

RURALCO HOLDINGS LIMITED

ABN 40 009 660 879

HALF YEAR REPORT

APPENDIX 4D

Half year ended 31 March 2017

Previous corresponding period – Half year ended 31 March 2016

Results for announcement to the market

				\$A'000
Revenue from ordinary activities	Up	4.4%	to	\$841,430
Profit from ordinary activities after tax attributable to equity holders of the company	Up	14.7%	to	\$12,421
Net profit for the period attributable to equity holders of the company	Up	14.7%	to	\$12,421
		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				2 June 2017
Date interim dividend is payable				20 June 2017

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 2017.

Net tangible assets	2017	2016
Net tangible asset backing per ordinary security	\$0.78	\$1.06

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

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

Entity	Date	Percentage acquired
Parkquest Pty Ltd	3 October 2016	60%
Riverland Irrigation Services Pty Ltd	1 November 2016	100%
Tritab Pty Ltd	1 November 2016	100%
Water Trading Australia Pty Ltd	1 December 2016	100%
Newham Rural Supplies Pty Ltd	1 February 2017	51%
Mildura Irrigation Centre Pty Ltd	1 February 2017	100%
W. John Pearson & Co Pty Ltd	1 February 2017	100%

TP Jones Pty Ltd	1 March 2017	100%
Irrigation Tasmania Pty Ltd	1 March 2017	100%
Agriexchange Pty Ltd	1 March 2017	100%
Waters & Atkin Rural Pty Ltd	1 March 2017	100%

During the period the reporting entity established the following entities:

Entity	Date	Percentage acquired
TP Jones & Co Pty Ltd	1 March 2017	100%

Details of transactions impacting entities in which control has not been lost during the period

During the period the reporting entity entered into the following transactions without losing control:

Entity	Date	Percentage acquired / (divested)
Territory Rural Pty Ltd	18 November 2016	22.9%
Roberts Hawkins Pty Ltd	18 November 2016	15.0%
Saffin Kerr Bowen Pty Ltd	12 December 2016	37.0%
Platinum Operations Pty Ltd	22 December 2016	(2.6%)
Frontier International Agri Pty Ltd	5 January 2017	5.0%
Southern Australian Livestock Pty Ltd	1 February 2017	0.9%

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 Unit Trust	50%
Ausure Consolidated Brokers Pty Ltd*	50%
Western Riverina Fertilisers Pty Ltd	50%

*50% interest in Ausure Consolidated Brokers Pty Ltd acquired 1 December 2016

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

Dividend reinvestment plan

The dividend reinvestment plan will apply to this dividend.

Review

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



Ilona Alsters
Company Secretary
16 May 2017

Ruralco Holdings Limited

ABN 40 009 660 879

Interim Financial Report

For the half year ended 31 March 2017

Ruralco Holdings Limited – Interim Financial Report

For the half year ended 31 March 2017

Directors' Report

Your Directors submit their report together with the consolidated interim financial report for the half year ended 31 March 2017 and the independent auditor's review report thereon.

DIRECTORS

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

Richard (Rick) Lee AM

FAICD

Chairman (Non-Executive) since 5 September 2016.

Travis Dillon

RBM (Adv Dip), MAICD

Managing Director and CEO since 16 November 2015.

Michael J Millner

MAICD

Director (Non-Executive) since 5 February 2007.

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.

John H Tuskin

MAICD

Director (Non-Executive) since 1 October 2013 (resigned 15 November 2016).

REVIEW AND RESULTS OF OPERATIONS

Ruralco's purpose is to champion Australian agriculture locally and globally, be known for innovation, flexibility and service, and to deliver profitable outcomes for its stakeholders, including customers, suppliers and shareholders.

The focus of the Group's Future Farming Strategy is to grow the business through:

- Continuing investment in its chosen agribusiness sectors;
- Generating value from integration across rural inputs and outputs through the Group's national points of presence; and through
- Being an industry leader in connecting our customers to the latest in 'AgTech' through investment in innovation.

Management recognise that to also grow earnings per share and total shareholder returns, execution of this strategy must be balanced by:

- Financial discipline
- Portfolio management
- Cash flow generation; and
- Balance sheet strength

This financial review should be read in conjunction with the interim financial statements, which are presented on pages 7 to 25 of this interim financial report.

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

Earnings

The Group's reported net profit after tax (NPAT) attributable to shareholders grew 15% above the pcp to \$12.4 million and reported EBITDA grew 20% to \$31.5 million with strong seasonal conditions across most of the country driving growth in the Group's core traditional businesses.

Underlying EBITDA¹ and underlying NPAT grew 23% and 20% respectively above the pcp (to \$33.3 million and \$13.8 million respectively). Underlying NPAT and EBITDA excludes the impact of costs not considered to form part of the Group's recurring results, which in this period includes acquisition and divestment costs and redundancies from cost out initiatives and divestments. A reconciliation of underlying to reported earnings is set out below:

Half year ended 31 March	Underlying 2017 \$000	Significant items 2017 \$000	Reported 2017 \$000	Reported 2016 \$000	Change \$000	Change %
Revenue²	841,430	-	841,430	805,407	36,023	4%
Gross profit²	166,681	-	166,681	153,763	12,918	8%
Earnings before interest, tax, depreciation and amortisation (EBITDA) ³	33,353	(1,837)	31,516	26,326	5,190	20%
Depreciation and amortisation expense	(4,609)	-	(4,609)	(4,816)	207	(4%)
Net finance costs	(2,977)	-	(2,977)	(2,773)	(204)	7%
Profit before tax	25,767	(1,837)	23,930	18,737	5,193	28%
Tax	(7,726)	275	(7,451)	(6,026)	(1,425)	24%
Non-controlling interest	(4,213)	155	(4,058)	(1,884)	(2,174)	115%
Net profit after tax attributable to shareholders (NPAT)	13,828	(1,407)	12,421	10,827	1,594	15%
OPEX as % of gross profit	80.0%		81.0%	82.9%	-	(1.9) ppts
Earnings per share (EPS) (cents)	16.0		14.4	13.7	0.7	5%

Cash flow generation

The Group ended the period with cash on hand of \$21.3 million reflecting the timing of cash receipts prior to month end. Net operating cash outflow of \$37.5 million is in line with the seasonal trend (i.e. the seasonal trend in working capital cash flows) with the 27% increase compared to the pcp due to growth in the size of the business.

Net investing cash outflows were \$56.4 million higher than the pcp at \$67.4 million reflecting the proceeds received from disposal of non-core assets such as property (\$2.4 million) offset by spend on the portfolio of acquisitions in the half (\$60 million) and Program Elevate IT development cost spend to date (\$3.9 million).

Net financing cash inflows were \$66.3 million higher than the pcp at \$120.8 million reflecting \$65 million of proceeds from the issue of ordinary shares in the half to fund the purchase of the portfolio of acquisitions, net of transactions costs paid to date of \$1.7 million.

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

² PCP revenue and cost of sales (and therefore gross profit and EBITDA) adjusted to include reclass of certain items, such as sales commissions paid to employee agents and merchant fees previously in finance cost, to align with current period presentation

³ EBITDA includes share of equity accounted for investee's profit

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

Abridged cash flow for the half year ended 31 March	2017 \$000	2016 \$000	Change \$000	Change %
Reported EBITDA	31,516	26,326	5,190	20%
Net change in working capital	(61,250)	(45,749)	(15,501)	34%
Net finance income	100	107	(7)	(7%)
Tax paid	(7,866)	(10,157)	2,291	(23%)
Net operating cash flow	(37,500)	(29,473)	(8,027)	27%
Capital expenditure	(9,441)	(5,998)	(3,443)	57%
Acquisitions & subsidiary investments	(59,984)	(6,213)	(53,771)	865%
Divestments and other	2,394	1,101	1,293	117%
Change in non-controlling interests	(379)	41	(420)	(1024%)
Investing cash flow	(67,410)	(11,069)	(56,341)	509%
Dividends paid	(7,121)	(8,900)	1,779	(20%)
Treasury share purchases ⁴	(650)	(2,015)	1,365	(68%)
Issue of share capital	63,312	-	63,312	100%
Net drawdown of borrowings	65,220	65,344	(124)	(1%)
Financing cash flow	120,761	54,429	66,332	122%
Change in cash held	15,851	13,887	1,964	14%

Balance sheet strength

A strong balance sheet and a disciplined focus on working capital management continues to underpin the execution of the Group's strategy.

Working capital at 31 March 2017 was 2% higher than the pcp at \$162.1 million, a strong result given the positive seasonal conditions and impact of acquisitions. Excluding acquisition related working capital, underlying working capital has reduced reflecting the ongoing focus on working capital management with improvements also noted in the Group's working capital efficiency measure (average working capital as a % of sales reduced from 8.2% at March 2016 to 8.1% at March 2017).

Total capital employed⁵ has increased by 19% on the pcp to \$395.6 million reflecting the increase in intangible assets from the impact of acquisitions and investment in information technology and system enhancements.

The Group's underlying ROCE (r6) has increased to 8.9% (31 March 2016: 8.4%) despite the impact of acquisitions on capital employed without the commensurate full 6 months of earnings.

⁴ Purchase of treasury shares reclassified as a financing cash flow in the current and prior period to align with interim financial statement presentation

⁵ Net assets less net debt

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

Abridged balance sheet⁶	Mar 2017 \$000	Mar 2016 \$000	Sep 2016 \$000	PCP Change \$000	YE Change \$000
Trade and other receivables (incl. prepayments)	438,501	388,969	364,210	49,532	74,291
Inventories (incl. biological assets)	162,728	165,490	129,666	(2,762)	33,062
Trade and other payables (incl. derivative financial instruments)	(439,127)	(394,858)	(403,415)	(44,269)	(35,712)
Working capital⁷	162,102	159,601	90,461	2,501	71,641
Property, plant and equipment	43,208	41,938	40,875	1,270	2,333
Intangibles	202,561	139,825	147,305	62,736	55,256
Investments in equity accounted investees	17,219	9,005	8,805	8,214	8,414
Net tax items	12,928	4,965	11,839	7,963	1,089
Other items	(42,382)	(21,773)	(25,781)	(20,609)	(16,601)
Total capital employed⁷	395,636	333,561	273,504	62,075	122,132
Average working capital % of sales r12⁸	8.1%	8.2%	7.9%	(0.1) ppts	0.2 ppts
Underlying return on capital employed (ROCE) r6⁹	8.9%	8.4%	n/a	0.5 ppts	n/a

Debt management and financing

Net debt has grown 2% from the pcp to \$112.2 million despite the growth in the size of the business as management continues to focus on strong working capital management to provide balance sheet support to bolt-on acquisitions and control of gearing metrics. The Group's 31 March 2017 gearing ratio has improved to 28.3% (31 March 2016: 33.0%), which is well within the Board approved range of 25-45% and is higher than year-end consistent with the seasonal trend of the business for this point in the trading cycle.

The Group continues to ensure the flexibility of its funding facilities with the establishment of a \$20 million Seasonal Cattle Facility (\$2.4 million drawn at 31 March 2017) available to the live export business to fund the purchase of cattle. At 31 March 2017, the Group had drawn down \$130 million of the \$150 million debtor securitisation facility with the increase from the pcp reflecting the increased working capital requirement of the Group given growth in the size of the business. The \$40 million Multi Option Facility was undrawn at 31 March 2017.

Net debt	Mar 2017 \$000	Mar 2016 \$000	Sep 2016 \$000	PCP Change \$000	YE Change \$000
Cash and cash equivalents	21,268	12,695	5,417	8,573	(15,851)
Current debt	(2,354)	(120,005)	-	117,651	(2,354)
Non-current debt	(130,000)	-	(65,000)	(130,000)	(65,000)
Gross drawn debt	(132,354)	(120,005)	(65,000)	(12,349)	(67,354)
Other loans receivable/(payable)	263	(1,228)	(1,137)	1,491	1,400
Finance lease liabilities	(1,335)	(1,601)	(1,664)	266	329
Total Net debt	(112,158)	(110,139)	(62,384)	(2,019)	(49,774)
Total shareholders' equity	(283,479)	(223,424)	(211,121)	(60,055)	(72,358)
Gearing ratio¹⁰	28.3%	33.0%	22.8%	(4.7) ppts	5.5 ppts

⁶ Balances reflect the management balance sheet presentation, which is based on different classifications and groupings than the Statement of Financial Position in the financial statements. March 2016 balance sheet also presented to better compare the current period balance sheet position given the seasonality differences between half year (March) and year end (September) balance sheets.

⁷ Excludes certain related party receivables/payables that are classified in management's calculation of net debt

⁸ Average working capital % of sales = Average working capital for 12 months/r12 revenue

⁹ Return on capital employed (underlying) = Underlying EBITDA for the period / 6 month average total capital employed

¹⁰ Net debt/(Net debt + shareholders equity)

Long term shareholder returns

The Group endeavours to optimise shareholder returns by focusing on generating positive operating leverage, disciplined portfolio management, tight working capital control and a balanced approach to determining dividend payout ratios.

The Group's dividend policy seeks to balance the needs of shareholders and the business with dividends declared reflective of the Group's current and projected cash position, profit generation and available franking credits.

The Board recognises the following demands on the Group's cash flows:

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

In acknowledging these competing demands, the Board established the following guiding principles in the prior financial year:

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

The Board declared a fully franked interim ordinary dividend of 9 cents per share. The interim dividend will be paid on 20 June 2017 to shareholders on the Company's register on 2 June 2017, the record date for the interim dividend. The Dividend Reinvestment Plan continues to operate in respect of the final dividend at a discount of 2.5%.

Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 March 2017.

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to "rounding off" of amounts in the financial statements. Amounts in these consolidated interim financial statements have been rounded off in accordance with the Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar unless otherwise stated.

Signed in accordance with a resolution of the directors.

Richard (Rick) Lee AM
Chairman

Travis Dillon
Managing Director and CEO

Sydney
16 May 2017



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 of Ruralco Holdings Limited for the half-year ended 31 March 2017 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
16 May 2017

Ruralco Holdings Limited
ABN 40 009 660 879
Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the Half Year ended 31 March 2017

	Notes	Half Year to 31-Mar-17 \$'000	Half Year to 31-Mar-16 \$'000
Revenue	4	841,430	805,407
Cost of sales		(674,749)	(651,644)
Personnel expenses		(94,687)	(90,120)
Property and equipment expenses		(14,527)	(14,092)
Motor vehicle expenses		(9,986)	(9,064)
Administrative expenses		(6,856)	(5,343)
Marketing and advertising expenses		(3,305)	(3,930)
Data and telephony expenses		(2,069)	(2,155)
Depreciation expense		(2,720)	(2,652)
Amortisation expense		(1,889)	(2,164)
Bad debt expense		(1,082)	(1,287)
Other expenses		(2,506)	(1,536)
Results from operating activities		<u>27,054</u>	<u>21,420</u>
Share of net profits of equity accounted investees		(146)	90
Bank charges		(520)	(589)
Interest expense		(2,458)	(2,184)
Total finance costs		<u>(2,978)</u>	<u>(2,773)</u>
Profit before income tax		23,930	18,737
Income tax expense	5	(7,451)	(6,026)
Profit for the period		<u>16,479</u>	<u>12,711</u>
Total profit attributable to:			
Equity holders of the company		12,421	10,827
Non-controlling interests		4,058	1,884
Total profit for the period		<u>16,479</u>	<u>12,711</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit and loss</i>			
Revaluations of property, plant and equipment		(81)	-
Early adoption of AASB 9 <i>Financial instruments</i>		-	(3,420)
Total items that will not be reclassified to profit and loss		<u>(81)</u>	<u>(3,420)</u>
<i>Items that may be reclassified to profit and loss</i>			
Changes in the fair value of cash flow hedges		37	2,207
Foreign currency translation differences		1	(72)
Total items that may be reclassified to profit and loss		<u>38</u>	<u>2,135</u>
Total comprehensive income for the period		<u>16,436</u>	<u>11,426</u>
Total comprehensive income attributable to:			
Equity holders of the company		12,378	8,737
Non-controlling interests		4,058	2,689
Total comprehensive income for the period		<u>16,436</u>	<u>11,426</u>
Earnings per share (cents per share)			
- Basic		14.36	13.72
- Diluted		14.36	13.72

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

Ruralco Holdings Limited
ABN 40 009 660 879
Consolidated Interim Statement of Financial Position
As at 31 March 2017

	Notes	As at 31-Mar-17 \$'000	As at 30-Sep-16 \$'000
Current assets			
Cash and cash equivalents		21,268	5,417
Trade and other receivables		428,476	357,797
Prepayments		13,228	6,898
Inventories		159,954	114,000
Biological assets		2,774	15,666
Derivative financial assets		340	283
Assets held for sale		-	1,350
Total current assets		626,040	501,411
Non-current assets			
Trade and other receivables		898	1,646
Investments in equity accounted investees		17,219	8,806
Other financial assets		154	229
Property, plant and equipment		43,208	40,875
Intangible assets		202,561	147,305
Deferred tax assets		20,674	20,000
Total non-current assets		284,714	218,861
Total assets		910,754	720,272
Current liabilities			
Trade and other payables		438,094	401,320
Derivative financial instruments		147	168
Loans and borrowings		4,053	4,300
Current tax liabilities		175	457
Employee benefits		20,268	18,629
Make good provision		267	273
Restructuring and onerous contract provisions		3,902	5,733
Deferred consideration		6,707	325
Total current liabilities		473,613	431,205
Non-current liabilities			
Loans and borrowings		130,473	65,633
Deferred tax liabilities		7,571	7,703
Employee benefits		3,073	3,112
Make good provision		692	671
Contingent consideration		11,853	827
Total non-current liabilities		153,662	77,946
Total liabilities		627,275	509,151
Net assets		283,479	211,121
Equity			
Share capital	8	236,727	173,248
Retained earnings		33,986	23,878
Reserves		4,539	5,259
Total equity attributable to equity holders of the Company		275,252	202,385
Non-controlling interests		8,227	8,736
Total equity		283,479	211,121

The accompanying notes form part of these 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 2017

Attributable to equity holders of the Company

	Issued capital \$'000	Retained earnings \$'000	Capital profits reserve \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	General reserve \$'000	Foreign currency translation reserve \$'000	Share based payment reserve \$'000	Reserve for own shares \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
1 October 2015	170,731	30,935	2,179	4,383	(905)	2,800	75	3,993	(2,067)	212,124	10,349	222,473
Total comprehensive income for the period												
Early adoption of AASB 9 Financial instruments	-	(3,420)	-	-	-	-	-	-	-	(3,420)	-	(3,420)
Profit for the period	-	10,827	-	-	-	-	-	-	-	10,827	1,884	12,711
Other comprehensive income	-	-	-	-	1,402	-	(72)	-	-	1,330	805	2,135
Total comprehensive income for the period	-	7,407	-	-	1,402	-	(72)	-	-	8,737	2,689	11,426
Transactions with owners recorded directly in equity												
- Dividends to owners of the Company	-	(5,466)	-	-	-	-	-	-	-	(5,466)	(5,271)	(10,737)
- Issue of ordinary shares	1,837	-	-	-	-	-	-	-	-	1,837	-	1,837
- Performance rights	-	-	-	-	-	-	-	525	-	525	-	525
- Shares purchased and held in trust	-	-	-	-	-	-	-	-	(2,015)	(2,015)	-	(2,015)
- Changes in non-controlling interest	-	113	-	-	-	-	-	-	-	113	(198)	(85)
Total transactions with owners of the Company	1,837	(5,353)	-	-	-	-	-	525	(2,015)	(5,006)	(5,469)	(10,475)
31 March 2016	172,568	32,989	2,179	4,383	497	2,800	3	4,518	(4,082)	215,855	7,569	223,424
1 October 2016	173,248	23,878	-	4,228	(123)	-	(1)	5,566	(4,411)	202,385	8,736	211,121
Total comprehensive income for the period												
Early adoption of AASB 9 Financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	12,421	-	-	-	-	-	-	-	12,421	4,058	16,479
Other comprehensive income	-	-	-	(81)	37	-	1	-	-	(43)	-	(43)
Total comprehensive income for the period	-	12,421	-	(81)	37	-	1	-	-	12,378	4,058	16,436
Transactions with owners recorded directly in equity												
- Dividends to owners of the Company	-	(1,585)	-	-	-	-	-	-	-	(1,585)	(5,633)	(7,218)
- Issue of ordinary shares, net of issue costs	63,479	-	-	-	-	-	-	-	-	63,479	-	63,479
- Performance rights	-	-	-	-	-	-	-	660	-	660	-	660
- Shares purchased and held in trust	-	-	-	-	-	-	-	-	(650)	(650)	-	(650)
- Changes in non-controlling interest	-	(1,415)	-	-	-	-	-	-	-	(1,415)	1,066	(349)
- Transfer of revaluation to retained earnings on disposal	-	687	-	(687)	-	-	-	-	-	-	-	-
Total transactions with owners of the Company	63,479	(2,313)	-	(687)	-	-	-	660	(650)	60,489	(4,567)	55,922
31 March 2017	236,727	33,986	-	3,460	(86)	-	-	6,226	(5,061)	275,252	8,227	283,479

The accompanying notes form part of these 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 2017

	Half Year to 31-Mar-17 \$'000	Half Year to 31-Mar-16 \$'000
Cash flows from operating activities		
Receipts from customers	874,326	866,794
Payments to suppliers and employees	(904,060)	(886,217)
Interest received	3,106	2,885
Bank charges	(393)	(589)
Interest paid	(2,613)	(2,189)
Income taxes paid	(7,866)	(10,157)
Net cash flows used in operating activities	<u>(37,500)</u>	<u>(29,473)</u>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1,780	464
Proceeds from sale of interest in existing subsidiaries	860	41
Proceeds from sale of shares in subsidiary	413	526
Proceeds from sale of intangible assets	50	-
Dividends received	151	111
Payment for property, plant and equipment	(2,179)	(2,443)
Payment for intangible assets	(7,262)	(3,555)
Purchase of equity accounted for investees	(7,632)	-
Purchase of interest in existing subsidiaries	(1,239)	-
Acquisition of a subsidiary, net of cash acquired	(52,352)	(6,213)
Net cash flows used in investing activities	<u>(67,410)</u>	<u>(11,069)</u>
Cash flows from financing activities		
Loans repaid from / (advanced to) related entities	540	(133)
Repayment of finance lease liabilities	(2,562)	(2,459)
Proceeds from borrowings	542,242	260,936
Repayment of borrowings	(475,000)	(193,000)
Proceeds from issue of share capital	65,000	-
Payment of share issue costs	(1,688)	-
Payment for treasury shares	(650)	(2,015)
Dividends paid to ordinary shareholders in the company	(1,488)	(3,629)
Dividends paid to non-controlling interests	(5,633)	(5,271)
Net cash flows from financing activities	<u>120,761</u>	<u>54,429</u>
Net increase in cash and cash equivalents	<u>15,851</u>	<u>13,887</u>
Cash and cash equivalents at beginning of period	5,417	(1,192)
Cash and cash equivalents at end of period	<u>21,268</u>	<u>12,695</u>

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

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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 2017 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 2016 is available upon request from the Company's registered office at Level 5, Building A, 26 Talavera Road, Macquarie Park, NSW, Australia or at www.ruralco.com.au.

2 STATEMENT OF COMPLIANCE

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

These 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 2016 and any public announcements made by Ruralco Holdings Limited during the half year ended 31 March 2017 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 15 May 2017.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to "rounding off" of amounts in the financial statements. Amounts in these consolidated interim financial statements have been rounded off in accordance with the Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar 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 are performed in assessing recoverable amounts, which 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 2016.

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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 2016.

Changes in comparative period balances

Management have restated cost of sales by \$8,223,000 (from \$643,421,000 to \$651,644,000) from personnel expense to align with current period presentation of sales commissions paid to employee agents as a cost of sale. These amendments have no material impact on the consolidated financial statements.

Management have restated revenue by \$1,756,000 (from \$803,651,000 to \$805,407,000) from personnel and other expenses to align with current period presentation. These amendments have no material impact on the consolidated financial statements.

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	Half Year to 31-Mar-17 \$'000	Half Year to 31-Mar-16 \$'000
4 REVENUE		
Sale of goods	677,551	628,516
Sale of biological assets	92,364	106,739
Rendering of services	67,161	65,916
Sundry revenue	1,248	1,351
Interest revenue	3,106	2,885
	<u>841,430</u>	<u>805,407</u>

5 INCOME TAX

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated effective tax rate for the half year ended 31 March 2017 is 31% compared to 32% in the prior corresponding period.

6 SIGNIFICANT ITEMS

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

	Half Year to 31-Mar-17 \$'000	Half Year to 31-Mar-16 \$'000
Acquisition and divestment costs including profit or loss on disposal	(1,119)	194
Redundancies - from cost out initiatives and impact of divestments	(693)	(979)
	<u>(1,812)</u>	<u>(785)</u>

7 DIVIDENDS PAID AND PROPOSED

Dividends paid during the half year to owners of the Company

Final franked dividend for the year ended 30 September 2016 of 2 cents per fully paid share paid on 19 December 2016 (2016: 7 cents in respect of the year ended 30 September 2015).

	Half Year to 31-Mar-17 \$'000	Half Year to 31-Mar-16 \$'000
	1,585	5,497
	<u>1,585</u>	<u>5,497</u>

Dividends not recognised

Since 31 March 2017, the directors have recommended the payment of an interim franked dividend to Ruralco Holdings Limited shareholders of 9 cents per fully paid ordinary share (2016: 8 cents). The aggregated amount of the proposed dividend, expected to be paid on 20 June 2017 out of 2017 profits, but not recognised as a liability at 31 March 2017 is \$9,336,248.

	9,336	6,325
	<u>9,336</u>	<u>6,325</u>

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8 ISSUED CAPITAL

Movement in number of issued shares:

	As at 31-Mar-17 \$'000	As at 31-Mar-16 \$'000
103,736,088 (March 2016: 79,066,330) ordinary shares fully paid	236,727	172,568
	Number of shares	Issue Price
Opening balance at 1 October 2015	78,531,866	170,731
Dividend reinvestment plan issue of new shares	534,464	\$3.45
Closing balance at 31 March 2016	<u>79,066,330</u>	<u>172,568</u>
	Number of shares	Issue Price
Opening balance at 1 October 2016	79,259,913	173,248
Dividend reinvestment plan issue of new shares	37,906	\$2.56
Issue of new shares under the Institutional Entitlement Offer and Placement	19,721,696	\$2.66
Issue of new shares under the Retail Offer	4,716,573	\$2.66
Transaction costs arising from issue of shares (net of tax)	-	(1,618)
Closing balance at 31 March 2017	<u>103,736,088</u>	<u>236,727</u>

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9 SEGMENT REPORTING

The Group comprises the following reportable segments:

- Rural Services: offers livestock agency, wool broking, real estate services and sells rural merchandise,
- Water Services: supplies and installs water related products, provides irrigation and planning services,
- Live Export: supplies dairy, feeder, slaughter and breeding cattle and sheep from Australia to International markets, primarily in South East Asia,
- Financial Services: comprises finance broking including insurance and agricultural advisory services; and
- Corporate & Other: comprises the Group's back office Corporate, Supply Chain and Procurement cost centres.

	Rural Services		Water Services		Live Export		Financial Services		Corporate & Other		Eliminations		Total	
	Half Year to		Half Year to		Half Year to		Half Year to		Half Year to		Half Year to		Half Year to	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Results														
Segment revenues	697,177	694,354	102,310	96,792	92,481	107,058	1,912	2,147	-	-	(52,450)	(94,944)	841,430	805,407
Segment gross profit	132,757	118,418	27,558	29,520	4,822	4,148	1,544	1,677	-	-	-	-	166,681	153,763
Share of net profit of equity accounted investees	(279)	90	-	-	-	-	133	-	-	-	-	-	(146)	90
Segment EBITDA	42,913	35,263	5,907	8,886	2,608	1,135	(1,244)	(1,808)	(16,855)	(16,365)	-	-	33,329	27,111
Depreciation & Amortisation	(2,022)	(1,722)	(1,011)	(1,291)	(20)	(75)	(59)	(29)	(1,497)	(1,699)	-	-	(4,609)	(4,816)
Segment EBIT	40,891	33,541	4,896	7,595	2,588	1,060	(1,303)	(1,837)	(18,352)	(18,064)	-	-	28,720	22,295
Finance costs													(2,978)	(2,773)
Non-recurring items													(1,812)	(785)
Income tax expense													(7,451)	(6,026)
Profit for the period													16,479	12,711

During the period ended 31 March 2017, there were no changes in segment accounting policies that had a material affect on the segment information.

Segment profit/loss excludes the impact of non-recurring significant items. Refer note 6 for additional information on non-recurring significant items.

Costs of \$0.8million in the first half of 2016 related to the gain on sale of investment in non-core operations offset by restructuring costs associated with senior management changes.

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10 FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

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

	Level 1 Fair value \$'000	Level 2 Fair value \$'000	Level 3 Fair value \$'000	Total \$'000
31 March 2017				
<i>Assets</i>				
Derivative financial assets used for hedging	340	-	-	340
Biological assets	-	2,774	-	2,774
Land & buildings	-	19,966	-	19,966
	<u>340</u>	<u>22,740</u>	<u>-</u>	<u>23,080</u>
<i>Liabilities</i>				
Derivative financial liabilities used for hedging	(147)	-	-	(147)
Contingent consideration	-	-	(11,853)	(11,853)
	<u>(147)</u>	<u>-</u>	<u>(11,853)</u>	<u>(12,000)</u>
30 September 2016				
<i>Assets</i>				
Derivative financial assets used for hedging	283	-	-	283
Biological assets	-	15,666	-	15,666
Assets held for sale	-	1,350	-	1,350
Land & buildings	-	20,074	-	20,074
	<u>283</u>	<u>37,090</u>	<u>-</u>	<u>37,373</u>
<i>Liabilities</i>				
Derivative financial liabilities used for hedging	(168)	-	-	(168)
Contingent consideration	-	-	(827)	(827)
	<u>(168)</u>	<u>-</u>	<u>(827)</u>	<u>(995)</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 is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to determine fair value include:

- Difference between contract foreign exchange rate and the quoted forward exchange rate for derivative financial instruments
- Cattle fair value is based on the market price of livestock of a similar age, weight, breed and genetic make-up and is determined by reference to Meat & Livestock (MLA) market prices where available
- The use of valuations by external independent valuers for land and buildings
- Contingent consideration - a probability assessed forecast 2 year average earnings (made with reference to historic 3 year average earnings) multiplied by the acquisition multiple specific to the acquiree with payable calculated as 20% of this implied enterprise value.

(c) Fair value measurement at half year

No change in the fair value of land and buildings was recognised in the period as these assets were fair valued in the 2015 financial year and the Group has a triennial revaluation policy.

The fair value calculation of foreign exchange forward contracts resulted in a gain of \$78,523 being recognised through cash flow hedge reserves as at 31 March 2017 (31 March 2016: gain of \$1,313,685).

The fair value of biological assets as at 31 March 2017 equated to \$2,774,045 (30 September 2016: \$15,665,568).

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11 BANK FACILITIES

The following tables provide details of the components of the bank facilities available to the Group and the amounts utilised at the reporting date:

31 March 2017

Facility (\$000)	Maturity	Facility limit	Utilised
Multi option facility	Apr-18	40,000	-
Debtor securitisation facility	Apr-18	150,000	130,000
Seasonal cattle facility	Dec-17	20,000	2,354

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

- The multi option facility maturity has been extended to 13 months and the facility limit was reduced to \$40million.
- The debtor securitisation facility maturity has been extended to 13 months.
- Seasonal Cattle Facility opened on 27 December 2016.

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

The main financial covenants that the Group is subject to under these facilities at each balance sheet reporting date are deminimus total shareholder equity threshold, interest cover ratio and proforma leverage ratio maximum that is different at March and September reflecting the differing working capital (and therefore debt) positions of the Group at these two points in time. Financial covenants testing is undertaken and reported to the Board on a monthly basis. The Group has complied with all financial obligations under these facilities throughout the period.

30 September 2016

Facility (\$000)	Maturity	Facility limit	Utilised
Multi option facility	Sep-17	60,000	-
Debtor securitisation facility	Oct-17	150,000	65,000

The Group continues to enhance the flexibility of its financing facilities with the maturity of the revolving \$150 million Debtor Securitisation Facility extended to 13 months and the \$60 million Multi Option Facility extended to 18 months.

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

The main financial covenants that the Group is subject to under these facilities at the balance sheet date are an Interest Cover Ratio and Tangible Net Worth hurdle amount. Financial covenants testing is undertaken and reported to the Board on a monthly basis. The Group has complied with all financial obligations under these facilities throughout the year. To better support the Group's strategic priorities, Management and the Group's financiers agreed to amend the Group's financial covenants to allow for greater flexibility in funding acquisitions and to better reflect the Group's seasonal working capital cycle. This is reflected in increased thresholds for permitted acquisitions and updated reportable covenants that include a deminimus total shareholder equity threshold, interest cover ratio and leverage ratio maximum that is different at March and September reflecting the differing working capital (and therefore debt) positions of the Group at these two points in time.

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12 BUSINESS COMBINATIONS

(a) Acquisitions for the half year ended 31 March 2017

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

Acquisition of businesses on the following dates and acquisition type:

Parkquest Pty Ltd (Great Northern Rural Services)	60%	Share	3 October 2016
Riverland Irrigation Services Pty Ltd	100%	Asset	1 November 2016
Tritab Pty Ltd (Hunter Irrigation)	100%	Asset	1 November 2016
Ausure Consolidated Brokers Pty Ltd	50%	Equity Investment	1 December 2016
Water Trading Australia Pty Ltd	100%	Asset	1 December 2016
Newham Rural Supplies Pty Ltd	51%	Asset	1 February 2017
Mildura Irrigation Centre Pty Ltd	100%	Asset	1 February 2017
W. John Pearson & Co Pty Ltd	100%	Asset	1 February 2017
TP Jones Pty Ltd	100%	Asset	1 March 2017
Irrigation Tasmania Pty Ltd	100%	Share	1 March 2017
Agriexchange Pty Ltd (River Rain)	100%	Asset	1 March 2017
Waters & Atkin Rural Pty Ltd (The Professionals)	100%	Asset	1 March 2017

The acquisition of the above-mentioned entities and businesses is consistent with the Group's Investment and Integration strategic pillars.

Acquisition accounting for all business combinations carried out during the current period has been determined provisionally to allow the Group sufficient time to form a view as to the value of any separately identifiable net assets acquired.

(i) Summary of acquisitions

The following summarises those acquisitions considered individually material to these financial statements, including the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Parkquest	Riverland Irrigation	Newham Rural Supplies	Mildura Irrigation	Agri-exchange	TP Jones	Irrigation Tasmania	Other*	Total
Consideration transferred									
Cash	1,993	2,131	1,857	5,760	3,572	16,000	20,793	1,394	53,500
Deferred consideration	-	-	-	2,673	-	-	3,586	262	6,521
Contingent consideration	-	-	-	2,475	-	-	8,471	171	11,117
	<u>1,993</u>	<u>2,131</u>	<u>1,857</u>	<u>10,908</u>	<u>3,572</u>	<u>16,000</u>	<u>32,850</u>	<u>1,827</u>	<u>71,138</u>
Identifiable assets acquired and liabilities assumed									
Cash balance acquired	-	-	-	-	-	(2)	1,321	-	1,319
Receivables	3,163	-	337	2,343	2,246	6,841	5,795	-	20,725
Inventories	2,375	630	684	499	449	3,777	7,655	361	16,430
Property, plant and equipment	-	390	149	118	58	783	1,510	405	3,413
Other assets	-	-	-	-	20	28	224	-	272
Other intangibles	166	147	-	289	-	-	-	180	782
WIP	-	93	-	-	-	-	(1,952)	29	(1,830)
Payables	(4,212)	-	-	(807)	-	(7,026)	(3,482)	-	(15,527)
Provisions	(149)	(181)	(119)	(211)	(333)	(234)	(822)	(161)	(2,210)
Other payables	(106)	-	-	-	(40)	-	(1,411)	-	(1,557)
Deferred revenue	-	(410)	(146)	-	-	-	(63)	-	(619)
	<u>1,237</u>	<u>669</u>	<u>905</u>	<u>2,231</u>	<u>2,400</u>	<u>4,167</u>	<u>8,775</u>	<u>814</u>	<u>21,198</u>
Goodwill on acquisition	<u>756</u>	<u>1,462</u>	<u>952</u>	<u>8,677</u>	<u>1,172</u>	<u>11,833</u>	<u>24,075</u>	<u>1,013</u>	<u>49,940</u>

* All other acquisitions include Hunter Irrigation, Water Trading Australia, John Pearson and Waters & Atkin Rural. These acquisitions are not individually material, and are disclosed in aggregate.

Management have provisionally measured the assets and liabilities acquired at fair value with the remainder of the purchase consideration being allocated to goodwill. The likely nature of identifiable intangibles include brand names and customer relationships.

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12 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions for the half year ended 31 March 2017 (Continued)

	Goodwill
	\$'000
COST	
1 October 2016	114,357
Assets acquired in business combinations	<u>49,940</u>
31 March 2017	<u>164,297</u>
AMORTISATION	
1 October 2016	(1,255)
Amortisation charge	<u>-</u>
31 March 2017	<u>(1,255)</u>
NET BOOK VALUE	<u><u>163,042</u></u>

Parkquest (Great Northern Rural Services)

The goodwill is provisionally attributable to the knowledge and expertise of the workforce to service a major agriculture market and provide a retail footprint in the Geraldton region of Western Australia. The goodwill has been allocated to the Rural Operations CGU.

Riverland Irrigation

The goodwill is provisionally attributable to the knowledge and expertise of the workforce to service the citrus, almond and wine grape markets and the location of the business acquired in the Riverland region of South Australia. The goodwill has been allocated to the Water CGU.

Newham Rural Supplies

The goodwill is provisionally attributable to the knowledge and expertise of the workforce to service the livestock and horticulture markets and the location of the business acquired in the Bathurst region of New South Wales. The goodwill has been allocated to the Rural Operations CGU.

Mildura Irrigation Centre

The goodwill is provisionally attributable to the knowledge and expertise of the workforce to service the horticulture market and the location of the business acquired in the Sunraysia district around the borders of NSW, SA and VIC. The goodwill has been allocated to the Water CGU.

Agriexchange (River Rain)

The goodwill is provisionally attributable to the knowledge and expertise of the workforce to service the citrus, almond and wine grape markets and the location of the business acquired in the Riverland region of South Australia. The goodwill has been allocated to the Water CGU.

TP Jones

The goodwill is provisionally attributable to the knowledge and expertise of the workforce to service the horticulture, broadacre and viticulture markets and the location of the business acquired in Tasmania. The goodwill has been allocated to the Rural Operations CGU.

Irrigation Tasmania

The goodwill is provisionally attributable to the knowledge and expertise of the workforce to service the cropping and livestock production markets and the location of the business acquired primarily across the Tasmania region. The goodwill has been allocated to the Water CGU.

The combined results during the post-acquisition period to 31 March 2017 was a contribution of \$19.4million to revenue and a profit after tax of \$1.0m.

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12 BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisitions for the half year ended 31 March 2016

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

Acquisition of businesses on the following dates:

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

The acquisition of this business is consistent with the Group's Investment strategic pillar.

(i) Summary of acquisitions

	Mackay Rural	A&B Rural Supplies	Statewide Irrigation	Other acquisitions*	Total
Consideration transferred					
Cash	1,381	2,482	2,046	(5)	5,904
	<u>1,381</u>	<u>2,482</u>	<u>2,046</u>	<u>(5)</u>	<u>5,904</u>
Identifiable assets acquired and liabilities assumed					
Receivables	1,139	3,323	-	1,013	5,475
Inventories	1,379	1,744	295	374	3,792
Property, plant and equipment	328	361	74	257	1,020
Other intangibles	155	-	-	-	155
Payables	(2,668)	(3,305)	-	(1,903)	(7,876)
Provisions	(122)	(153)	(70)	(52)	(397)
Other payables	-	-	-	(169)	(169)
	<u>211</u>	<u>1,970</u>	<u>299</u>	<u>(480)</u>	<u>2,000</u>
Goodwill on acquisition	<u>1,170</u>	<u>512</u>	<u>1,747</u>	<u>475</u>	<u>3,904</u>

* All other acquisitions include DDG Rural and Herbert Valley Rural. These acquisitions are not individually material, and are disclosed in aggregate.

	Goodwill \$'000
COST	
1 October 2015	106,790
Assets acquired in business combinations	3,904
Disposals	(56)
31 March 2016	<u>110,638</u>
AMORTISATION	
1 October 2015	(1,255)
Amortisation charge	-
31 March 2016	<u>(1,255)</u>
NET BOOK VALUE	<u><u>109,383</u></u>

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13 COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

Leases as lessee

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

	As at 31-Mar-17 \$'000	As at 31-Mar-16 \$'000
Future minimum payments under non-cancellable		
Less than one year	23,674	22,848
Between one and five years	43,180	36,550
More than five years	7,706	837
	<u>74,560</u>	<u>60,235</u>

Leases as lessor

The Group leases space in 8 of its warehouses and 3 office spaces for periods up to 5 years.

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

Less than one year	2,086	2,098
Between one and five years	2,657	5,069
More than five years	-	32
	<u>4,743</u>	<u>7,199</u>

(b) Finance lease commitments

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

	As at 31-Mar-17 \$'000	As at 31-Mar-16 \$'000
Less than one year	962	987
Between one and five years	503	715
	<u>1,465</u>	<u>1,702</u>
Future finance charges	(87)	(101)
Total lease liabilities	<u>1,378</u>	<u>1,601</u>
Representing lease liabilities:		
Current	905	939
Non-current	473	662
	<u>1,378</u>	<u>1,601</u>

(c) Capital and other commitments

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

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

Livestock related commitments	18,453	1,479
Freight related commitments	12,074	28,538
	<u>30,527</u>	<u>30,017</u>

Ruralco Holdings Limited
ABN 40 009 660 879
Notes to the Consolidated Interim Financial Statements
For the Half Year ended 31 March 2017

14 CONTINGENT LIABILITIES

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

	As at 31-Mar-17 \$'000	As at 31-Mar-16 \$'000
Guarantees	26,110	25,440

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

15 EVENTS AFTER THE BALANCE SHEET DATE

There are no matters or circumstances that have arisen since 31 March 2017 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 7 to 22 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 March 2017 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 16 of May 2017

Signed in accordance with a resolution of the directors:



Richard (Rick) Lee AM
Chairman



Travis Dillon
Managing Director and CEO



Independent Auditor's Review Report

To the shareholders of Ruralco Holdings Limited

Conclusion

We have reviewed the accompanying Half-year Financial Report of Ruralco Holdings Limited.

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

- giving a true and fair view of the Group's financial position as at 31 March 2017 and of 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*.

The Half-Year Financial Report comprises:

- Consolidated interim statement of financial position as at 31 March 2017
- Consolidated interim statement of profit or loss and other 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 15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The Group comprises Ruralco Holdings Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.



Responsibilities of the Directors 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*
- 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 for the review of the Half-year Financial Report

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 2017 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.

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

KPMG

Anthony Travers
Partner

Sydney
16 May 2017