 30 June 2015, 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, a financial facility entered into by the parent entity was secured by a fixed and floating charge against all controlled entities. This facility was cancelled by the Company on 22 March 2016.

14. 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:

	2016 $	2015 $
Namoi Cotton Co-operative Limited		
Principal activity is cotton ginning and marketing		
10.8% interest in Namoi Cotton Co-operative Limited (2015: 10.6%)	4,150,022	3,387,070

15. TRADE AND OTHER PAYABLES

	2016 $	2015 $
CURRENT (UNSECURED)		
Trade creditors	5,927	5,896
Other creditors and accruals	33,174	39,314
Other payables	5,442	5,523
	44,543	50,733

	Economic Entity 2016 $	Economic Entity 2015 $

16. BORROWINGS

At 30 June 2015, Australian Rural Capital Limited had 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 then controlled entity Loftus Lane Investments Pty. Limited.

This facility was cancelled on 22 March 2016 and the requisite security over the Economic Entity's assets subsequently released.

17. CONTINGENT LIABILITIES

The Economic Entity has no outstanding contingent liabilities (2015: nil).

18. ISSUED CAPITAL

	2016 $	2015 $
9,023,181 fully paid authorised ordinary shares (2015: 8,923,181)	18,372,780	18,322,780

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
(A) ORDINARY SHARES

Date	Details	Number of shares	$
1 July 2015	Opening balance	8,923,181	18,322,780
3 June 2016	Exercise of listed options (ASX: ARCO) at $0.50 per share	100,000	50,000
30 June 2015	Closing balance	9,023,181	18,372,780

(B) LISTED OPTIONS (ASX: ARCO) EXERCISABLE AT $0.50 PER SHARE BY 31 AUGUST 2020

Date	Details	Number of Options	Option Reserve $
1 July 2015	**Opening balance**	**-**	**-**
4 Sept 2015	Allotment of options at $0.05 per option	7,880,863	394,043
21 Oct 2015	Allotment of options at $0.05 per option	150,000	7,500
	Costs of issuance	-	(13,425)
6 June 2016	Exercise of options	(100,000)	-
30 June 2015	Closing balance	7,930,863	388,118

19. SHARE BASED PAYMENTS RESERVE

The economic entity issued no new options (2015: issued two series) of options as share based payments during the period.

Executive Remuneration
On 4 August 2014, the company issued 450,000 options each exercisable into one new share of ARC at a price of 70c per share before 31 December 2020 to the Executive Chairman, James Jackson. The options vest in three tranches of 150,000 on 25 July 2015 (now vested), 25 July 2016 and 24 July 2017 providing James Jackson is still an employee of the company. These options had a fair value at the grant date of 12.75c per option. The cost of the options is amortised over the relevant period to full vesting and equated to $17,580 for the period ending 30 June 2016 (2015: $32,552).

2015 year - advisory Services
On 4 August 2014, the company issued 240,000 options each exercisable into one new share of ARC at a price of 70c per share before 31 December 2018 to Baron Partners Limited. The options fully vested upon issue. These options had a fair value at the grant date of 9.28c per option. The cost of the options of $22,268 was fully expensed for the period ending 30 June 2015.

Set out below are summaries of options granted under the plan in the year to June 2015:

2015

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

Weighted average exercise price	-	0.70	-	-	0.70

The weighted average share price during the financial year was $0.5700 (2015: $0.5473)

The weighted average remaining contractual life of unlisted options outstanding at the end of the financial year was 3.81 years (2015: 4.81years).

20. 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
Wayne Massey	Director – Non Executive (Executive from 1 July 2016) (appointed 14 December 2015)

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

	Consolidated	
	2016	2015
	$	$
Short-term employee benefits	163,397	132,396
Post-employment benefits	3,957	13,333
Share based payments	17,580	32,552
	184,935	178,281

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:

2016	Balance at start of the year[a]	Received as part of remuneration	Additions	Disposals / other	Balance at the end of the year
Ordinary shares					
James Jackson	1,611,406	-	150,720	-	1,762,126
Andrew Brown	566,890	-	-	-	566,890
Darren Anderson	255,319	-	-	-	255,319
Wayne Massey	-	-	-	-	-
	2,433,615	-	150,720	-	2,584,335
2015					
Ordinary shares					
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

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 24.

21. CAPITAL AND LEASING COMMITMENTS

(A) OPERATING LEASE COMMITMENTS

The Economic Entity has no outstanding operating lease commitments (2015: nil).

(B) CAPITAL COMMITMENTS

The Economic Entity has no outstanding capital commitments (2015: 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.

22. CASH FLOW INFORMATION

(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX

	Economic Entity 2016 $	Economic Entity 2015 $
Operating profit/(loss) after income tax	262,986	(716,869)
Cash flows excluded from profit/(loss) attributable to operating activities:		
Purchases of investments	(48,535)	(788,884)
Proceeds from sales of investments	-	6,620
Non cash flows in operating profit/(loss):		
Change in fair value of investments retained	(714,418)	466,762
Profit on sale of investments and derivatives	-	(1,986)
Share based payments	17,580	54,820
Changes in assets and liabilities net of acquisitions:		
(Increase)/decrease in deferred tax balances	(777)	(274)
(Increase)/decrease in sundry debtors & prepayments	(10,377)	(857)
(Decrease)/increase in trade creditors & accruals	(6,190)	741
Other	865	14
Cash flows (used in)/provided by operations	**(498,866)**	**(979,913)**

(B) NON CASH FLOW FINANCING ACTIVITY

In the year to 30 June 2015, 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 (2016: nil).

22. CASH FLOW INFORMATION (continued)

(C) LOAN FACILITIES

	Economic Entity 2016 $	2015 $
Overdraft/loan and margin lending facilities	-	400,000
Amount utilised	-	-
Unused loan facilities	-	400,000

At 30 June 2015, Australian Rural Capital Limited had 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. The overdraft facility was cancelled on 22 March 2016.

23. EVENTS SUBSEQUENT TO REPORTING DATE

On 25 July 2016, the second tranche of 150,000 options exercisable at $0.70 by 31 December 2020 issued to James Jackson on 4 August 2014 duly vested.

24. RELATED PARTY INFORMATION AND TRANSACTIONS

Ultimate Controlling Entity
The ultimate controlling entity of the economic entity is Australian Rural Capital Limited (refer notes 12 and 13).

Key management personnel remuneration
During the financial year, total remuneration of $184,935 (2015: $178,281) 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.

24. RELATED PARTY INFORMATION AND TRANSATIONS (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 2016, the parent owed controlled entities $41,003 (2015: $1,085,541). 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 2016 or 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.

In the year to 30 June 2016, the Company paid Broadley Rees Hogan ("BRH") total invoices, including GST, of $108,019 in respect of legal advice and related disbursements. Darren Anderson, a Director of the Company is a Partner of BRH. All fees and charges rendered by BRH were on commercial terms or more advantageous to the Company and were approved by Directors other than Darren Anderson.

In the year to 30 June 2016, the Company paid BRH $2,200, including GST, in respect of licence fees for space within the BRH Brisbane offices. The Company has a licence, cancellable at one months notice, to maintain an office within the BRH space for a fee of $1,000 per month + GST.

25. ACQUISITION OF CONTROLLED ENTITY (2015 YEAR)

(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 2016 and 30 June 2015.

25. 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 $41,003 is outstanding from the parent entity to ARCM, and is eliminated on consolidation.

26. 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.

26. 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 $3,941 (2015: $4,556).

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 2016					
Financial assets:					
Cash and cash equivalents	0.02%	-	394,079	-	394,079
Trade and other receivables	-	-	-	14,025	14,025
Investments	-	-	-	4,150,022	4,150,022
		-	394,079	4,164,047	4,558,126
Financial Liabilities:					
Trade and other payables	-	-	-	44,543	44,543
		-	-	44,543	44,543
Net Financial Assets		-	394,079	4,119,504	4,513,583
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

26. 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.

The economic entity's major theoretical 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 2016 is $nil (2015: $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 proprietorial 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.

26. 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 $415,002 (2015: $338,707).

(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.

30 June 2016	Level 1 $	Level 2 $	Level 3 $	TOTAL $
Financial assets at fair value through profit or loss:				
Shares in other corporations	4,150,022	-	-	4,150,022
TOTAL	4,150,022	-	-	4,150,022

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

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):

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

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

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 2016	30 June 2015				
Held for trading non-derivative financial assets (see notes 10, 14)	Listed Australian equity securities: Agricultural industry - $4,150,022	Listed Australian equity securities: Agricultural industry - $3,387,070	Level 1	Quoted bid prices in an active market	N/A	N/A
Held for investment non-derivative financial assets	Unlisted Australian equity security: biotechnology industry - $nil	Unlisted Australian equity security: biotechnology industry - $nil	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 and 14 to the financial statements.

(G) RECONCILIATION OF NET FINANCIAL ASSETS TO NET ASSETS

	Economic Entity	
	2016	**2015**
	$	**$**
Net Financial Assets as above	4,513,583	3,795,676
Non financial assets and liabilities:		
Deferred tax assets	15,061	14,284
Goodwill	7,709	7,709
Net assets per balance sheet	4,536,353	3,817,669

27. COMPANY DETAILS

The Registered Office and Principal Place of Business of the Economic Entity is c/- Broadley Rees Hogan, Level 24, 111 Eagle Street, BRISBANE, QLD 4000.

28. 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.

28. SEGMENT REPORTING (continued)

2016	Funds Management $	Investment $	Unallocated $	TOTAL $
External revenue	-	718,804	-	718,804
Interest revenue	-	748	-	748
Expenses other than finance, depreciation and amortisation	(6,819)	-	(448,722)	(455,541)
SEGMENT RESULT	(6,819)	719,552	(448,722)	264,011
Finance Costs	(2)	-	(1,800)	(1,802)
PROFIT/(LOSS) BEFORE INCOME TAX	(6,821)	719,552	(450,522)	262,209
Income tax expense	-	-	777	777
PROFIT/(LOSS) AFTER INCOME TAX	(6,821)	719,552	(449,745)	262,986
Segment Assets	2,490	4,544,401	34,305	4,580,896
Segment Liabilities	240	-	44,303	44,543
Capital Expenditure	-	-	-	-

2015	Funds Management $	Investment $	Unallocated $	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	-	-	-	-

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 2016 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: 4 August 2016

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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 statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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.

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 2016 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 - 10 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Arthur Milner
Partner

Sydney, 4 August 2016

AUSTRALIAN RURAL CAPITAL LIMITED.

OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2016

A. Range of Shares Issued as at 26 August 2016

As at 26 August 2016 there were 9,023,181 shares held by 454 shareholders, all of which were quoted on the ASX.

Range	Holders	Shares held	% of capital
1-1,000	340	66,441	0.73
1,001-5,000	44	115,182	1.28
5,001-10,000	19	160,225	1.78
10,001-100,000	31	1,336,379	14.81
Over 100,001	20	7,344,954	81.40
Totals	**454**	**9,023,181**	**100.00**

There are 330 shareholders owning a total of 57,312 shares who own unmarketable parcels of the Company's securities.

B. Top Twenty shareholders as at 26 August 2016

Holder	Shares held	% of capital
Mistover Pty Ltd <Mistover A/C>	940,000	10.42
Federal Pacific Holdings Pty Ltd	813,126	9.01
Agrico Investments Pty Limited	758,298	8.40
E R Nixon Pty Ltd <ER Nixon Retirement Fund A/C>	708,000	7.85
Agrico Pty Ltd <Palm Super Fund A/C>	466,835	5.17
Abron Management Services Pty Ltd <Brown Family Super A/C>	450,750	5.00
Clapsy Pty Ltd <Baron Super Fund A/C>	385,796	4.27
Pethol (Vic) Pty Ltd <Macdy No 5 Super Fund A/C>	350,001	3.88
P K Capital Pty Ltd	311,500	3.45
Andrew Adcock Pty Limited	300,000	3.32
Datala Investments Pty Ltd <Deep North Securities S/F A/C>	255,319	2.83
Citicorp Nominees Pty Limited	242,823	2.69
BT Portfolio Services Limited <Dunworth Super Fund A/C>	240,000	2.66
Baron Nominees Pty Limited	200,000	2.22
Rombola Superannuation Pty Ltd	200,000	2.22
Sanolu Pty Ltd	182,644	2.02
Ego Pty Ltd	150,000	1.66
Clapsy Pty Ltd <Baron Super Fund A/C>	137,722	1.53
T B I C Pty Ltd <Crommelin Family Account>	136,000	1.51
Stiletto Investments Pty Ltd	116,140	1.29
TOTAL TOP TWENTY SHAREHOLDERS	**7,344,954**	**81.40**

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.

D. Top Twenty listed optionholders as at 26 August 2016

Holder	Options held	% of class
Federal Pacific Holdings Pty Ltd	836,166	10.54
Agrico Investments Pty Ltd	782,469	9.87
Clapsy Pty Ltd <Baron Super Fund A/C>	776,473	9.78
Mistover Pty Ltd <Mistover A/C>	656,000	8.27
E R Nixon Pty Ltd <ER Nixon Retirement Fund A/C>	637,200	8.03
Agrico Pty Ltd <Palm Super Fund A/C>	473,121	5.97
P K Capital Pty Ltd	420,000	5.30
Abron Management Services Pty Ltd <Brown Family Super A/C>	405,675	5.12
T B I C Pty Ltd <Crommelin Family Account>	322,400	4.07
Pethol (Vic) Pty Ltd <Macdy No 5 Super Fund A/C>	315,002	3.97
Andrew Adcock Pty Limited	270,000	3.40
Datala Investments Pty Ltd <Deep North Securities S/F A/C>	229,788	2.90
Mr Austin Sydney Miller	214,172	2.70
Baron Nominees Pty Limited	200,000	2.52
Daved Investments Pty Ltd <The Brown Super A/C>	120,000	1.51
HSBC Custody Nominees Australia Pty Ltd	113,364	1.43
Stiletto Investments Pty Ltd	104,526	1.32
Mitchelldangar Pty Ltd	100,000	1.26
Brian T Doooellan Pty Ltd ,BT Donnellan Super Fund A/C>	100,000	1.26
Pilrift Pty Limited <Critchley Ret Fund A/C>	90,000	1.14
TOTAL TOP TWENTY SHAREHOLDERS	**7,166,356**	**90.36**

E. Substantial Shareholders

The company is aware of five shareholders who hold relevant interests of in excess of 5% of the company's ordinary shares as at 26 August 2016:

Holder	Shares held	% of capital
James Andrew Jackson (relevant interests)	1,762,126	19.5%
Agrico investments Pty. Limited	1,225,132	13.6%
E R Nixon Pty. Limited	708,000	7.8%
Andrew John Brown (relevant interests)	566,890	6.3%
Clapsy Pty. Limited	523,518	5.8%

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