

AUSTRALIAN RURAL CAPITAL LIMITED

ABN 52 001 746 710



**AUSTRALIAN  
RURAL CAPITAL**

**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

**30 JUNE 2018**

# 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

Mark Licciardo  
Adam Sutherland

### Registered Office

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

### Communications

**telephone:** (07) 3223 9170  
**mail:** GPO Box 635, BRISBANE QLD 4000  
**email:** [info@ruralcapital.com.au](mailto:info@ruralcapital.com.au)  
**website:** [www.ruralcapital.com.au](http://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](http://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  
ARC Agrivest 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](http://www.ruralcapital.com.au)) in the section titled "Corporate Governance" and at the ASX website ([www.asx.com.au](http://www.asx.com.au)) under the code "ARC".

## **EXECUTIVE CHAIRMAN'S REVIEW**

**Dear Fellow Shareholders,**

The board is pleased to report an after- tax profit of \$1,281,178 for the full year to June 30, 2018. This is the first significant profit that the company has recorded in the past 3 years, since the recapitalisation and establishment of the company into the current business model. The result was primarily driven by the uplift in valuation of our investment in Namoi Cotton Co-operative Capital units and the subsequent conversion to Namoi Cotton Limited ordinary shares in a new public company that took place in the period. Our operating costs and business development costs have been maintained at similar levels to last year, reflecting our ongoing frugal approach to expenses as we seek to develop the fund management business opportunity.

Our stated Net Tangible Assets ("NTA") at June 30, 2018 was 60 cents per share compared to 49 cents a share at June 30, 2017. Our share price currently trades at a premium to the NTA, which we believe reflects the significant business opportunity in managing assets in the Agricultural sector along with the strategic stake the company owns in Namoi Cotton Limited. It remains our objective to develop a business that is valued on earnings and earnings potential along with creating value in the investments we own. I will now discuss our initiatives and progress on these objectives.

### **Namoi Cotton Investment**

We have increased our overall shareholding to 13,471,111 shares in the new company Namoi Cotton Limited, which represents a 9.73% holding of the currently issued ordinary shares. The company recorded a full year profit to February 2018 of \$6.8 million, with positive cashflows of \$17.3m driven by greater ginning volumes and cotton seed trading margins. The Net Tangible Assets of the company are still in the order of \$1 per share and our assessed value for Namoi ordinary shares is above \$1 per share, against the current trading price of approximately 50 cents per share. The company also declared a dividend of 1.9 cents per share which amounted to a total of just over \$255,000 on our holding, which was paid in the July 2018.

The outlook and guidance presented at the AGM for the current season earnings and year to February 2019 is a forecast of net operating cashflows from operating activities in the range of \$18m to \$23m. This improved performance has been underpinned by increased ginning and cotton seed volumes, improved ginning margins due to productivity gains from gin upgrades, consistent earnings from Namoi Cotton Alliance business and effective management of fixed overhead costs. It was also announced that the board is carrying out a strategic review of the further optimisation of the ginning assets and operations along with the overall business model considering the production variability in the business.

The outlook for the 2019 season is reflecting a smaller cotton crop due to the reduced water storage levels and the ongoing drought conditions in some of the main cotton producing regions serviced by the company which will impact volumes across the entire operation. This will be the case unless a significant rainfall event was to eventuate prior to the close of the cotton planting window in late October.

Consistent with our approach to our investments, in which we seek to contribute to the value creation in our investments, I have accepted an invitation to join the Namoi Cotton board of Directors and I am pleased to report that I was elected by shareholders at the Annual General Meeting on July 31, 2018.

## **ARC Agrivest and Funds Management Opportunity**

During the first half of this calendar year, we conducted over 45 investor meetings seeking to raise capital for a listed Agricultural Investment Company. We were seeking to raise up to \$42 million and with the seed asset to be our stake in Namoi Cotton. Unfortunately, we were unable to meet our minimum of \$30m. As it transpired we found two differing pools of capital. The large family office and private capital investors were more interested in an unlisted investment and on a deal by deal basis, alongside this demand we had high net worth and retail investors requiring an ASX listing of the entity within 12 months. We have learnt a great deal from this exercise and are encouraged by the level of interest in the asset class, and ARC as a manager. However, it really comes down to the structure of the investment for investors. The board then determined the best way forward to advance this initiative would be as follows:

- Source individual opportunities and seek to fund these with larger investors in an unlisted product managed by ARC, initially on a transaction by transaction basis;
- Keep the unlisted public company structure of ARC Agrivest Limited for future use with more retail investors and maintain the use of the Investment Advisory Committee established; and
- ARC will now be retaining the full ownership of the Namoi Cotton investment, having considered the above developments and the direct representation that ARC now has on the Namoi Cotton board.

## **Cattle Market and Financing**

The significant drought conditions in Eastern Australia have contributed to the increased supply of all classes of cattle resulting in the EYCI index now trading at approximately 480 cents per kilogram. It has been our view over the past two years that cattle prices would come back to levels below 500 cents per kilogram, having peaked at 750 cents per kilo in late 2016.

We are now changing our position and have turned very positive on cattle and beef prices. The record numbers of female cattle being killed alongside increased global demand for lean and premium beef and a soft Australian dollar bodes well for an explosive recovery in cattle values when these drought conditions break.

We are very positive on the medium-term outlook for beef prices, particularly on grass fed and natural production systems and supply chain opportunities. We are also exploring a considerable opportunity to provide working capital and livestock finance in the sector, in response to producer enquiry. It is our approach to evaluate, consider and conduct analysis on these agricultural supply chains to identify the sweet spots of returns and strategic value when choosing to make investments.

## **Plant Based Proteins**

Vegan cafes, vegetarian diets and meat free days all auger for ongoing growth in demand for alternative sources of protein to animal and fish products. We continue to work on opportunities in the Almond industry which we believe has compelling long-term investment credentials. This is a capital-intensive industry with significant water requirements and long period of negative cashflow, however the returns on Almonds in production are the highest returns available at present in scale on a megalitre of water in the Murray Darling Basin.

## **Grain Prices and the impact on Feed Costs**

Grain prices and animal feed stuffs in general are now starting to reflect the impact of the drought and supply shortages have now started to have a significant negative impact on the returns and cashflows in the Dairy, chicken, egg, pork and grain fed cattle sectors. We remain aware of this impact and cautious of exposure to these industries at present, notwithstanding that this type of action in an industry cycle may create opportunities for investment at reasonable entry values.

## **Mackay Sugar Recapitalisation**

It is widely known amongst the Queensland Sugar Industry that Mackay Sugar a large sugar milling a co-operative has funding requirements to restore the balance sheet. We have done a significant amount of work on a potential recapitalisation, based upon the full corporatisation of the business and structure.

We see this opportunity as a deep value counter cyclical play, (sugar prices below cost of production) and within the business are some valuable biomass based renewable assets. However, we are still seeking a capital partner to join us on this transaction

## **Company Secretary**

In December of 2017, the company announced the retirement of Mr Christopher Lobb from this position. The board of ARC would again like to take this opportunity to acknowledge and thank Mr Lobb for his invaluable and significant contribution towards the formation of ARC and we all wish Chris all the best for the future in retirement. In his place we did appoint Mr Adam Sutherland of Mertons Corporate Services Pty Ltd as Joint Company Secretary to work with alongside Mark Licciardo.

## **Summary**

We are beginning to see some value in our current investment and believe that more value will be unlocked and created over time. We continue working to leverage this skill and capacity into a greater amount of funds under our management and control. It has been a busy year in evaluating deals and meeting potential capital partners, however we are as frustrated as any shareholder as to the apparent lack of progress. We do remain committed to doing deals which we believe will create value and in which we have the skills to execute, and therefore at times when values are beyond our return hurdles we will not participate. In the long term this will be our strength in attracting funds.

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. 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,

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

James A Jackson  
**Executive Chairman**  
August 14, 2018

## 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 2018.

### 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 current financial year James was appointed as a non-executive Director of Namoi Limited on 7<sup>th</sup> June 2018 and retired as non-executive Director of Elders Limited on the 14th December 2017.

**Darren Anderson** (*Non-Executive Director*) (*appointed 5 June 2015*)

Darren Anderson has significant legal and commercial experience and expertise gained over a 29 year career to date. He is a partner of Brisbane legal firm Broadley Rees Hogan Lawyers and specialises in providing legal services to the property industry. He has particular expertise in major acquisitions and disposals in residential, industrial and rural property, structured property development, due diligence and property finance arrangements.

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

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

**Wayne Massey** (*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.

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (continued)

### COMPANY SECRETARY

**Mark Licciardo** B Bus(Acc), GradDip CSP, FGIA, FCIS, FAICD

#### *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, Ensogo Limited and Mobilicom Limited as well as several other public and private companies.

**Adam Sutherland** (*joint company secretary appointed 11<sup>th</sup> December 2017*)

#### *Experience and special responsibilities*

Adam Sutherland is an experienced legal and corporate compliance officer and has supported senior legal and company secretarial executives with Crown Resorts Limited. He has expertise in corporate compliance obligations, including ASX and ASIC requirements.

Adam also assisted with the application and maintenance of local and international gaming licenses for Crown. Prior to Crown Resorts Limited, Adam was a member of the internal legal team at Crown Melbourne Limited. Adam is a current Company Secretary of various public and private companies.

### 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 2018 (continued)

### RESULTS AND DIVIDENDS

The net profit after income tax for the financial year to 30 June 2018 was \$1,281,178 (2017: loss \$29,242). No dividends were paid or declared during the year.

### TRADING IN COMPANY SHARES

During the 12 months to 30 June 2018, 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 <sup>th</sup> September 2017	0.65	0.50	0.65	439,641
31 <sup>st</sup> December 2017	0.73	0.55	0.60	125,706
31 <sup>st</sup> March 2018	0.69	0.56	0.66	558,385
30 <sup>th</sup> June 2018	0.75	0.66	0.69	43,144

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

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

On October 10th 2017, Namoi Cotton announced the final implementation of the schemes of arrangement and restructure of Namoi Cotton from a Co-operative to an ASX listed public company named Namoi Cotton Limited. Namoi Cotton confirms the transfer of incorporation and the Restructure has been implemented and the ordinary shares have been entered on the Namoi Cotton Limited register. ARC did hold 12,000,249 Namoi Cotton Capital Stock Units and at the time of the restructure these Units were converted to 12,000,249 Namoi Cotton Ordinary shares which was 8.4% of the fully diluted capital and the second largest shareholder. Since this time ARC has increased its stake in Namoi Cotton to 13,471,111 Ordinary shares as at 30<sup>th</sup> June 2018 representing 10.1% of Namoi Cotton issued Ordinary share at this time.

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (continued)

### 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
11 November 2016	31 October 2018	\$0.70	133,000
11 November 2016	31 October 2019	\$0.70	133,000
11 November 2016	31 October 2020	\$0.70	133,334

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.

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 2018 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	7	7	2	2
Darren Anderson	8	8	2	2
Wayne Massey	8	8	2*	2*

# the Directors also assented to one written resolution during the year

\*In attendance ex-officio

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (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
Darren Anderson	Non-Executive Director
Wayne Massey	Executive Director

#### (B) Directors Remuneration for the financial years ended 30 June 2018 and 30 June 2017

	Short-Term Benefits			Post Employment Benefits		Share Based Payments	Total
	Salaries & fees	Cash bonuses	Non Monetary Benefits	Super-annuation	Other	Options	
<b>2018</b>							
James Jackson	\$100,000	-	-	-	-	\$8,880	\$108,880
Darren Anderson	\$25,000	-	-	\$2,500	-	-	\$27,500
Wayne Massey	\$50,000	-	-	\$5,000	-	\$2,833	\$57,833
<b>TOTAL</b>	<b>\$175,000</b>	<b>-</b>	<b>-</b>	<b>\$7,500</b>	<b>-</b>	<b>\$11,713</b>	<b>\$194,213</b>
<b>2017</b>							
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
<b>TOTAL</b>	<b>\$184,334</b>	<b>-</b>	<b>-</b>	<b>\$7,500</b>	<b>-</b>	<b>\$14,240</b>	<b>\$206,074</b>

#### (C) Specified Executives Remuneration for the years ended 30 June 2018 and 30 June 2017

	Short-Term Benefits			Post Employment Benefits		Share Based Payments	Total
	Salaries & fees	Cash bonuses	Non Monetary Benefits	Super-annuation	Other	Options	
<b>2018 and 2017</b>							
There were no specified executives in the period from 1 July 2017 to 30 June 2018 and 1 July 2016 to 30 June 2017.							

#### (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 2018 (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, some of the 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

In July 2018, the Company signed an employment agreement with James Jackson, the key terms of which are payment of \$150,000 per annum payable monthly. In July 2016, the Company signed an agreement with 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 all three tranches of 150,000 options have been 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 2018 (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### (G) Shareholdings by Specified Directors and Specified Executives

Directors	Balance at 1/7/17	Received as Remuneration	Options Exercised	Net change – other	Balance at 30/6/18
James Jackson	2,380,417	-	-	-	2,380,417
Darren Anderson	344,905	-	-	-	344,905
Wayne Massey	135,088	-	-	-	135,088
TOTAL	2,860,410	-	-	-	2,860,410

#### (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. In the last 12 months the Company's investment in Namoi has increased in value and this has resulted in an improvement in the share price during this period.

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 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Share price (adjusted) <sup>1</sup>	\$0.60	\$0.52	\$0.57	\$0.50	\$0.69
Market capitalisation (\$000's)	1,765	4,595	5,143	6,246	8,620
Dividends paid (\$000's)	-	-	-	-	-
Capital returns (\$000's)	-	-	-	-	-
Profit/(loss) for the year (\$000's)	(611)	(717)	263	(29)	1,281

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 2018 (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 \$482,000 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 14th day of August 2018.

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 2018 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  
14 August 2018

## FINANCIAL REPORT FOR THE YEAR TO 30<sup>th</sup> JUNE 2018

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

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27. Company Details
28. Segment Reporting

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED**  
**30 JUNE 2018**

		Economic Entity	
	Note	2018	2017
		\$	\$
<hr/>			
<b>Continuing operations</b>			
Revenues	2	1,699,047	361,659
Other expenses	3A	(413,468)	(390,536)
Finance costs	4	(767)	(668)
Profit/(loss) before income tax		<hr/> 1,284,812	<hr/> (29,545)
Income tax benefit	7	(3,634)	303
Profit/(loss) after income tax		<hr/> 1,281,178	<hr/> (29,242)
Profit/(loss) attributable to non-controlling interests		-	-
Profit/(loss) after income tax and non-controlling interests		<hr/> 1,281,178	<hr/> (29,242)
Other comprehensive income for the year, net of tax		<hr/> -	<hr/> -
Total comprehensive income attributable to owners of Australian Rural Capital Limited		<hr/> 1,281,178	<hr/> (29,242)
Basic earnings/(loss) (cents) per share from continuing operations	8	10.3	(0.3)
Diluted earnings/(loss) (cents) per share from continuing operations	8	6.3	(0.2)
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 2018**

	Note	Economic Entity	
		2018	2017
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	452,379	1,660,333
Financial assets	10,14	7,004,977	4,505,755
Trade and other receivables	11	12,042	8,369
<b>TOTAL CURRENT ASSETS</b>		<b>7,469,398</b>	<b>6,174,457</b>
<b>NON-CURRENT ASSETS</b>			
Deferred tax assets	7B	11,730	15,364
Goodwill	25	7,709	7,709
<b>TOTAL NON-CURRENT ASSETS</b>		<b>19,439</b>	<b>23,073</b>
<b>TOTAL ASSETS</b>		<b>7,488,837</b>	<b>6,197,530</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	51,765	53,349
<b>TOTAL CURRENT LIABILITIES</b>		<b>51,765</b>	<b>53,349</b>
<b>TOTAL LIABILITIES</b>		<b>51,765</b>	<b>53,349</b>
<b>NET ASSETS</b>		<b>7,437,072</b>	<b>6,144,181</b>
<b>EQUITY</b>			
Issued Capital	18A	19,995,610	19,995,610
Options Reserve	18B	388,118	388,118
Share based payments reserve	19	98,353	86,640
Accumulated Losses		(13,045,009)	(14,326,187)
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF AUSTRALIAN RURAL CAPITAL LIMITED</b>		<b>7,437,072</b>	<b>6,144,181</b>

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 2018**

<b>ECONOMIC ENTITY</b>	<b>Issued Capital \$</b>	<b>Share Based Payments Reserve \$</b>	<b>Options Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
<b>As at 30 June 2016</b>	<b>18,372,780</b>	<b>72,400</b>	<b>388,118</b>	<b>(14,296,945)</b>	<b>4,536,353</b>
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)
<b>As at 30 June 2017</b>	<b>19,995,610</b>	<b>86,640</b>	<b>388,118</b>	<b>(14,326,187)</b>	<b>6,144,181</b>
Total comprehensive income for the year	-	-	-	1,281,178	1,281,178
Share based payments reserve	-	11,713	-	-	11,713
<b>As at 30 June 2018</b>	<b>19,995,610</b>	<b>98,353</b>	<b>388,118</b>	<b>(13,045,009)</b>	<b>7,437,072</b>

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 2018**

	Note	Economic Entity	
		2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Payments to suppliers and employees		(407,011)	(375,098)
Purchases of investments		(878,666)	-
Proceeds from sale of investments		49,350	
Dividends received		11,697	-
Interest received		17,443	5,927
Finance costs paid		(767)	-
<b>NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES</b>	<b>22 (A)</b>	<b>(1,207,954)</b>	<b>(369,171)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from equity issuance		-	1,743,455
Costs of equity issuance		-	(108,030)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>-</b>	<b>1,635,425</b>
Net (decrease)/increase in cash held		(1,207,954)	1,266,254
Cash at the beginning of the financial year		1,660,333	394,079
<b>Cash at the end of the financial year</b>	<b>9</b>	<b>452,379</b>	<b>1,660,333</b>

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 2018

### 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 14 August 2018. 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 2018. 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 2018 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 2018 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 2018 (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 2018 (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 2018 (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.

**K. Cash and Cash Equivalents**

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

**L. Goods and Services Tax**

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

**M. Contributed Equity**

Ordinary shares are classified as equity.

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

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

**N. Earnings Per Share**

*Basic earnings per share*

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

*Diluted earnings per share*

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

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)**

**O. Intangible Assets**

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

*Goodwill*

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

**P. Impairment of Non-Financial Assets**

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

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

**Q. Fair Value Measurement**

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

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

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

**R. Leases**

No assets have been acquired under finance leases.

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

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)**

**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 2018. 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 and based on a preliminary assessment is not expected to have a material effect.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (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 and based on a preliminary assessment is not expected to have a material effect.

**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 2018 (continued)**

	Economic Entity	
	2018	2017
	\$	\$
<b>2. REVENUES</b>		
Interest	17,443	5,927
Dividends received – other corporations	11,697	-
Change in fair value of investments retained	1,670,717	355,732
Profit/(loss) on sale of investments	(810)	-
<b>TOTAL REVENUES</b>	<b>1,699,047</b>	<b>361,659</b>
<b>3. PROFIT/(LOSS) FOR THE YEAR</b>		
<b>(A) EXPENSES</b>		
Auditors remuneration – audit, audit review and accruals	31,000	35,896
Directors fees, employee benefits and costs	184,500	204,883
Share based payments	11,713	14,240
Legal costs	22,385	6,499
Office and occupancy expenses - other	12,000	14,000
Other expenses	151,870	115,018
<b>TOTAL EXPENSES EXCLUDING FINANCE COSTS</b>	<b>413,468</b>	<b>390,536</b>
<b>4. FINANCE COSTS</b>		
External	767	668
<b>Total finance costs</b>	<b>767</b>	<b>668</b>

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)**

	Economic Entity	
	2018	2017
	\$	\$
<hr/>		
<b>5. AUDITORS REMUNERATION</b>		
<b>Remuneration of the auditors of the parent entity for:</b>		
Auditing and reviewing the financial statements	28,000	32,896
Audit of controlled entities	3,000	3,000
	<hr/>	<hr/>
	31,000	35,896

**Non-audit services**

The auditors of the Company, Bentleys Brisbane (Audit) Pty Ltd, did not provide non-audit related services to the Company. The Board of Directors in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed did not compromise the external auditor's independence for the following reasons:

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

The following fees were paid or payable to the auditor for non-audit services provided during the relevant years:

	2018	2017
	\$	\$
<hr/>		
Taxation services		
- Bentleys Brisbane (Audit) Pty Ltd	-	-

**6. DIVIDENDS AND FRANKING CREDIT BALANCES**

**Franking Credits**

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

26,695	21,682
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No dividends were declared or paid in respect of the years ended 30 June 2018 or 30 June 2017.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)**

	Economic Entity	
	2018	2017
	\$	\$
<b>7. INCOME TAX</b>		
<b>(A) INCOME TAX</b>		
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	1,284,812	(29,545)
Prima facie income tax expense/(benefit) on the profit/(loss) before income tax at 27.5% (2017: 27.5%)	353,323	(8,125)
<b>Add/(deduct) tax effect of:</b>		
Tax losses used/(not brought to account)	(357,729)	8,125
Adjustment for tax rate changes	-	1,255
Franking credits	5,013	
Other timing differences	(3,027)	(1,558)
	<u>(349,689)</u>	<u>7,821</u>
Income tax (benefit)/expense attributable to entity	<u>3,634</u>	<u>(303)</u>

The effective tax rate of 0% (2017: 0%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2017: not to bring to account tax losses) in respect of the current year.

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

Deferred tax	(3,634)	303
	<u>(3,634)</u>	<u>303</u>

**(B) DEFERRED TAX ASSETS**

**Deferred tax assets comprise:**

Temporary differences – accruals	11,730	15,364
	<u>11,730</u>	<u>15,364</u>

**(C) RECONCILIATIONS**

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

Opening balance	15,364	15,061
Credit/(Debit) to statement of profit or loss and other comprehensive income	(3,634)	303
Closing balance	<u>11,730</u>	<u>15,364</u>

**(D) DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT**

As at 30 June 2018, the economic entity had estimated unrecouped operating income tax losses of \$10,285,438 (2017: \$11,586,272) 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 2018 (continued)**

	Economic Entity	
	2018	2017
	\$	\$
<b>8. EARNINGS PER SHARE</b>		
<b>Continuing operations</b>		
Earnings used in the calculation of basic EPS	1,281,178	(29,242)
Earnings used in the calculation of diluted EPS	1,281,178	(29,242)
Weighted average number of ordinary shares outstanding during the year used in calculation of EPS:		
basic EPS	12,492,090	9,965,408
diluted EPS	20,422,953	17,896,271
Basic earnings/(loss) per share (cents)	10.3	(0.29)
Diluted earnings/(loss) per share (cents)	6.3	(0.16)

**9. CASH AND CASH EQUIVALENTS**

Cash on hand and at bank	452,379	1,660,333
Net cash and cash equivalents as per Statement of Cash Flows	452,379	1,660,333

**10. FINANCIAL ASSETS (CURRENT)**

**Fair value through profit or loss:**

Listed investments at fair value		
- shares in listed corporations (note 14, 26F)	7,004,977	4,505,755
TOTAL	7,004,977	4,505,755

**11. TRADE AND OTHER RECEIVABLES**

**CURRENT**

Other debtors and receivables	12,042	8,369
	12,042	8,369

**12. CONTROLLED ENTITIES**

	Country of Incorporation	Percentage Owned	
		2018	2017
<b>Parent Entity:</b>			
Australian Rural Capital Limited	Australia		
<b>Controlled Entities of Australian Rural Capital Limited:</b>			
ARC Agrivest Limited*	Australia	100%	100%
Australian Rural Capital Management Pty. Limited	Australia	100%	100%

\* Formerly ARC Investor Limited, change in company name occurred on 16/4/2018

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)**

	Economic Entity	
	2018	2017
	\$	\$
<b>13. PARENT ENTITY INFORMATION</b>		
<b>Information relating to the parent entity, Australian Rural Capital Limited:</b>		
Current Assets	7,440,047	6,139,391
Total Assets	7,479,143	6,182,424
Current Liabilities	51,857	53,440
Total Liabilities	51,857	53,440
Issued Capital	19,995,610	19,995,610
Share Based Payments Reserve	98,353	86,640
Options Reserve	388,118	388,118
Accumulated Losses	(13,054,492)	(14,341,384)
Total Shareholders' Equity	<u>7,427,589</u>	<u>6,128,984</u>
Profit/(Loss) of the parent entity	<u>1,286,892</u>	<u>(24,653)</u>
Total comprehensive income of the parent entity	<u>1,286,892</u>	<u>(24,653)</u>

As at 30 June 2018 and 30 June 2017, 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>		
10.1% interest in Namoi Cotton Co-operative Limited (2017: 10.8%)	<u>7,004,977</u>	<u>4,505,755</u>

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

Trade creditors	20,465	18,281
Other creditors and accruals	25,858	29,626
Other payables	5,442	5,442
	<u>51,765</u>	<u>53,349</u>

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)**

Economic Entity	
2018	2017
\$	\$

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**16. BORROWINGS**

At any time from 30 June 2017 to 30 June 2018, Australian Rural Capital Limited had no borrowings.

**17. CONTINGENT LIABILITIES**

The Economic Entity has no outstanding contingent liabilities (2017: nil).

**18. ISSUED CAPITAL**

12,492,090 fully paid authorised ordinary shares  
(2017: 12,492,090)

19,995,610	19,995,610
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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 2017	Opening balance	12,492,090	19,995,610
30 June 2018	Closing balance	12,492,090	19,995,610

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

Date	Details	Number of Options	Option Reserve \$
1 July 2017	Opening balance	7,930,863	388,118
30 June 2018	Closing balance	7,930,863	388,118

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**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (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
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	
	2018	2017
	\$	\$
Short-term employee benefits	175,000	184,334
Post-employment benefits	7,500	7,500
Share based payments	11,713	14,240
	<u>194,213</u>	<u>206,074</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	Received as part of remuneration	Additions	Disposals / other	Balance at the end of the year
<b>2018</b>					
<i>Ordinary shares</i>					
James Jackson	2,380,417	-	-	-	2,380,417
Darren Anderson	344,905	-	-	-	344,905
Wayne Massey	135,088	-	-	-	135,088
	<u>2,860,410</u>	-	-	-	<u>2,860,410</u>
<b>2017</b>					
<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>842,965</u>	-	<u>2,860,410</u>

\*Resigned 19 August 2016

**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 2018 (continued)**

**21. CAPITAL AND LEASING COMMITMENTS**

**(A) OPERATING LEASE COMMITMENTS**

The Economic Entity has no outstanding operating lease commitments (2017: nil).

**(B) CAPITAL COMMITMENTS**

The Economic Entity has no outstanding capital commitments (2017: 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.

	<b>Economic Entity</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>22. CASH FLOW INFORMATION</b>		
<b>(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX</b>		
Operating profit/(loss) after income tax	1,281,178	(29,242)
<b>Cash flows excluded from profit/(loss) attributable to operating activities:</b>		
Purchases of investments	(878,666)	-
Proceeds from sales of investments	49,350	-
<b>Non cash flows in operating profit/(loss):</b>		
Change in fair value of investments retained	(1,670,717)	(355,732)
Loss on sale of investments and derivatives	810	-
Share based payments	11,713	14,240
<b>Changes in assets and liabilities net of acquisitions:</b>		
(Increase)/decrease in deferred tax balances	3,634	(303)
(Increase)/decrease in sundry debtors & prepayments	(3,673)	5,656
(Decrease)/increase in trade creditors & accruals	(1,583)	(3,790)
<b>Cash flows (used in)/provided by operations</b>	<b>(1,207,954)</b>	<b>(369,171)</b>

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)**

**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 \$194,213 (2017: \$206,074) 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 5 – 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 2018, the parent was owed from controlled entities \$19,180 (2017: owed \$13,585). 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 2018 or 30 June 2017.

**Other related party transactions**

In the year to 30 June 2018, the Company paid Broadley Rees Hogan (“BRH”) total invoices, including GST, of \$25,046 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 2018, the Company paid BRH \$13,200, including GST, in respect of licence fees for space within the BRH Brisbane offices. The Company has a licence, cancellable at one months’ notice, to maintain an office within the BRH space for a fee of \$1,000 per month + GST.

At 30 June 2018, the parent owed BRH \$14,779 (2017: \$NIL).

**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.

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)**

**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 2018 (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 increase pre-tax profit by \$10,969 (2017: reduce loss by \$6,253).

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 \$
<b>ECONOMIC ENTITY 2018</b>					
<b>Financial assets:</b>					
Cash and cash equivalents	0.05%	-	452,379	-	452,379
Trade and other receivables	-	-	-	12,042	12,042
Investments	-	-	-	7,004,977	7,004,977
		-	452,379	7,017,019	7,469,398
<b>Financial Liabilities:</b>					
Trade and other payables	-	-	-	51,765	51,765
		-	-	51,765	51,765
<b>Net Financial Assets</b>		-	452,379	6,965,254	7,417,633
<b>ECONOMIC ENTITY 2017</b>					
<b>Financial assets:</b>					
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
<b>Financial Liabilities:</b>					
Trade and other payables	-	-	-	53,349	53,349
		-	-	53,349	53,349
<b>Net Financial Assets</b>		-	1,660,333	4,460,775	6,121,108

**AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (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 2018 is \$nil (2017: \$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 2018 (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 2018, there would be a corresponding positive or negative impact on pre-tax profit/(loss) of \$700,498 (2017: \$450,575).

**(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 2018	Level 1	Level 2	Level 3	TOTAL
	\$	\$	\$	\$
Financial assets at fair value through profit or loss:				
Shares in other corporations	7,004,977	-	-	7,004,977
TOTAL	7,004,977	-	-	7,004,977
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

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 2018 (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 2018	30 June 2017				
Held for trading non-derivative financial assets (see notes 10, 14)	Listed Australian equity securities: Agricultural industry - \$7,004,977	Listed Australian equity securities: Agricultural industry - \$4,505,755	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	
	2018	2017
	\$	\$
Net Financial Assets as above	7,417,633	6,121,108
<b>Non financial assets and liabilities:</b>		
Deferred tax assets	11,730	15,364
Goodwill	7,709	7,709
Net assets per balance sheet	7,437,072	6,144,181

**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 2018 (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.

2018	Funds			TOTAL \$
	Management \$	Investment \$	Unallocated \$	
External revenue	-	1,681,604	-	1,681,604
Interest revenue	-	17,443	-	17,443
Expenses other than finance, depreciation and amortisation	(5,713)	-	(408,516)	(414,229)
SEGMENT RESULT	(5,713)	1,699,047	(408,516)	1,284,818
Finance Costs	-	-	(6)	(6)
PROFIT/(LOSS) BEFORE INCOME TAX	(5,713)	1,699,047	(408,522)	1,284,812
Income tax expense	-	-	(3,634)	(3,634)
PROFIT/(LOSS) AFTER INCOME TAX	(5,713)	1,699,047	(412,156)	1,281,178
Segment Assets	52,376	7,407,470	28,991	7,488,837
Segment Liabilities	240	-	51,525	51,765
Capital Expenditure	-	-	-	-
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	-	-	-	-

## 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 2018 and of its performance for the year ended on that date;
  - (ii) complying with Accounting Standards and Corporations Regulations; and
  - (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and
- (b) In the opinion of the directors, there are reasonable grounds to believe that the Economic Entity will be able to pay its debts as and when they become due and payable.
- (c) The Managing Director has declared that:
  - (i) the financial records of the Economic Entity for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (iii) the financial statements and notes for the financial year give a true and fair view.
- (d) The remuneration disclosures that are contained in pages 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  
Chairman

Date: 14 August 2018

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS 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 2018 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 2018 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 MEMBERS OF AUSTRALIAN RURAL CAPITAL LIMITED  
(Continued)**

**Key Audit Matters (continued)**

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Share Based Payments</b></p> <p>As disclosed in Note 19 in the financial statements, during the year ended 30 June 2018, the Company incurred share based payments totaling \$11,713.</p> <p>Share based payments are considered to be a key audit matter due to</p> <ul style="list-style-type: none"> <li>- the value of the transactions;</li> <li>- the complexities involved in recognition and measurement of these instruments; and</li> <li>- the judgement involved in determining the inputs used in the valuation.</li> </ul> <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"> <li>- 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;</li> <li>- Evaluating the Monte Carlo valuation model used by the external valuer and assessed the assumptions and inputs used;</li> <li>- Assessing the adequacy of the disclosures included in Note 19 to the financial report.</li> </ul>

**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 2018, 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 MEMBERS 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 have 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 MEMBERS 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 2018.

In our opinion, the Remuneration Report of Australian Rural Capital Limited, for the year ended 30 June 2018, 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.

A handwritten signature in blue ink that reads "Stewart Douglas".

Bentleys Brisbane (Audit) Pty Ltd  
Chartered Accountants

A handwritten signature in blue ink that reads "Stewart Douglas".

Stewart Douglas  
Director

Brisbane, 14 August 2018



## AUSTRALIAN RURAL CAPITAL LIMITED.

### OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2018

#### A. Range of Shares Issued as at 3 August 2018

As at 3 August 2018 there were 12,492,090 ordinary shares held by 427 shareholders, all of which were quoted on the ASX.

Range	Holders	Shares held	% of capital
1-1,000	304	48,027	0.38
1,001-5,000	42	108,185	0.87
5,001-10,000	16	139,722	1.12
10,001-100,000	37	1,704,824	13.65
100,001-9,999,999,999	28	10,491,332	83.98
<b>Totals</b>	<b>427</b>	<b>12,492,090</b>	<b>100.000</b>

There are 294 shareholders owning a total of 39,870 shares who own unmarketable parcels of the Company's securities.

#### B. Top Twenty shareholders as at 3 August 2018

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>	1,000,000	8.01
AGRICO PTY LTD <PALM SUPER FUND A/C>	630,745	5.05
POAL PTY LTD <BARAIN SUPER FUND A/C>	521,164	4.17
ABRON MANAGEMENT SERVICES PTY LIMITED <BROWN FAMILY SUPER FUND A/C>	490,750	3.93
PETHOL (VIC) PTY LTD <MACDY 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 SECURIT S/F A/C>	344,905	2.76
P K CAPITAL PTY LTD	311,500	2.49
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>	200,000	1.60
RACT SUPER PTY LTD <RAND SUPERANNUATION 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
CROMMO PTY LTD	185,850	1.49
SANOLU PTY LIMITED	182,644	1.46
KANUMERA INVESTMENTS PTY LTD <KANUMERA A/C>	180,000	1.44
<b>TOTAL TOP TWENTY SHAREHOLDERS</b>	<b>9,450,620</b>	<b>75.65</b>

#### 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 2018 (CONTINUED)

### D. Top Twenty listed option holders as at 3 August 2018

Holder	Options held	% of class
FEDERAL PACIFIC HOLDINGS PTY LTD	836,166	10.54
AGRICO INVESTMENTS PTY LIMITED	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
T B I C PTY LTD <CROMMELIN FAMILY ACCOUNT>	322,400	4.07
PETHOL (VIC) PTY LTD <MACDY NO 5 SUPER FUND A/C>	315,002	3.97
ABRON MANAGEMENT SERVICES PTY LIMITED <BROWN FAMILY SUPER FUND A/C>	300,375	3.79
ANDREW ADCOCK INVESTMENTS PTY LTD <ADCOCK FAMILY S/F A/C>	270,000	3.40
DATALA INVESTMENTS PTY LTD <DEEP NORTH SECURIT 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 FUND A/C>	120,000	1.51
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	113,364	1.43
STILETTO INVESTMENTS PTY LTD	104,526	1.32
MITCHELLDANGAR PTY LTD	100,000	1.26
BRIAN T DONNELLAN PTY LTD <BT DONNELLAN SUPER FUND A/C>	100,000	1.26
PILRIFT PTY LIMITED <CRICHTLEY RET FUND A/C>	90,000	1.14
<b>TOTAL TOP TWENTY SHAREHOLDERS</b>	<b>7,036,056</b>	<b>88.73</b>

### 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 3 August 2018:

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](http://www.ruralcapital.com.au/investors-centre).