

ASX Release - 19 May 2015
Ruralco Holdings Ltd 2014/15 Half Year Results

Results Summary

- Reported net profit after tax (NPAT) attributable to equity holders of \$10.5m, compared to \$5.1m for the prior corresponding period (pcp)
- Underlying net profit after tax (NPAT) of \$11.3m, a 33% increase on the pcp (1H14: \$8.5m)
- Underlying earnings before interest expense, tax and depreciation (EBITDA) of \$26.9m, a 22% increase on the pcp (1H14: \$22.0m)
- Gross profit of \$149.7m, a 30% increase on the pcp (1H14: \$115.5m)
- Sales revenue of \$742.8m, a 36% increase on the pcp (1H14: \$544.6m)
- Interim dividend of 9 cents, a 13% increase on the pcp (1H14: 8 cents)

Ruralco Holdings Limited today reported a record net profit after tax (NPAT) attributable to equity holders of \$10.5m for the six months ended 31 March 2015. This compares to a profit of \$5.1m for the prior corresponding period (pcp), up 106% and is equivalent to the profit result for the FY14 full year.

Richard England, Chairman confirmed Directors declared a fully franked interim dividend of 9 cents per share, with a record date of 5 June 2015, payable to shareholders on 26 June 2015. The Dividend Reinvestment Plan will operate in respect of the interim dividend. "This represents a 67% dividend payout ratio whilst allowing for future investments."

Travis Dillon, Ruralco's acting Chief Executive Officer noted this excellent result further highlights the strength of the Group's earnings platform, "2015 is a milestone year for the business with Roberts celebrating its 150 year anniversary, and the Group achieving a record result in the first half. This result is testament to the strength of the business and has been driven by a strong performance in agency and rural supplies despite challenging seasonal conditions."

"Ruralco's water activities delivered a strong result with six months contribution from Total Eden and high demand for water broking services. Our live export business continues to increase capacity and supports the wider network's strong performance. In addition, continued innovation in financial services with the recent launch of our Ruralco Seasonal Finance product positions this activity well for future growth."

Sales revenue for the year of \$742.8m represents a 36% increase on the pcp. Gross profit of \$149.7m was up 30% on the pcp, key items were:

- Rural supplies increased gross profit by 33%. This included six months contribution from Total Eden water supplies as well as growth in sales of merchandise and fertiliser from our established locations and recently acquired businesses.
- Agency activities increased gross profit by 18%, headlined by an increase in livestock gross profit. This was driven by significantly higher cattle volumes transacted and prevailing higher prices for both cattle and sheep.
- Live export contributed \$3.4m in gross profit. This business continues to build scale despite challenging international market conditions. Offsetting this strong gross profit result were mark to market fair value livestock adjustments and the impact of foreign exchange.
- Water services increased gross profit by 91%. This included six months contribution from Total Eden albeit margins are under pressure from increased competition. Water broking increased its gross profit by 43% due to sustained elevated demand for water across a number of farming sectors.

- Financial services gross profit declined 4% on the pcp, reflective of a general softening in the insurance market resulting in increased pressure on premiums.

Reported NPAT attributable to equity holders of \$10.5m included net expense of \$0.8m (post tax) related to non-recurring items.

Strategy

Ruralco's key strategies of platform growth and horizontal integration continue to add scale and diversity to the network, reducing exposure to cyclical earnings risks.

There is a strong business development pipeline of new acquisition and greenfield opportunities and a well progressed plan to drive future growth in high priority sectors.

Ruralco has developed two innovative finance products to drive sales throughout the network. The recent launch of Ruralco Seasonal Finance provides producers who require a line of credit for livestock purchases and seasonal inputs with a facility designed specifically with their needs in mind. Agfarm's input finance product, Accelerate, was fully commercialised in time for the 2015 cereal cropping season and enables growers to finance inputs throughout Ruralco outlets and access Agfarm's expertise and products to market their harvested grain.

The Total Eden operational integration is now complete with targeted synergies on track.

The Group has commenced a project to consolidate and rationalise its warehouse footprint. Total Eden and CRT warehouse sites in Sydney are now co-located with an ongoing project to consolidate duplicate warehouse space nationally well progressed.

Outlook

Early rainfall across most cropping regions has enabled the commencement of seeding programs. However, rainfall is still desperately required in northern New South Wales and western Queensland to reduce the rate of livestock turnoff. A weakened AUD is positive to all export agricultural commodities with overseas demand for meat and livestock likely to remain particularly firm. Continued demand for quality agricultural properties is expected to support elevated levels of real estate activity throughout the second half. Frontier live export has a strong pipeline for the next six months and is scaling up to a two vessel model. Demand for water services is expected to remain strong, despite competition placing pressure on margins.

Assuming normal seasonal conditions, Ruralco targets continued strong year on year growth in the underlying profitability of the Group.

Further information:

Travis Dillon
Acting Chief Executive Officer
Ph: (03) 6235 1412

Ruth Martin
Chief Financial Officer
Ph: (03) 6235 1412

19 May 2015

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

HALF YEAR REPORT

APPENDIX 4D

Half year ended 31 March 2015

Previous corresponding period – Half year ended 31 March 2014

Results for announcement to the market

				\$A'000
Revenue from ordinary activities	Up	36.4%	to	\$742,765
Profit from ordinary activities after tax attributable to equity holders of the company	Up	105.9%	to	\$10,495
Net profit for the period attributable to equity holders of the company	Up	105.9%	to	\$10,495
		Amount per security		Franked amount per security
Interim dividend		9 cents		9 cents
Previous corresponding period Interim dividend		8 cents		8 cents
Record date for determining entitlements to the dividend				5 June 2015
Date Interim Dividend is payable				26 June 2015

It is recommended that this Half Year Report is read in conjunction with the Consolidated Interim Financial Report of Ruralco Holdings Limited as at and for the period ending 31 March 2015.

Net Tangible Assets	2015	2014
Net tangible asset backing per ordinary security	\$1.21	\$1.20

Details of entities over which control has been gained or lost during the period

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

Entity	Date	Percentage acquired
Landscape Australia Pty Limited	30 November 2014	100%

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

Entity	Date	Percentage divested
Sureseason Australia Pty Limited	25 February 2015	100%

Details of associates and joint venture entities

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

Associate / Joint venture	Percentage held by the group
Agfarm Pty Ltd	50%
Agfarm Unit Trust	50%
Western Riverina Fertilisers Pty Ltd	41.29%

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

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will apply to this dividend.

Review

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



A L Somann-Crawford
Company Secretary
19 May 2015

Ruralco Holdings Limited

ABN 40 009 660 879

Interim Financial Report

For the half year ended 31 March 2015

Ruralco Holdings Limited – Interim Financial Report

For the half year ended 31 March 2015

Directors' Report

Your Directors submit their report on the Group consisting of Ruralco Holdings Limited (the Company) and the entities it controlled for the half year ended 31 March 2015.

DIRECTORS

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

Richard A F England FCA, MAICD

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

John S Maher BAgSc (Hons), MBA, GAICD , FAIM

Managing Director and CEO from 2 October 2006 until 4 May 2015.

Michael J Millner MAICD

Director (non executive) since 5 February 2007.

John H Tuskin MAICD

Director (non executive) since 1 October 2013.

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

Director (non executive) since 1 September 2014.

Trudy Vonhoff – MBA, BBus (Hons), GAICD, SF Fin

Director (non executive) since 1 September 2014.

Ross Burney – B.Ec

Director (non executive) since 1 September 2014.

RESULTS AND REVIEW OF OPERATIONS

The Group reported a net profit after tax (NPAT) attributable to equity holders of \$10.5m for the six months ended 31 March 2015. This compares to a profit of \$5.1m for the prior corresponding period (pcp), up 106%.

The result highlights the strength of the Group's earnings platform with a strong performance in agency and rural supplies in particular, despite continued challenging seasonal conditions.

Interim Dividend

Directors have declared a fully franked interim dividend of 9 cents per share payable to shareholders on 26 June 2015. The Dividend Reinvestment Plan will operate in respect of the interim dividend.

Strategy

Ruralco's key strategies of platform growth and horizontal integration continue to add scale and diversity to the network, reducing exposure to cyclical earnings risks. Retail share of total sales has grown from 11% in FY06 to 47% in FY14, increasing the Group's control over earnings and profitability.

There is a strong business development pipeline of new acquisition and greenfield opportunities and a well progressed plan to drive future growth in high priority sectors.

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

Ruralco has developed two innovative finance products to drive sales throughout the network. The recent launch of Ruralco Seasonal Finance provides producers who require a line of credit for livestock purchases and seasonal inputs with a facility designed specifically with their needs in mind. Agfarm's input finance product, Accelerate, was fully commercialised in time for the 2015 cereal cropping season and enables growers to finance inputs throughout Ruralco outlets and access Agfarm's expertise and products to market their harvested grain.

The Total Eden operational integration is now complete with targeted synergies on track.

The Group has commenced a project to consolidate and rationalise its warehouse footprint. Total Eden and CRT warehouse sites in Sydney are now co-located with an ongoing project to consolidate duplicate warehouse space nationally well progressed.

Outlook

Early rainfall across most cropping regions has enabled the commencement of seeding programs. However, rainfall is still desperately required in northern New South Wales and western Queensland to reduce the rate of livestock turnoff. A weakened AUD is positive to all export agricultural commodities with overseas demand for meat and livestock likely to remain particularly firm. Continued demand for quality agricultural properties is expected to support elevated levels of real estate activity throughout the second half. Frontier live export has a strong pipeline for the next six months and is scaling up to a two vessel model. Demand for water services is expected to remain strong, despite competition placing pressure on margins.

Assuming normal seasonal conditions, Ruralco targets continued strong year on year growth in the underlying profitability of the Group.

A short report on each of the operating segments follows.

Rural services segment

Rural supplies

Rural supplies gross profit of \$70.8m was 33% above the pcp. This was despite a dry six months for the east coast with drought conditions prevailing throughout Queensland and northern New South Wales.

This included six months contribution from Total Eden water supplies as well as growth in sales of merchandise and fertiliser from our established locations and recently acquired businesses.

Livestock

Livestock gross profit was 29% above the pcp. Livestock market indicators surged above the five year average in December 2014 and remained high throughout the second quarter. The volume of cattle marketed by the Ruralco network was 17% above pcp. Growers increased the rates of turnoff in response to prevailing dry conditions in northern Australia and a desire to capitalise on high prices. Cattle prices remained high due to increased demand driven by continued international appetite for proteins and a weaker Australian dollar.

Wool

Wool gross profit was 7% above the pcp. The growth was driven by increased sales and warehouse efficiencies despite suppressed prices for much of the trading period. Wool supply continues to remain above 2014 receivals. The weaker Australian dollar coupled with some early signs of an improving retail market encouraged greater export demand in the lead up to the traditional Easter auction sales recess. This rally saw the Eastern Market Indicator (EMI) close 4% above the average of the previous five months.

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

Real estate

Real estate gross profit was 3% up on the pcp. The growth is attributable to an increase in average sale prices and demand continues to trend above historic averages. Low interest rates and offshore demand for Australian agricultural property have supported this activity.

Water services

Water services gross profit of \$10.7m was 91% up on the pcp and includes six months of contribution from Total Eden. Throughout the first six months the Ruralco water businesses have been further integrated with key milestones met and synergy targets on track.

Water services is gaining traction in key agricultural markets particularly in Tasmania and northern Australia. Increasing its penetration of the agricultural sector and leveraging Ruralco's network, relationships and expertise will be key to reducing the impact of margin pressure from the downturn in mining.

Consistent with the strategy of building scale in water, Ruralco acquired the remaining minority interests in Archards Irrigation in February 2015. This transaction enables further operational synergies to be delivered across the business.

Water broking gross profit was 43% up on the pcp due to sustained elevated demand for water across a number of farming sectors.

Live export

Ruralco's live export business, Frontier International Agri, achieved a gross profit of \$3.4m. In excess of 60,000 head of cattle were shipped during the period with a significant portion sourced from within the Ruralco network. Offsetting this strong gross profit result were mark to market fair value livestock adjustments and the impact of foreign exchange losses reflective of prevailing market conditions. The business continues to grow its order pipeline across both feedlot and breeder cattle categories and has committed to a second vessel to service more export markets in line with increasing demand.

Grain marketing

Share of profit from associates of \$0.6m up 50% on pcp. A sustained high cash price above the three year average Australian Grain Market Index (AGMI) continues to limit demand for Agfarm's pooled product. Whilst competition in the sector remains intense, Agfarm has been able to diversify its revenue streams through the launch of innovative solutions.

During the period, Agfarm's input finance product, Accelerate, was fully commercialised in time for the 2015 cereal cropping season. The product is distributed through Ruralco's branch and agronomy network with the financial support of Ruralco's joint venture partner in Agfarm, CHS Inc. Accelerate is a new product for the sector, strategically linking Ruralco's ability to provide inputs with Agfarm's expertise in grain marketing.

Financial services segment

Financial services

Financial services gross profit of \$7.2m was 4% lower than the pcp is reflective of a general softening in the insurance market resulting in increased pressure on premiums.

The business continues to reduce on balance sheet lending through the newly launched Ruralco Seasonal Finance product. This should generate growth in this activity while also serving to improve the Group's working capital and support sales initiatives within the network.

Ag Concepts Unlimited's Mecardo information system has emerged as an industry leader, providing comprehensive market analysis to assist farmers with their risk management and decision making.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the half year ended 31 March 2015.

ROUNDING

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

Signed in accordance with a resolution of the directors.



Richard England
Chairman

Sydney
19 May 2015



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

To: the Directors of Ruralco Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 March 2015 there have been:

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

KPMG

KPMG

Anthony Travers
Partner

Sydney

19 May 2015

Ruralco Holdings Limited
ABN 40 009 660 879
Consolidated Interim Statement of Comprehensive Income
For the Half Year ended 31 March 2015

	Notes	Half Year to 31-Mar-15 \$'000	Half Year to 31-Mar-14 \$'000
Revenue	4	742,765	544,554
Other income		117	105
Cost of goods sold		(593,060)	(429,028)
Personnel expenses		(79,438)	(63,197)
Other expenses		(22,378)	(17,415)
Property and equipment expenses		(13,786)	(9,862)
Motor vehicle expenses		(8,986)	(7,475)
Depreciation and amortisation expenses		(4,090)	(3,092)
Results from operating activities		21,144	14,590
Share of net profits of equity accounted investees (net of income tax)		485	249
Finance costs	5	(4,214)	(4,191)
Profit before income tax		17,415	10,648
Income tax expense		(5,571)	(3,772)
Profit for the period		11,844	6,876
Other comprehensive income			
<i>Items that will not be reclassified to profit and loss</i>			
Fair value movements of investment in listed entity		-	(270)
Revaluations of property, plant and equipment		(850)	(919)
Tax on items that will not be reclassified to profit and loss		255	357
Total items that will not be reclassified to profit and loss		(595)	(832)
<i>Items that may be reclassified to profit and loss</i>			
Changes in the fair value of cash flow hedges		(1,327)	289
Foreign currency translation differences		(21)	-
Tax on items that may be reclassified to profit and loss		404	(87)
Total items that may be reclassified to profit and loss		(944)	202
Total comprehensive income for the period		10,305	6,246
Total profit attributable to:			
Equity holders of the company		10,495	5,143
Non-controlling interests		1,349	1,733
Total profit for the period		11,844	6,876
Total comprehensive income attributable to:			
Equity holders of the company		9,443	4,513
Non-controlling interests		862	1,733
Total comprehensive income for the period		10,305	6,246
Earnings per share (cents per share)			
- Basic		13.53	8.40
- Diluted		13.53	8.40

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

Ruralco Holdings Limited
ABN 40 009 660 879
Consolidated Interim Statement of Financial Position
As at 31 March 2015

	Notes	As at 31-Mar-15 \$'000	As at 30-Sep-14 \$'000
Current assets			
Cash and cash equivalents		8,001	26,890
Trade and other receivables		409,182	332,813
Inventories		123,083	101,040
Biological assets		9,324	7,526
Assets held for sale		2,925	1,750
Total current assets		552,515	470,019
Non-current assets			
Trade and other receivables		7	7
Investments in equity accounted investees		8,673	8,653
Other financial assets		235	229
Property, plant and equipment		40,168	42,815
Intangible assets		128,014	121,978
Deferred tax assets		12,906	13,289
Total non-current assets		190,003	186,971
Total assets		742,518	656,990
Current liabilities			
Trade and other payables		379,293	339,116
Loans and borrowings		107,100	37,673
Current tax liabilities		3,747	2,856
Provisions		18,378	16,716
Total current liabilities		508,518	396,361
Non-current liabilities			
Loans and borrowings		1,273	27,159
Deferred tax liabilities		6,726	7,890
Provisions		3,578	3,612
Total non-current liabilities		11,577	38,661
Total liabilities		520,095	435,022
Net assets		222,423	221,968
Equity			
Share capital	7	168,386	166,289
Retained earnings		38,677	34,483
Reserves		8,241	10,792
Total equity attributable to equity holders of the Company		215,304	211,564
Non-controlling interests		7,119	10,404
Total equity		222,423	221,968

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

Ruralco Holdings Limited
ABN 40 009 660 879
Consolidated Interim Statement of Changes in Equity
for the Half Year ended 31 March 2015

	Attributable to equity holders of the Company						Total	Non-controlling interests	Total equity
	Issued capital	Retained earnings	Fair value reserve	Cash flow hedge reserve	Reserve for own shares	Other reserves			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 October 2014	166,289	34,483	-	(1,963)	(1,377)	14,132	211,564	10,404	221,968
Total comprehensive income for the period									
Profit for the period	-	10,495	-	-	-	-	10,495	1,349	11,844
Other comprehensive income, net of tax	-	2,137	-	(442)	-	(2,747)	(1,052)	(487)	(1,539)
Total comprehensive income for the period	-	12,632	-	(442)	-	(2,747)	9,443	862	10,305
Transactions with owners recorded directly in equity									
<i>Contributions by and distributions to owners</i>									
- Dividends to equity holders	-	(4,086)	-	-	-	-	(4,086)	(3,466)	(7,552)
- Dividend reinvestment plan	2,097	(2,097)	-	-	-	-	-	-	-
- Performance rights reserve	-	-	-	-	-	638	638	-	638
Total contributions by and distributions to owners	2,097	(6,183)	-	-	-	638	(3,448)	(3,466)	(6,914)
<i>Treasury shares</i>									
- Shares purchased and held in trust	-	-	-	-	-	-	-	-	-
- Own shares held in trust allocated	-	-	-	-	-	-	-	-	-
Total treasury shares	-	-	-	-	-	-	-	-	-
<i>Changes in ownership interests in subsidiaries that do not result in a change of control</i>									
- Change in non-controlling interest	-	(2,255)	-	-	-	-	(2,255)	(681)	(2,936)
Total changes in ownership interests in subsidiaries that do not result in a change of control	-	(2,255)	-	-	-	-	(2,255)	(681)	(2,936)
Total transactions with owners of the company	2,097	(8,438)	-	-	-	638	(5,703)	(4,147)	(9,850)
Balance at 31 March 2015	168,386	38,677	-	(2,405)	(1,377)	12,023	215,304	7,119	222,423

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

Ruralco Holdings Limited
ABN 40 009 660 879
Consolidated Interim Statement of Changes in Equity
for the Half Year ended 31 March 2015

	Attributable to equity holders of the Company						Total	Non-controlling interests	Total equity
	Issued capital	Retained earnings	Fair value reserve	Cash flow		Other reserves			
				reserve	Reserve for own shares				
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 October 2013	99,565	39,426	(5,295)	-	(978)	14,072	146,790	13,207	159,997
Total comprehensive income for the period									
Profit for the period	-	5,143	-	-	-	-	5,143	1,733	6,876
Other comprehensive income, net of tax	-	-	(189)	-	-	(441)	(630)	-	(630)
Total comprehensive income for the period	-	5,143	(189)	-	-	(441)	4,513	1,733	6,246
Transactions with owners recorded directly in equity									
<i>Contributions by and distributions to owners</i>									
- Dividends to equity holders	-	(5,472)	-	-	-	-	(5,472)	(3,398)	(8,870)
- Issue of ordinary shares	66,714	-	-	-	-	-	66,714	-	66,714
- Performance rights reserve	-	-	-	-	-	369	369	-	369
Total contributions by and distributions to owners	66,714	(5,472)	-	-	-	369	61,611	(3,398)	58,213
<i>Treasury shares</i>									
- Shares purchased and held in trust	-	-	-	-	-	-	-	-	-
- Own shares held in trust allocated	-	-	-	-	-	-	-	-	-
Total treasury shares	-	-	-	-	-	-	-	-	-
<i>Changes in ownership interests in subsidiaries that do not result in a change of control</i>									
- Change in non-controlling interest	-	(3,195)	-	-	-	-	(3,195)	(241)	(3,436)
Total changes in ownership interests in subsidiaries that do not result in a change of control	-	(3,195)	-	-	-	-	(3,195)	(241)	(3,436)
Total transactions with owners	66,714	(8,667)	-	-	-	369	58,416	(3,639)	54,777
Balance at 31 March 2014	166,279	35,902	(5,484)	-	(978)	14,000	209,719	11,301	221,020

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

Ruralco Holdings Limited
ABN 40 009 660 879
Consolidated Interim Statement of Cash Flows
For the Half Year ended 31 March 2015

	Half Year to 31-Mar-15 \$'000	Half Year to 31-Mar-14 \$'000
Cash flows from operating activities		
Receipts from customers	737,347	577,675
Payments to suppliers and employees	(774,207)	(595,540)
Interest received	3,346	3,666
Bank charges	(1,566)	(1,519)
Interest paid	(2,648)	(2,672)
Income taxes paid	(4,320)	(1,557)
Net cash flows used in operating activities	<u>(42,048)</u>	<u>(19,947)</u>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	995	1,289
Proceeds from sale of investments	-	119
Distribution from equity accounted investment	137	723
Dividends received	2	45
Payment for property, plant and equipment	(1,593)	(4,391)
Payment for intangible assets	(1,982)	(2,097)
Purchase of shares in existing subsidiaries	(668)	(3,555)
Acquisition of a subsidiary, net of cash acquired	(9,182)	(57,590)
Net cash flows used in investing activities	<u>(12,291)</u>	<u>(65,457)</u>
Cash flows from financing activities		
Loans (to)/from related entities	(89)	647
Repayment of finance lease liabilities	(2,779)	-
Proceeds from issue of share capital	-	66,714
Proceeds from borrowings (net of financing costs)	217,203	276,500
Repayment of borrowings	(164,000)	(225,500)
Net repayment of depositor funds	(7,333)	(10,653)
Dividends on ordinary shares in the company	(4,086)	(5,472)
Dividends to non-controlling interests	(3,466)	(3,398)
Net cash flows from financing activities	<u>35,450</u>	<u>98,838</u>
Net (decrease)/increase in cash and cash equivalents	(18,889)	13,434
Cash and cash equivalents at beginning of period	26,890	26,694
Cash and cash equivalents at end of period	<u>8,001</u>	<u>40,128</u>

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

Ruralco Holdings Limited
ABN 40 009 660 879
Condensed notes to the Consolidated Interim Financial Statements
for the Half Year ended 31 March 2015

1 REPORTING ENTITY

Ruralco Holdings Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia. The consolidated interim financial statements of the Company as at and for the half year ended 31 March 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

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

The consolidated annual financial report of the Group as at and for the year ended 30 September 2014 is available upon request from the Company's registered office at 273C Kennedy Drive, Cambridge Tasmania or at www.ruralco.com.au.

2 STATEMENT OF COMPLIANCE

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

The consolidated interim financial statements do not include all notes of the type normally included within the annual financial report. Accordingly, the interim financial statements should be read in conjunction with the annual financial report of Ruralco Holdings Limited as at 30 September 2014 and any public announcements made by Ruralco Holdings Limited during the half year ended 31 March 2015 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The consolidated interim financial statements were approved by the Board of Directors on 18 May 2015. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

Critical accounting estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

Key estimates

(i) Impairment

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

(ii) Fair value

The Group is required to determine the fair value of land, buildings, held for sale assets, livestock and financial instruments. The estimates and assumptions utilised to derive such values have been described in detail within the annual financial report of Ruralco Holdings Limited as at 30 September 2014.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 September 2014.

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	Half Year to 31-Mar-15 \$'000	Half Year to 31-Mar-14 \$'000
4 REVENUE		
Sale of goods and biological assets	678,624	488,878
Rendering of services	59,033	50,474
Sundry revenue	1,762	1,536
Interest revenue	3,346	3,666
	<u>742,765</u>	<u>544,554</u>
5 FINANCE COSTS		
Bank charges	1,566	1,519
Interest expense	2,648	2,672
	<u>4,214</u>	<u>4,191</u>
6 DIVIDENDS PAID AND PROPOSED		
Equity dividends on ordinary shares		
Dividends paid during the half year:		
Final franked dividend for financial period		
30 September 2014: 8.0 cents (2013: 10.0 cents)		
to equity holders of the Company	<u>6,183</u>	<u>5,472</u>

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	As at 31-Mar-15 \$'000	As at 30-Sep-14 \$'000
7 ISSUED CAPITAL		
Ordinary shares issued and fully paid	168,386	166,289
	No. of shares	No. of shares
Movements in fully paid ordinary shares		
As at the beginning of the period	77,291,069	55,019,284
Issue of ordinary shares in the period	588,726	22,271,785
As at the end of the period	<u>77,879,795</u>	<u>77,291,069</u>

8 FINANCIAL INSTRUMENTS

Carrying amounts versus fair values

The fair values of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows:

	Carrying amount \$'000	Level 2 Fair value \$'000
31 March 2015		
<i>Financial assets</i>		
Receivables - trade (interest bearing)	50,187	50,187
Loans to related parties	1,200	1,200
	<u>51,387</u>	<u>51,387</u>
<i>Financial liabilities</i>		
Bank loans	104,578	104,578
Trade and other payables	374,841	374,841
Derivative financial instruments	4,452	4,452
Loans from related parties	1,538	1,538
Lease liability	2,257	2,178
	<u>487,666</u>	<u>487,587</u>

Financial instruments carried at fair value

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

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

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8 FINANCIAL INSTRUMENTS (CONTINUED)

The Group recognises transfers between levels of fair value hierarchy as of the end of the reporting period which the transfer has occurred. There were no transfers between levels of the fair value hierarchy during the six months ended 31 March 2015.

The fair value measurement principles adopted in this report are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 September 2014.

Forward exchange contracts

The Group's functional currency is the Australian dollar (AUD) and it is exposed to currency risk on payments denominated in US dollars (USD). The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than six months from the reporting date. The currency risk relating to payments denominated in USD have been fully hedged, with the forward exchange contracts maturing on the same dates that the forecast payments are expected to occur. These contracts are designated as cash flow hedges.

The forward exchange contracts are not quoted in active markets as they are not traded on a recognised exchange. Instead the Group uses valuation techniques (present value techniques). These valuation techniques use both observable and unobservable market inputs. As these financial instruments use valuation techniques with unobservable inputs that are not significant to the overall valuation, these instruments are included in level 2 of the fair value hierarchy.

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9 SEGMENT REPORTING

The Group comprises the following operating segments:

- Rural services which offers livestock agency, wool broking, livestock and related services, water irrigation products and services, rural merchandise, rural machinery service and sales, live export, water broking, real estate operations and stockfeed manufacture, seed and grain marketing.
- Financial services comprising of finance broking and agricultural risk management services.

	Rural services		Financial services		Total	
	Half Year to		Half Year to		Half Year to	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	738,107	540,272	1,312	616	739,419	540,888
Interest revenue	3,217	3,480	129	186	3,346	3,666
Segment revenue	<u>741,324</u>	<u>543,752</u>	<u>1,441</u>	<u>802</u>	<u>742,765</u>	<u>544,554</u>
Segment results from operating activities	<u>35,573</u>	<u>27,513</u>	78	9	35,651	27,522
Corporate overheads					<u>(14,507)</u>	<u>(12,932)</u>
Results from operating activities					21,144	14,590
Interest expense	(2,571)	(1,930)	(77)	(742)	(2,648)	(2,672)
Bank charges					(1,566)	(1,519)
Share of profits of equity accounted investees	485	249	-	-	485	249
Income tax expense					<u>(5,571)</u>	<u>(3,772)</u>
Profit for the period					<u>11,844</u>	<u>6,876</u>
					As at	As at
					31-Mar-15	30-Sep-14
					\$'000	\$'000

10 FINANCING FACILITIES

At balance date, the following financing facilities had been negotiated and were available:

Total facilities		<u>202,578</u>	<u>202,375</u>
- Bank loans		<u>202,578</u>	<u>202,375</u>
Facilities used at balance date			
- Bank loans		<u>104,578</u>	<u>51,375</u>
		<u>104,578</u>	<u>51,375</u>
Facilities unused at balance date			
- Bank loans		<u>98,000</u>	<u>151,000</u>
		<u>98,000</u>	<u>151,000</u>

Bilateral loans

The Multi Option Facility, which was due to mature in March 2015, has been extended to 31 March 2016 prior to the date of signing these interim financial statements.

Deposit book

The deposit book liability has been fully repaid in the period and subsequently closed.

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11 BUSINESS COMBINATIONS

Acquisition of businesses on the following dates:

Landscape Australia Pty Limited 100.0% 30 November 2014

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

Summary of acquisition - Landscape Australia Pty Limited

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

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

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

The results during the post-acquisition period from 30 November 2014 to 31 March 2015 was a contribution of \$6.2m to revenue and a loss after tax of \$0.2m.

12 COMMITMENTS AND CONTINGENCIES

a. Operating lease commitments

The Group has operating lease commitments for rental of property, equipment and motor vehicles. The Group leases a number of office, warehouse and saleyard facilities under operating leases. The leases vary considerably in lease terms, with the majority for a period of 3-5 years, with options to renew the leases for a further 3-5 years. Lease payments are increased according to the various lease agreements, usually in line with the local consumer price index.

	As at 31-Mar-15 \$'000	As at 30-Sep-14 \$'000
Non-cancellable operating leases are payable as follows:		
Less than one year	20,813	21,615
Between one and five years	34,333	36,648
More than five years	2,671	2,485
	57,817	60,748

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12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

b. Capital expenditure commitments

The Group has no capital expenditure commitments contracted as at the reporting date but not recognised as liabilities payable.

c. Other commitments

The group also has the following commitments as at the reporting date:

	As at 31-Mar-15 \$'000	As at 30-Sep-14 \$'000
Livestock related commitments	8,790	13,390
Freight related commitments	1,454	7,509
	<u>10,244</u>	<u>20,899</u>

13 CONTINGENT LIABILITIES

The consolidated entity has guarantees issued in respect of contract performance in the normal course of business.

	<u>8,117</u>	<u>10,012</u>
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14 EVENTS AFTER THE BALANCE SHEET DATE

There are no matters or circumstances that have arisen since 31 March 2015 which are not otherwise dealt with in this report or in the consolidated financial statements, that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the subsequent financial periods.

Director's Declaration

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

1. the financial statements and notes set out on pages 6 to 18 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 March 2015 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 19th day of May 2015

Signed in accordance with a resolution of the directors:



Richard England
Chairman



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

We have reviewed the accompanying condensed half-year financial report of Ruralco Holdings Limited, which comprises the consolidated interim statement of financial position as at 31 March 2015, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Group comprising the company the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the half-year financial report

The Directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 March 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Ruralco Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 March 2015 and of its performance for the half-year ended on that date; and

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

KPMG

KPMG

Anthony Travers
Partner

Sydney

19 May 2015