

AUSTRALIAN RURAL CAPITAL LIMITED

ABN 52 001 746 710



**AUSTRALIAN
RURAL CAPITAL**

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

30 JUNE 2017

AUSTRALIAN RURAL CAPITAL LIMITED

ABN 52 001 746 710

DIRECTORY

Directors

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

Company Secretaries

Christopher Lobb
Mark Licciardo

Registered Office

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

Communications

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mail: GPO Box 635, BRISBANE QLD 4000
email: info@ruralcapital.com.au
website: www.ruralcapital.com.au

Share Registry

Boardroom Pty 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 Pty 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

Bentleys Brisbane (Audit) Pty Ltd
Level 9
123 Albert Street
BRISBANE
QLD 4000

Controlled Entities

Australian Rural Capital Management Pty. Limited
Australian Rural Capital Investor Limited

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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 the code “ARC”.

EXECUTIVE CHAIRMAN'S REVIEW

Dear Fellow Shareholders,

The Company has made good progress over the past year in developing our business and evaluating investment opportunities. This is not reflected in our full year net loss of \$29,242 to June 30, 2017. The increased valuation of our investment in Namoi Cotton Capital Units (ASX code: NAM) to 38 cents per unit was slightly offset by our business development expenses. The expenses were lower than the previous year and is consistent with our operating objectives to hold tight control over operating expenses whilst continuing to seek positive investment returns through increased operating income to create sustainable shareholder value.

Our stated Net Tangible Assets ("NTA") at June 30, 2017 was 49 cents per share and pleasingly our share price currently trades at a premium to our NTA and along with our increased capital base from the equity capital raising completed in April this year, we now have a market capitalisation of approximately \$7m. 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 at present are our Namoi Cotton Investment, our AFSL license and our cash holdings of circa \$1.6m.

We remain comfortable that we have been able to preserve the capital of the company with our investment returns, the NTA is essentially the same as last year. We believe our investments both in Namoi Cotton and the funds management business opportunity have considerable scope for capital appreciation and value creation for the shareholders of ARC. I will now discuss in greater depth these previously identified objectives and report on our progress on advancing these opportunities.

Namoi Cotton Investment

Considerable progress has been made by the board and management of Namoi Cotton in the process to implement their Strategic Growth plan which includes the restructure of the capital base into a single class of ASX listed shares, which recognizes growers. We understand that Namoi Cotton has lodged the required documentation and the restructure booklet to proceed with the NSW Co-operatives Registrar for approval and that if approved, it will be subject to a Grower shareholder and Capital Unit holder vote to be held in late September 2017. We are comfortable with the proposed restructure which involves the conversion of the existing Capital Units which we currently own into ordinary shares and the issuance of new ordinary shares in exchange for Grower shares to transform the capital base into one class of shares. We understand it will also include initial shareholding limits and with equal grower and non-grower Board representation. This we believe will maintain the alignment of existing growers to continue to support Namoi with cotton volumes whilst at the same time lowering the cost of capital to the enterprise to fund further value creating initiatives. These initiatives include:

- Enhanced grower origination – data analytics, digitalisation, increased service offering
- Ginning network optimisation – capital investment to expand footprint, improve reliability and efficiency
- Cotton Seed – increase storage capabilities
- Lint marketing and logistics – improved services and utilisation
- Diversification – food based commodities, leveraging existing grower relationships and supply chain assets
- Corporate investment in information technology systems

We recently visited the Hillston Gin and were very impressed by the efficiency gains of the new "Intellegin" units and improved bale press volumes with the in-house developed high-speed press in action. It further confirmed our long-held view, that with the ability to access capital, the Ginning operations have an excellent market position in the Australian Cotton Industry and cashflow generation capabilities along with the ability to expand this footprint.

This was confirmed at the AGM in August when Namoi forecast guidance of between \$17m & \$22m in net cash flows from operating activities which have been driven by increased ginning and cotton seed volumes, improving cotton seed trading margins, improved NCA lint marketing margins and the strong contribution from NCA commodity packing. This will result in term debt to be reduced to a forecast of \$42m by February 2018. The outlook for 2018 crop volumes remains positive with stable crop volumes due to water availability, storage volumes and cotton prices. It is anticipated that the capital restructure will also involve a capital raising of new equity to facilitate further growth investment. We have communicated to Namoi Cotton that ARC is supportive of this proposal, subject to commercial terms and we would seek to capture a greater investment in Namoi Cotton for ARC or funds managed by ARC. I will discuss this further in the update on Australian Rural Capital Investor (ARCI) below.

Equity Capital Raising

In April this year, we successfully completed our entitlement offer to shareholders and raised \$1.6 million via the issue of 3,218,909 new ordinary shares at 50 cents per share. The entitlement issue was extremely well supported by the existing shareholder base, including all directors and the demand from the underwriters for the small shortfall was oversubscribed. The Board of ARC wishes to thank shareholders for their continued support of the Company and welcomes our new shareholders. These funds will be used to support the capital restructuring process at Namoi Cotton and consolidate our investment to maximise our value for ARC shareholders.

Australian Rural Capital Investor Ltd (ARCI)

We are preparing the full sets of documentation for the purposes of undertaking a capital raising for this entity. We are in the process of completing the various custody and service provider agreements we intend to outsource to industry experts. The current proposal is to raise investor capital into ARCI, which is an unlisted public company, actively investing to help create value in Agribusinesses. The principle behind ARCI gives it the opportunity to participate in any investment opportunity that ARC is managing. The aim is to raise in the order of \$50m from professional and wholesale investors and part of this capital raising will be via the transfer of the Namoi Cotton stake currently held by ARC into ARCI in return for shares of ARCI. Australian Rural Capital Management (ARCM) a wholly owned subsidiary of ARC, will be the investment manager of ARCI and ARC will hold an investment position in ARCI as an asset. We are currently evaluating the best mechanism to undertake this transfer and what is in the best interests of ARC shareholders along with a transparent process for the incoming investors in ARCI to understand and value. We await further details of the Namoi restructure and proposed capital raising to complete this analysis, and hope to conclude by early October. This remains within our objective to raise funds prior to end of December this year.

Outlook

The mainland Chinese interest and participation in agribusiness investment in Australia has slowed dramatically this year, primarily due to the capital flow controls imposed by the Chinese government, which has restricted liquidity. This has had a sobering effect on vendors expectations as a more realistic approach is being taken by buyers. We are a value-based investor, so the deals we seek to undertake must meet our valuation and return hurdles and this has meant we have passed on numerous transactions over the past year in many sectors. Interestingly, very few have been funded or sold or the valuations have changed to the downside in that period.

This beef cycle has topped out and momentum continues to push both cattle and meat prices lower in the short to medium term and we expect the price to move back to average 500 c/kg on the Eastern Young Cattle Index (EYCI) which is still a clearly profitable level for the producer in this supply chain. We believe that ongoing vertical integration is the key theme for investment in the beef sector and niche markets like grass-fed and organic will continue to provide premium returns over time as Australia has a natural competitive advantage in these markets. We continue to seek investments along these lines. Further to this we believe a significant sheep and wool industry consolidation play is a great opportunity to take this sector on a vertical integration path, but we are yet to find assets here at the correct valuation.

Higher grain prices are now impacting intensive industries like chickens, cattle lot feeding, pork production and even dairy as these grain users start to experience real margin pressure and we believe this could increase in the coming year, which may present opportunities. Grain prices had been low for a considerable period of time which has contributed to significant capacity expansion in the grain feeding business sector, resulting in global pork and chicken meat surpluses.

We are bullish on plant based proteins and crops. We are exposed here with Namoi in a small way via the chickpea handling business. We are looking for further opportunities here as we can clearly see the growing demand for this type of protein to be compelling to the consumer due to the cost, nutritional benefit, significantly lower carbon footprint and more sustainable environmental production practices when compared to animal based proteins. This has been partly reflected in pricing and volumes of these crops and as I have mentioned in the past, Chickpeas, Lentils, Mung Beans and specialty beans and Soybeans are all areas of interest. We also include Oilseeds here which covers Canola, Sunflower and Cottonseed, which Namoi Cotton also has an interest via the 15% stake in the Cargill Oilseed Joint Venture.

The other plant based proteins that have caught our attention are Almonds. We are evaluating options here to enter this sector as we like the dynamics of Australian production:

- Very high protein content and nutritional value
- Easy to handle and simple to process crop with nil waste
- Low carbon footprint in production and thru the supply chain
- High returns per megalitre of water
- Large scale is a low-cost producer in a global sense
- Highly mechanised production and harvesting
- Large scientific research and production data base and marketing from the USA
- Growing global consumption and demand

Summary

We are confident that we will see value created in our current investment and we are seeking to leverage this into a greater amount of funds under our management and control. It has been a very busy year in preparation of this and we believe we are closer than ever to this goal.

I wish to thank the efforts, work and input of my fellow directors and our company secretaries for their contributions and continued quality input to decision making. I wish to also thank our advisers BRH Lawyers, Baron Partners, Boardroom Pty Limited and Merton's for your help in the successful entitlement offer.

Finally, the Board wishes to thank all our shareholders for your patience and support over the year and we look forward to reporting more progress soon.

Yours Sincerely,



James A Jackson
Executive Chairman
August 17, 2017

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 2017.

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*) (*appointed 25 July 2014*)

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 four years, James has served as a non-executive Director of Elders Limited (appointed 13/4/2014)

Andrew John Brown (*Executive Director and Company Secretary*) (*resigned 19 August 2016*)

Andrew Brown has 36 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 four 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*) (*appointed 5 June 2015*)

Darren Anderson has significant legal and commercial experience and expertise gained over a 28 year career to date. He is a partner of Brisbane legal firm Broadley Rees Hogan Lawyers and specialises in providing legal services to the property industry. He has particular expertise in major acquisitions and disposals in residential, industrial and rural property, structured property development, due diligence and property finance arrangements.

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

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

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (continued)

Wayne Massey (*Executive Director*) (appointed 14 December 2015)

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

COMPANY SECRETARY

Mark Licciardo B Bus(Acc), GradDip CSP, FGIA, FCIS, FAICD (Joint Company Secretary - appointed 16 February 2017)

Experience and special responsibilities

Mark Licciardo is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies.

Prior to establishing Mertons, Mark Licciardo was Company Secretary of the Transurban Group and Australian Foundation Investment Company Limited. Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mark Licciardo is a former Chairman of the Governance Institute Australia (GIA) in Victoria and the Melbourne Fringe Festival, a fellow of GIA, the Institute of Chartered Secretaries (CIS) and the Australian Institute of Company Directors (AICD) and a Director of ASX listed Frontier Digital Ventures Limited, iCar Asia Limited and Mobilicom Limited as well as several other public and private companies.

Chris Lobb FGIA, CPA, MAICD (Joint Company Secretary – appointed 5 August 2016)

Experience and special responsibilities

Chris Lobb has been a Chartered Secretary for over 20 years having first held the role with the Gandel Group of Companies, an entity with interests in property (listed and un-listed), investment and funds management. After this initial role he continued as a dedicated Company Secretary with Colonial First State, MSF Sugar Limited and GSG Limited in both listed and non-listed environments. In addition to these appointments, Chris was a member of the National Board of Chartered Secretaries Australia (now Governance Institute of Australia) including serving as Chairman of the Victorian Division. Chris was also a Non-Executive Director of Box Hill Institute of TAFE from 2005 to 2010 and holds a degree in accounting.

Interests in the Shares of the Company and Related Bodies Corporate

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

	<i>Ordinary Shares - (ARC)</i>	<i>ASX Listed Option -(ARCO)s</i>
Mr James Jackson	2,380,417	1,500,266
Mr Darren Anderson	344,905	229,788
Mr Wayne Massey	135,088	-

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.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (continued)

RESULTS AND DIVIDENDS

The net loss after income tax for the financial year to 30 June 2017 was \$29,242 (2016: profit \$262,986). No dividends were paid or declared during the year.

TRADING IN COMPANY SHARES

During the 12 months to 30 June 2017, the Company's shares traded in the following ranges:

<i>Quarter ending</i>	<i>High price</i>	<i>Low price</i>	<i>Closing price</i>	<i>Volume</i>
30 th September 2016	\$0.67	\$0.53	\$0.60	69,786
31 st December 2016	\$0.60	\$0.50	\$0.50	112,055
31 st March 2017	\$0.58	\$0.50	\$0.50	80,500
30 th June 2017	\$0.50	\$0.46	\$0.50	139,465

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

ARC successfully completed the entitlement offer to shareholders and has raised \$1.6 million via the issue of 3,218,909 new shares at 50 cents per share.

ARC has also issued 100,000 new shares to the Underwriter, Baron Partners Limited at the same price as part payment of underwriting fees on the issue.

The entitlement issue was extremely well supported by the existing shareholder base and the demand from the Underwriters for the small shortfall was oversubscribed. As stated in the Prospectus those shareholders with a small holding were allocated any Top Up shares they applied for, with the balance being placed with new shareholders.

The Company continued to examine various new investments and funds management opportunities during the year.

Australian Rural Capital Limited has maintained its shareholding in Namoi Cotton Co-operative Limited (**Namoi**) during the year and at 30 June 2017 held a total of 11,857,249 capital units representing 10.8% of such securities on issue. Namoi is advancing its proposed capital restructure and is expected to seek approval from their grower members and CCU holders in late September 2017. The capital units improved in price from \$0.35/unit on 30 June 2016 to \$0.38/unit on 30 June 2017, touching a high point of \$0.50 in February 2017.

OPTIONS

At the date of this report, the unissued ordinary shares of Australian Rural Capital Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
31 July 2015	31 August 2020	\$0.50	7,930,863
4 August 2014	31 December 2020	\$0.70	450,000
4 August 2014	31 December 2018	\$0.70	240,000

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (continued)

Option holders do not have any rights to participate in any issues of shares or other interests of the company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

During the year ended 30 June 2017, the following ordinary shares of Australian Rural Capital Limited were issued on the exercise of options granted. No further shares have been issued since year-end. No amounts are unpaid on any of the shares.

	Grant Date	Exercise Price	Number of Shares Issued
James Jackson	11 November 2016	\$0.70	300,000
Wayne Massey	11 November 2016	\$0.70	100,000
			400,000

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

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 2017 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 (a)	1	1	-	-
Darren Anderson	9	9	2	2
Wayne Massey	9	8	1	1

(a) : resigned 19 August 2016

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (continued)

REMUNERATION REPORT (AUDITED)

(A) Key Management Personnel

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

Directors

James Jackson	Executive Chairman	
Andrew Brown	Executive Director	Resigned 19 August 2016
Darren Anderson	Non Executive Director	
Wayne Massey	Executive Director	

(B) Directors Remuneration for the financial years ended 30 June 2017 and 30 June 2016

	Short-Term Benefits			Post Employment Benefits		Share Based Payments	Total
	Salaries & fees	Cash bonuses	Non Monetary Benefits	Super-annuation	Other	Options	
2017							
James Jackson	\$100,000	-	-	-	-	\$12,447	\$112,447
Andrew Brown	\$9,334	-	-	-	-	-	\$9,334
Darren Anderson	\$25,000	-	-	\$2,500	-	-	\$27,500
Wayne Massey	\$50,000	-	-	\$5,000	-	\$1,793	\$56,793
TOTAL	\$184,334	-	-	\$7,500	-	\$14,240	\$206,074
2016							
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

(C) Specified Executives Remuneration for the years ended 30 June 2017 and 30 June 2016

	Short-Term Benefits			Post Employment Benefits		Share Based Payments	Total
	Salaries & fees	Cash bonuses	Non Monetary Benefits	Super-annuation	Other	Options	
2017 and 2016							
There were no specified executives in the period from 1 July 2016 to 30 June 2017 and 1 July 2015 to 30 June 2016.							

(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.

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.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (continued)

REMUNERATION REPORT (AUDITED) (continued)

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 concluded on 19 August 2016. In July 2016, the Company signed an agreement with James Jackson, the key terms of which are payment of \$100,000 per annum payable monthly and Wayne Massey, the key terms of which are payment of \$50,000 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.

On 11 November 2016, the company issued 400,000 unlisted options each exercisable into one new share of ARC at a price of \$0.70 per share as per the following table (300,000 to James Jackson and 100,000 to Wayne Massey);

Issue	Number of Options	Vesting Condition
Tranche 1	133,333	If ARC Share Price is \$0.80 by 31 October 2018 based on the VWAP for the month of October 2018
Tranche 2	133,333	If ARC Share Price is \$0.90 by 31 October 2019 based on the VWAP for the month of October 2019
Tranche 3	133,334	If ARC Share Price is \$1.00 by 31 October 2020 based on the VWAP for the month of October 2020

The options vest in three tranches of 133,333 on 31 October 2018, 31 October 2019 and 31 October 2020 providing James Jackson and Wayne Massey are still an employee of the company.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (continued)

REMUNERATION REPORT (AUDITED) (continued)

(G) Shareholdings by Specified Directors and Specified Executives

Directors	Balance at 1/7/16	Received as Remuneration	Options Exercised ^a	Net change – other ^b	Balance at 30/6/17
James Jackson	1,762,126	-	-	618,291	2,380,417
Andrew Brown ^c	566,890	-	-	-	N/A
Darren Anderson	255,319	-	-	89,586	344,905
Wayne Massey	-	-	-	135,088	135,088
TOTAL	2,584,335	-	-	842,965	2,860,410

a: ASX listed options (ASX: ARCO)

b: net change – other refers to shares acquired by rights issue, purchased or sold during the financial year

c: Andrew Brown resigned on 19 August 2016

(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 ensured that the Company's share price has traded in the 50 cent range over the last 3 years.

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 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Share price (adjusted) ¹	\$0.60	\$0.60	\$0.52	\$0.57	\$0.50
Market capitalisation (\$000's)	1,540	1,765	4,595	5,143	6,246
Dividends paid (\$000's)	-	-	-	-	-
Capital returns (\$000's)	-	-	-	-	-
Profit/(loss) for the year (\$000's)	319	(611)	(717)	263	(29)

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.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (continued)

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 \$370,000 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 13.

Dated at Brisbane this 17th day of August 2017.

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

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

J A Jackson - Chairman

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*
TO THE DIRECTORS OF AUSTRALIAN RURAL CAPITAL LIMITED
AND ITS CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been:

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



Bentleys Brisbane (Audit) Pty Ltd



Stewart Douglas
Director

Brisbane
17 August 2017

FINANCIAL REPORT FOR THE YEAR TO 30th JUNE 2017

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Statement of Changes in Equity for the year ended 30 June 2017

Statement of Cash Flows for the year ended 30 June 2017

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AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED
30 JUNE 2017

		Economic Entity	
	Note	2017	2016
		\$	\$
<hr/>			
Continuing operations			
Revenues	2	361,659	719,552
Other expenses	3A	(390,536)	(455,541)
Finance costs	4	(668)	(1,802)
Profit/(loss) before income tax		(29,545)	262,209
Income tax benefit	7	303	777
Profit/(loss) after income tax		(29,242)	262,986
Profit/(loss) attributable to non-controlling interests			-
Profit/(loss) after income tax and non-controlling interests		(29,242)	262,986
<hr/>			
Other comprehensive income for the year, net of tax		-	-
<hr/>			
Total comprehensive income attributable to owners of Australian Rural Capital Limited		(29,242)	262,986
<hr/>			
Basic earnings/(loss) (cents) per share from continuing operations	8	(0.3)	2.9
Diluted earnings/(loss) (cents) per share from continuing operations	8	(0.2)	2.3
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 2017

	Note	Economic Entity	
		2017	2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	9	1,660,333	394,079
Financial assets	10,14	4,505,755	4,150,022
Trade and other receivables	11	8,369	14,025
TOTAL CURRENT ASSETS		6,174,457	4,558,126
NON-CURRENT ASSETS			
Deferred tax assets	7B	15,364	15,061
Goodwill	25	7,709	7,709
TOTAL NON-CURRENT ASSETS		23,073	22,770
TOTAL ASSETS		6,197,530	4,580,896
CURRENT LIABILITIES			
Trade and other payables	15	53,349	44,543
TOTAL CURRENT LIABILITIES		53,349	44,543
TOTAL LIABILITIES		53,349	44,543
NET ASSETS		6,144,181	4,536,353
EQUITY			
Issued Capital	18A	19,995,610	18,372,780
Options Reserve	18B	388,118	388,118
Share based payments reserve	19	86,640	72,400
Accumulated Losses		(14,326,187)	(14,296,945)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF AUSTRALIAN RURAL CAPITAL LIMITED		6,144,181	4,536,353

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

ECONOMIC ENTITY	Issued Capital \$	Share Based Payments Reserve \$	Options Reserve \$	Accumulated Losses \$	Total Equity \$
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	-	17,580	-	-	17,580
Contribution of equity	50,000	-	-	-	50,000
As at 30 June 2016	18,372,780	72,400	388,118	(14,296,945)	4,536,353
Total comprehensive income for the year	-	-	-	(29,242)	(29,242)
Share based payments reserve	-	14,240	-	-	14,240
Contribution of equity (net)	1,743,455	-	-	-	1,743,455
Cost of issue of equity	(120,625)	-	-	-	(120,625)
As at 30 June 2017	19,995,610	86,640	388,118	(14,326,187)	6,144,181

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 2017

	Note	Economic Entity	
		2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(375,098)	(453,656)
Purchases of investments		-	(48,535)
Dividends received		-	4,386
Interest received		5,927	741
Finance costs paid		-	(1,802)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	22 (A)	(369,171)	(498,866)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from equity issuance		1,743,455	-
Costs of equity issuance		(108,030)	-
Proceeds from issue of options		-	401,543
Cost of issue of options		-	(14,289)
Proceeds from exercise of options		-	50,000
NET CASH PROVIDED BY FINANCING ACTIVITIES		1,635,425	437,254
Net (decrease)/increase in cash held		1,266,254	(61,612)
Cash at the beginning of the financial year		394,079	455,691
Cash at the end of the financial year	9	1,660,333	394,079

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 17 August 2017. 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 2017. 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 2017 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 2017 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.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

C. Operating Segments

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

D. Income Tax

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

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

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

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

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

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

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

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

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

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

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

E. Revenue

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

F. Financial Instruments

Recognition

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

Available-for-sale financial assets

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

Financial liabilities

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

Fair value

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

Impairment

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

G. Trade and Other Receivables

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

H. Trade and Other Payables

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

I. Finance Costs

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

J. Employee Benefits

Wages, salaries, annual leave and sick leave

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

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

Share based payments

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

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

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

K. Cash and Cash Equivalents

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

L. Goods and Services Tax

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

M. Contributed Equity

Ordinary shares are classified as equity.

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

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

N. Earnings Per Share

Basic earnings per share

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

Diluted earnings per share

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

O. 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.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

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 2017. 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.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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 2018 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.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

	Economic Entity	
	2017	2016
	\$	\$
2. REVENUES		
Interest	5,927	748
Dividends received – other corporations	-	4,386
Change in fair value of investments retained	355,732	714,418
TOTAL REVENUES	361,659	719,552
3. PROFIT/(LOSS) FOR THE YEAR		
(A) EXPENSES		
Auditors remuneration – audit, audit review and accruals	35,896	36,741
Directors fees, employee benefits and costs	204,883	167,355
Share based payments	14,240	17,580
Legal costs	6,499	97,131
Office and occupancy expenses - other	14,000	2,791
Other expenses	115,018	133,943
TOTAL EXPENSES EXCLUDING FINANCE COSTS	390,536	455,541
4. FINANCE COSTS		
External	668	1,802
Total finance costs	668	1,802

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

	Economic Entity	
	2017	2016
	\$	\$
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:		
Profit/(loss) before tax	(29,545)	262,208
Prima facie income tax expense/(benefit) on the profit/(loss) before income tax at 27.5% (2016: 30%)	(8,125)	78,663
Add/(deduct) tax effect of:		
Tax losses used/(not brought to account)	8,125	(80,273)
Adjustment for tax rate changes	1,255	-
Franking credits		(1,880)
Other timing differences	(1,558)	1,046
	<u>7,821</u>	<u>(79,440)</u>
Income tax (benefit)/expense attributable to entity	<u>(303)</u>	<u>(777)</u>

The effective tax rate of 0% (2016: 0%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2016: not to bring to account tax losses) in respect of the current year.

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

Deferred tax	303	777
	<u>303</u>	<u>777</u>

(B) DEFERRED TAX ASSETS

Deferred tax assets comprise:

Temporary differences – accruals	15,364	15,061
	<u>15,364</u>	<u>15,061</u>

(C) RECONCILIATIONS

The overall movement in the deferred tax account is as follows:

Opening balance	15,061	14,284
Credit/(Debit) to statement of profit or loss and other comprehensive income	303	777
Closing balance	<u>15,364</u>	<u>15,061</u>

(D) DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT

As at 30 June 2017, the economic entity had estimated unrecouped operating income tax losses of \$11,586,272 (2016: \$11,542,711) which are not presented on the Statement of Financial Position. The benefit of these losses 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.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

	Economic Entity	
	2017	2016
	\$	\$
8. EARNINGS PER SHARE		
Continuing operations		
Earnings used in the calculation of basic EPS	(29,242)	262,986
Earnings used in the calculation of diluted EPS	(29,242)	353,143
Weighted average number of ordinary shares outstanding during the year used in calculation of EPS:		
basic EPS	9,965,408	8,930,558
diluted EPS	17,896,271	15,487,413
Basic earnings/(loss) per share (cents)	(0.29)	2.94
Diluted earnings/(loss) per share (cents)	(0.16)	2.28

9. CASH AND CASH EQUIVALENTS

Cash on hand and at bank	1,660,333	394,079
Net cash and cash equivalents as per Statement of Cash Flows	1,660,333	394,079

10. FINANCIAL ASSETS (CURRENT)

Fair value through profit or loss:

Listed investments at fair value		
- shares in listed corporations (note 14, 26F)	4,505,755	4,150,022
TOTAL	4,505,755	4,150,022

11. TRADE AND OTHER RECEIVABLES

CURRENT

Other debtors and receivables	8,369	14,025
	8,369	14,025

12. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2017	2016
Parent Entity:			
Australian Rural Capital Limited	Australia	-	-
Controlled Entities of Australian Rural Capital Limited:			
Australian Rural Investor. Limited	Australia	100%	-
Australian Rural Capital Management Pty. Limited	Australia	100%	100%

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)**

	Economic Entity	
	2017	2016
	\$	\$
13. PARENT ENTITY INFORMATION		
Information relating to the parent entity, Australian Rural Capital Limited:		
Current Assets	6,139,391	4,558,133
Total Assets	6,182,424	4,601,964
Current Liabilities	53,440	85,395
Total Liabilities	53,440	85,395
Issued Capital	19,995,610	18,372,780
Share Based Payments Reserve	86,640	72,400
Options Reserve	388,118	388,118
Accumulated Losses	(14,341,384)	(14,316,731)
Total Shareholders' Equity	<u>6,128,984</u>	<u>4,516,567</u>
Profit/(Loss) of the parent entity	(24,653)	264,583
Total comprehensive income of the parent entity	<u>(24,653)</u>	<u>264,583</u>

As at 30 June 2017 and 30 June 2016, 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.

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:

Namoi Cotton Co-operative Limited		
<i>Principal activity is cotton ginning and marketing</i>		
10.8% interest in Namoi Cotton Co-operative Limited (2016: 10.8%)	4,505,755	4,150,022

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

Trade creditors	18,281	5,927
Other creditors and accruals	29,626	33,174
Other payables	5,442	5,442
	<u>53,349</u>	<u>44,543</u>

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

Economic Entity	
2017	2016
\$	\$

16. BORROWINGS

At any time from 30 June 2016 to 30 June 2017, Australian Rural Capital Limited had no borrowings.

17. CONTINGENT LIABILITIES

The Economic Entity has no outstanding contingent liabilities (2016: nil).

18. ISSUED CAPITAL

12,492,090 fully paid authorised ordinary shares
(2016: 9,023,181)

19,995,610	18,372,780
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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 2016	Opening balance	9,023,181	18,372,780
14 October 2016	Additions	150,000	84,000
14 October 2016	Share issue transaction costs		(1,925)
21 April 2017	Additions	3,318,909	1,659,455
21 April 2017	Share issue transaction costs		(118,700)
30 June 2017	Closing balance	<u>12,492,090</u>	<u>19,995,610</u>

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

Date	Details	Number of Options	Option Reserve \$
1 July 2016	Opening balance	7,930,863	388,118
30 June 2017	Closing balance	<u>7,930,863</u>	<u>388,118</u>

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

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 (resigned 19 August 2016)
Darren Anderson	Director – Non Executive
Wayne Massey	Director – Executive

Compensation

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

	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	184,334	163,397
Post-employment benefits	7,500	3,957
Share based payments	14,240	17,580
	<u>206,074</u>	<u>184,935</u>

Shareholding

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

	Balance at start of the year ^a	Received as part of remuneration	Additions	Disposals / other	Balance at the end of the year
2017					
<i>Ordinary shares</i>					
James Jackson	1,762,126	-	618,291	-	2,380,417
Andrew Brown*	566,890	-	-	-	N/A
Darren Anderson	255,319	-	89,586	-	344,905
Wayne Massey	-	-	135,088	-	135,088
	<u>2,584,335</u>	<u>-</u>	<u>842,965</u>	<u>-</u>	<u>2,860,410</u>
*Resigned 19 August 2016					
2016					
<i>Ordinary shares</i>					
James Jackson	1,611,406	-	150,720	-	1,762,126
Andrew Brown	566,890	-	-	-	566,890
Darren Anderson	255,319	-	-	-	255,319
Wayne Massey	-	-	-	-	-
	<u>2,433,615</u>	<u>-</u>	<u>150,720</u>	<u>-</u>	<u>2,584,335</u>

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.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

21. CAPITAL AND LEASING COMMITMENTS

(A) OPERATING LEASE COMMITMENTS

The Economic Entity has no outstanding operating lease commitments (2016: nil).

(B) CAPITAL COMMITMENTS

The Economic Entity has no outstanding capital commitments (2016: nil).

(C) SUPERANNUATION

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

	Economic Entity	
	2017	2016
	\$	\$
22. CASH FLOW INFORMATION		
(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX		
Operating profit/(loss) after income tax	(29,242)	262,986
Cash flows excluded from profit/(loss) attributable to operating activities:		
Purchases of investments	-	(48,535)
Non cash flows in operating profit/(loss):		
Change in fair value of investments retained	(355,732)	(714,418)
Share based payments	14,240	17,580
Changes in assets and liabilities net of acquisitions:		
(Increase)/decrease in deferred tax balances	(303)	(777)
(Increase)/decrease in sundry debtors & prepayments	5,656	(10,377)
(Decrease)/increase in trade creditors & accruals	(3,790)	(6,190)
Other	-	865
Cash flows (used in)/provided by operations	(369,171)	(498,866)

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

Economic Entity	
2017	2016
\$	\$

23. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to the reporting date.

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 \$206,074 (2016: \$184,935) 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 9 - 11 of this Financial Report.

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 2017, the parent was owed from controlled entities \$13,585 (2016: owed \$41,003). 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 2017 or 30 June 2016.

Other related party transactions

On 21 April 2017, Australian Rural Capital Limited paid \$80,473 to Baron Partners Limited for underwriting fees in relation to the successfully completed entitlement offer to shareholders and that raised \$1.6 million via the issue of 3,218,909 new shares at 50 cents per share. Australian Rural Capital Limited issued 100,000 new shares at the same price (i.e. \$50,000 of the underwriting fee, remainder of the underwriting fee was paid in cash) to Baron Partners Limited.

In the year to 30 June 2017, the Company paid Broadley Rees Hogan ("BRH") total invoices, including GST, of \$18,365 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 2017, the Company paid BRH \$15,400, 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.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

25. INTANGIBLE ASSETS

In 2015, ARC acquired 100% of the issued capital of Australian Rural Capital Management Pty. Limited (**ARCM**) at a premium of \$7,709 to net asset value. This amount is recognised as Goodwill within the consolidated financial statements.

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.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

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 reduce pre-tax loss by \$6,253 (2016: increase profit \$3,941).

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 2017					
Financial assets:					
Cash and cash equivalents	1.63%	-	1,660,333	-	1,660,333
Trade and other receivables	-	-	-	8,369	8,369
Investments	-	-	-	4,505,755	4,505,755
		-	1,660,333	4,514,124	6,174,457
Financial Liabilities:					
Trade and other payables	-	-	-	53,349	53,349
		-	-	53,349	53,349
Net Financial Assets		-	1,660,333	4,460,775	6,121,108
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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

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 2017 is \$nil (2016: \$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.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

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 2016, there would be a corresponding positive or negative impact on pre-tax profit/(loss) of \$450,575 (2016: \$415,002).

(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 2017	Level 1	Level 2	Level 3	TOTAL
	\$	\$	\$	\$
Financial assets at fair value through profit or loss:				
Shares in other corporations	4,505,755	-	-	4,505,755
TOTAL	4,505,755	-	-	4,505,755
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

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):

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

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 2017	30 June 2016				
Held for trading non-derivative financial assets (see notes 10, 14)	Listed Australian equity securities: Agricultural industry - \$4,505,755	Listed Australian equity securities: Agricultural industry - \$4,150,022	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	
	2017	2016
	\$	\$
Net Financial Assets as above	6,121,108	4,513,583
Non financial assets and liabilities:		
Deferred tax assets	15,364	15,061
Goodwill	7,709	7,709
Net assets per balance sheet	6,144,181	4,536,353

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.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

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.

2017	Funds			TOTAL
	Management	Investment	Unallocated	
	\$	\$	\$	\$
External revenue	-	355,732	-	355,732
Interest revenue	-	5,927	-	5,927
Expenses other than finance, depreciation and amortisation	(4,591)	-	(386,613)	(391,204)
SEGMENT RESULT	(4,591)	361,659	(386,613)	(29,545)
Finance Costs	-	-	-	-
PROFIT/(LOSS) BEFORE INCOME TAX	(4,591)	361,659	(386,623)	(29,545)
Income tax expense	-	-	303	303
PROFIT/(LOSS) AFTER INCOME TAX	(4,591)	361,659	(386,309)	(29,242)
Segment Assets	2,490	6,166,087	28,953	6,197,530
Segment Liabilities	240	-	53,109	53,349
Capital Expenditure	-	-	-	-
2016	Funds			TOTAL
	Management	Investment	Unallocated	
	\$	\$	\$	\$
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	-	-	-	-

AUSTRALIAN RURAL CAPITAL LIMITED

DIRECTORS DECLARATION

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

- (a) The financial statements and notes of the Economic Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Economic Entity's financial position as at 30 June 2017 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 Executive Chairman 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 9 to 11 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
Executive Chairman

Date: 17 August 2017

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF AUSTRALIAN RURAL CAPITAL LIMITED

Opinion

We have audited the financial report of Australian Rural Capital Limited (the Company and its controlled entities (the "Group")), which comprises the consolidated statement of financial position as at 30 June 2017 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration.

In our opinion the consolidated financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Australian Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF AUSTRALIAN RURAL CAPITAL LIMITED
(Continued)**

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>Share Based Payments</p> <p>As disclosed in Note 19 in the financial statements, during the year ended 30 June 2017, the Company incurred share based payments totaling \$14,240.</p> <p>Share based payments are considered to be a key audit matter due to</p> <ul style="list-style-type: none"> - the value of the transactions; - the complexities involved in recognition and measurement of these instruments; and - the judgement involved in determining the inputs used in the valuation. <p>Management engaged an external valuer to determine the fair value of the options granted. This process involved significant estimation and judgement required to determine the fair value of the equity instruments granted.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> - Analysing contractual agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with AASB 2 Share Based Payments; - Evaluating the Monte Carlo valuation model used by the external valuer and assessed the assumptions and inputs used; - Assessing the adequacy of the disclosures included in Note 19 to the financial report.

Other Required Information

The directors are responsible for the other required information. The other required information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other required information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other required information and, in doing so, consider whether the other required information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other required information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF AUSTRALIAN RURAL CAPITAL LIMITED
(Continued)**



Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF AUSTRALIAN RURAL CAPITAL LIMITED
(Continued)**



Auditor's Responsibilities for the Audit of the Financial Report (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 11 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Australian Rural Capital Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants

Stewart Douglas
Director
Brisbane, 17 August 2017

AUSTRALIAN RURAL CAPITAL LIMITED.

OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2017

A. Range of Shares Issued as at 2 August 2017

As at 2 August 2017 there were 12,492,090 ordinary shares held by 440 shareholders, all of which were quoted on the ASX.

Range	Holders	Shares held	% of capital
1-1,000	317	55,206	0.44
1,001-5,000	45	115,073	0.92
5,001-10,000	15	136,037	1.09
10,001-100,000	35	1,459,601	11.69
Over 100,001	28	10,726,173	85.86
Totals	440	12,492,090	100.00

There are 314 shareholders owning a total of 52,206 shares who own unmarketable parcels of the Company's securities.

B. Top Twenty shareholders as at 2 August 2017

Holder	Shares held	% of capital
Federal Pacific Holdings Pty Ltd	1,193,434	9.55
Mistover Pty Ltd <Mistover A/C>	1,174,825	9.41
Agrico Investments Pty Limited	1,024,368	8.20
E R Nixon Pty Ltd <ER Nixon Retirement Fund A/C>	956,422	7.66
Agrico Pty Ltd <Palm Super Fund A/C>	630,637	5.05
Abron Management Services Pty Ltd <Brown Family Super A/C>	530,750	4.25
Poal Pty Ltd <Barain Super Fund A/C>	521,164	4.17
Pethol (Vic) Pty Ltd <Macy No 5 Super Fund A/C>	472,809	3.79
Andrew Adcock Investments Pty Ltd<Adcock Family S/F A/C>	405,264	3.24
Datala Investments Pty Ltd <Deep North Securities S/F A/C>	344,905	2.76
P K Capital Pty Ltd	311,500	2.50
East 72 Investments Pty Ltd	273,598	2.19
Citicorp Nominees Pty Limited	272,718	2.18
Rombola Superannuation Pty Ltd ,Rombola Super fund A/c>	270,176	2.16
BT Portfolio Services Limited <Dunworth Super Fund A/C>	231,500	1.85
Locope Pty Ltd	200,000	1.60
Baron Nominees Pty Limited	200,000	1.60
RACT Super Pty Ltd <Rand Superannuation Fund A.C>	200,000	1.60
Mr Andrew Alexander Adamovich	200,000	1.60
Clapsy Pty Ltd <Baron Super Fund A/C>	186,046	1.49
TOTAL TOP TWENTY SHAREHOLDERS	9,600,116	76.85

C. Voting Rights

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

OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2017 (CONTINUED)

D. Top Twenty listed option holders as at 2 August 2017

Holder	Options held	% of class
Federal Pacific Holdings Pty Ltd	836,166	10.54
Agrico Investments Pty Ltd	782,469	9.87
Poal Pty Ltd <Barain Super Fund A/C>	776,473	9.79
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 <Macy No 5 Super Fund A/C>	315,002	3.97
Andrew Adcock Investments Pty Ltd <Adcock Family S/F A/C>	270,000	3.40
Datala Investments Pty Ltd <Deep North Securities S/F A/C>	229,788	2.90
Baron Nominees Pty Limited	200,000	2.52
Mr Austin Sydney Miller	189,172	2.39
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
Brain T Donnellan Pty Ltd <BT Donnellan Super Fund A/C>	100,000	1.26
Pilrift Pty Limited <Critchley Ret Fund A/C>	90,000	1.13
TOTAL TOP TWENTY SHAREHOLDERS	7,141,356	90.05

E. Substantial Shareholders

The company has received the following substantial holder notices from shareholders who hold relevant interests in the company's ordinary shares as at 2 August 2017:

Disclosed Holder	Shares held at time of notice	% of capital disclosed at time of notice
James Andrew Jackson (relevant interests)	2,380,417	19.1%
Agrico investments Pty. Limited	1,655,005	13.3%
E R Nixon Pty. Limited	708,000	7.8%
Andrew John Brown (relevant interests)	566,890	6.3%

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/investors-centre