

AUSTRALIAN RURAL CAPITAL LIMITED

ABN 52 001 746 710



**AUSTRALIAN
RURAL CAPITAL**

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

30 JUNE 2020

AUSTRALIAN RURAL CAPITAL LIMITED

ABN 52 001 746 710

DIRECTORY

Directors

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

Company Secretary

Mark Licciardo

Registered Office

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

Communications

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

Share Registry

Boardroom Pty Limited
Level 12
Grosvenor Place
225 George Street
SYDNEY NSW 2000

Shareholder Enquiries: 1 300 737 760 / (02) 9290 9600

Shareholders requiring clarification of holdings, or requesting changes of name or address should contact Boardroom Pty Limited directly. A variety of requisite forms may be downloaded from www.boardroomlimited.com.au

Bankers

National Australia Bank Limited
Level 19
100 Creek Street
BRISBANE
QLD 4000

Auditors

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

Controlled Entities

Australian Rural Capital Management Pty. Limited
ARC Agrivest Limited

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In this Annual Report a reference to "Group", "we", "us" "ARC" or "our" is a reference to Australian Rural Capital Limited ABN 52 001 746 710 and the entities that it controls unless otherwise stated.

The ARC corporate governance statement is available on our website (www.ruralcapital.com.au) in the section titled "Corporate Governance" and at the ASX website (www.asx.com.au) under the code "ARC".

EXECUTIVE CHAIRMAN'S REVIEW

Dear Fellow Shareholders,

The board reports an after-tax loss of \$1,148,706 for the full year to June 30, 2020. The result was primarily driven by the reduced valuation of our investment in Namoi Cotton which I cover further below. Our listing and public company operating costs of approximately \$200,000 and business development costs of \$250,000 on a specific acquisition were the cash outlays. Our directors did not receive any cash fees for the period, shares were issued for fees, which were also expensed.

Our stated Net Tangible Assets ("NTA") at June 30, 2020 was 31 cents per share compared to 40 cents a share at June 30, 2019. This is disappointing but not unexpected given the poor share-price performance of our main investment in Namoi Cotton. It has remained our objective to develop a business that is valued on earnings and earnings potential along with creating value in the investments we own, however, to date we have yet to achieve this.

Namoi Cotton Investment

We continue to hold the 9.6 % stake in Namoi Cotton. This investment valued as per the trading share price has been significantly impacted by the worst drought in 160 years, which has reduced cotton crops and therefore Namoi Cottons processing and marketing volumes to levels of 15% of long-term industry averages.

We estimate the cash break even for Namoi Cotton to be approximately 475,000 bales of cotton to be ginned each season, this compares to the long- term sustainable average gin volumes of circa 900,000 bales per season. The current season Namoi will gin circa 140,000 bales. The outlook for next year is for volumes around break-even levels, so the share price remains subdued.

This operating environment has caused Namoi to undertake some significant restructuring which will provide future benefits not seen today, however it will never replace the 2 years of earnings lost due to the drought. I wish to acknowledge one of the learnings from this experience has been the potential of a drought impact was underestimated by myself. Droughts are not a short- term event, they impact for at least 3 years. The year going into the drought saps confidence and growth plans are put on hold. The year of the drought, and it could last more than a year is negative cashflow and just staying alive. It takes another year to achieve recovery. I do believe Namoi is past the worst in this cycle, but it has reduced the NTA of Namoi on our estimates now down to 75 cents a share.

However, we must also not lose sight of the opportunities in these circumstances, and such conditions do highlight the structural and strategic weaknesses in an industry and business. In the case of Namoi, we believe the Australian cotton ginning space has around 1 million bales of surplus ginning capacity that puts a lid on ginning pricing and hence ginning returns.

Namoi needs to move rationalise and remove smaller gins from their portfolio and focus the business on larger gins processing greater than 125,000 bales per annum that generate free cash. Secondly, at some point Namoi will need to repair its balance sheet. We think it makes sense for Namoi to first divest and close the lower returning gins and other non- strategic assets to right size the business and use the proceeds to reduce debt prior to raising any new equity at current levels.

Cotton Industry Consolidation

We also believe further industry consolidation is inevitable as it continues at pace on the cotton growing side. This option could create scale efficiencies and achieve greater geographic crop spread to mitigate climate risk for the Ginning participants. These initiatives could create value for Namoi, and we have been working on communicating these to the company and other interested parties, as we continue to believe at 32 cents the shares are significantly undervalued when compared to the asset value of circa 75 cents a share.

Business Acquisition

In our Half Year results we noted we were pursuing an opportunity and were undertaking due diligence. This business was the entire Ginger operations of the ASX listed Buderim Group. Following extensive exclusive due diligence and analysis at considerable expense and having obtained suitable debt funding our offer was finally overbid by 40% by another party as the transaction became public.

Strategic Direction and Proposed Return of Capital

We acknowledge that over the past 5 years, we have been unsuccessful in securing a business to acquire, or assets to manage to create a recurring source of income. This has not come about from lack of attempts but more an inability to complete. We understand that in the interests of the preservation of shareholders capital, that no more working capital is to be expended on business development.

Therefore, we have commenced a process to consider the options for a capital return of the assets of the company, (which are primarily Namoi Cotton shares) to shareholders. This process has numerous implications for the ongoing listing of the company shares on the ASX, which will also be considered in this process as we seek to maximise the value of our shareholder's interests. We will be updating you when appropriate with further details on these plans.

Summary

I again, wish to give thanks for all the efforts, work, wise counsel and input from my fellow director's Darren and Wayne in a year that has been both demanding and promising but ultimately disappointing. We have remained resolute on our goal in preserving value and recognising our situation realistically and this brings us to our current state.

I also wish to thank our company secretaries for their contributions and our various advisers with whom we have worked with over the past year for your help.

Finally, the Board wishes to thank all our shareholders for your interest and support in a tough year.

Yours Sincerely,

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

James A Jackson
Executive Chairman
August 20, 2020

DIRECTORS' REPORT

The Directors present their annual report on Australian Rural Capital Limited (“the Company”) and its controlled entities (“Group” or “Economic Entity”) for the financial year ended 30 June 2020.

DIRECTORS

The names and details of the Directors of the Company in office at the date of this report are:

James Andrew Jackson (*Executive Chairman*) (*appointed 25 July 2014*)

James Jackson has background and experience in both capital markets and agribusiness. He worked for JB Were in Australia and SG Warburg & Co in both London and New York over a ten year period in Equity Capital Markets and Institutional Sales transacting with significant American and European institutional investors. He is now a company director and professional investor and was a director and Deputy Chairman of the ASX listed Elders Limited from 2014 to 2017 and MSF Sugar Limited (known formerly as The Maryborough Sugar Factory Ltd) from 2004 and Chairman from 2008 until the agreed takeover in 2012. This was during a period of significant growth and shareholder value creation for the company. The skills and expertise relevant to the position of director include a deep knowledge of agribusiness, financial risk management, strategic analysis and development and implementation of strategy and corporate governance. He has strong interest in agriculture and a large network in rural Australia and the capital markets. James holds a Bachelor of Commerce from the University of Queensland, completed the Program for Management Development at Harvard Business School and is a Fellow of the Australian Institute of Company Directors.

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

Darren Anderson has significant legal and commercial experience and expertise gained over a 30 year career to date. He is a partner of Brisbane legal firm Holding Redlich and specialises in providing legal services to the property industry. He has particular expertise in major acquisitions and disposals in residential, industrial and rural property, structured property development, due diligence and property finance arrangements.

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

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

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

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

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (continued)

COMPANY SECRETARY

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

Experience and special responsibilities

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

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

Interests in the Shares of the Company and Related Bodies Corporate

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

	<i>Ordinary Shares - (ARC)</i>	<i>ASX Listed Option -(ARCO)s</i>
Mr James Jackson	2,708,690	1,500,266
Mr Darren Anderson	407,405	229,788
Mr Wayne Massey	260,088	-

PRINCIPAL ACTIVITIES

The group's primary activities are:

- (A) Equity investment – investment in rural and agricultural companies, securities, schemes and entities;
- (B) Funds management and financial services – operation of a wholesale funds management business.

Other than the re-focus of activity on investment in the rural and rural related area, there were no significant changes in the nature of the economic entity's principal activities during the financial year.

RESULTS AND DIVIDENDS

The net loss after income tax for the financial year to 30 June 2020 was \$1,148,706 (2019: loss \$2,478,952). No dividends were paid or declared during the year.

TRADING IN COMPANY SHARES

During the 12 months to 30 June 2020, the Company's shares traded in the following ranges:

<i>Quarter ending</i>	<i>High price</i>	<i>Low price</i>	<i>Closing price</i>	<i>Volume</i>
30 th September 2019	0.36	0.33	0.33	98,315
31 st December 2019	0.36	0.25	0.275	28,782
31 st March 2020	0.30	0.25	0.25	345,047
30 th June 2020	0.30	0.20	0.29	205,190

Source: ASX

REVIEW OF OPERATIONS

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

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (continued)

SIGNIFICANT EVENTS DURING THE YEAR

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

OPTIONS

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

Grant Date	Date of Expiry	Exercise Price	Number under Option
4 August 2014	31 December 2020	\$0.70	450,000
31 July 2015	31 August 2020	\$0.50	7,930,863
11 November 2016	31 October 2020	\$0.70	133,334

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

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

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

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

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of a committee of Directors) attended by each of the Directors of the Company for the 12 months to 30 June 2020 was:

	Directors' Meetings held during period in office		Audit Committee Meetings held during period in office	
	No. of meetings eligible to attend #	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
James Jackson	8	8	2	2
Darren Anderson	8	8	2	2
Wayne Massey	8	8	2*	2*

the Directors also assented to one written resolution during the year

*In attendance ex-officio

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (continued)

REMUNERATION REPORT (AUDITED)

(A) Key Management Personnel

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

Directors

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

(B) Directors Remuneration for the financial years ended 30 June 2020 and 30 June 2019

	Short-Term Benefits		Post Employment Benefits		Share Based Payments		Total
	Salaries & fees	Super-annuation	Other	Shares	Options		
2020							
James Jackson	-	-	-	\$100,000	\$3,181		\$103,181
Darren Anderson	-	-	-	\$25,000	-		\$25,000
Wayne Massey	-	-	-	\$50,000	\$1,060		\$51,060
TOTAL	-	-	-	\$175,000	\$4,241		\$179,241
2019							
James Jackson	\$151,436	\$14,250	-	-	\$6,149		\$171,835
Darren Anderson	\$25,000	\$2,500	-	-	-		\$27,500
Wayne Massey	\$50,000	\$5,000	-	-	\$2,050		\$57,050
TOTAL	\$226,436	\$21,750	-	-	\$8,199		\$256,385

(C) Specified Executives Remuneration for the years ended 30 June 2020 and 30 June 2019

	Short-Term Benefits			Post Employment Benefits		Share Based Payments	Total
	Salaries & fees	Cash bonuses	Non Monetary Benefits	Super-annuation	Other	Options	
2020 and 2019							
There were no specified executives in the period from 1 July 2019 to 30 June 2020 and 1 July 2018 to 30 June 2019.							

(D) Remuneration Policy

The Non-Executive Directors annually review and recommend the remuneration packages of senior management. The payment of bonuses, options and other incentive payments are annually reviewed by the Non-Executive Directors as part of the review of Executive Directors and Specified Executives.

The Non-Executive Directors can exercise their discretion in relation to approving bonuses, options and incentives but will do so by reference to measurable performance criteria, and are able to seek independent advice on the appropriateness of remuneration packages.

The remuneration policy, which sets the terms and conditions for senior executives, was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the Board. Executives have historically received a base salary, superannuation, performance incentives and retirement benefits. Remuneration is reviewed annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed Companies and independent advice, but has regard to expected significant share ownership in the Company. The policy is designed to attract appropriate executives and reward them for performance that results in long-term growth in shareholder value.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (continued)

REMUNERATION REPORT (AUDITED) (continued)

As a result of an overall reduction in operations, some of the services to the Company are provided on an outsourced basis by third parties, including the provision of services of the Executive Chairman.

The current remuneration for Non-Executive Directors is set by resolution of shareholders at a maximum \$400,000 per annum in aggregate. This amount of remuneration includes all monetary and non-monetary components. There are no schemes for retirement benefits for Non-Executive Directors.

(E) Shares issued to Directors in lieu of Directors Fees

On 30 October 2019, the company approved at the Annual General Meeting to issue 437,500 ARC shares each at a price of \$0.40 per share as per the following, 250,000 to James Jackson, 62,500 to Darren Anderson and 125,000 to Wayne Massey. These shares were issued in lieu of Directors Fees for the financial year 30th June 2020.

(F) Options held by Specified Directors and Specified Executives

James Jackson was granted a total of 450,000 options by approval of a General Meeting held on 25 July 2014. These options vest in three tranches of 150,000 options on 25 July 2015, 25 July 2016 and 24 July 2017 providing Mr. Jackson remains in the employ of the Company. The options are exercisable at \$0.70 per share until 31 December 2020. The conditions for the issue of all three tranches of 150,000 options have been met, which means they have now vested and are held by Mr. Jackson.

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

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

The options vest in three tranches of 133,333 on 31 October 2018, 31 October 2019 and 31 October 2020 providing James Jackson and Wayne Massey are still an employee of the company. The options relating to tranche 2 expired at 31 October 2019 and a transfer to account for this was made between the share based payments reserve and retained earnings of \$10,633.

(G) Shareholdings by Specified Directors and Specified Executives

Directors	Balance at 1/7/19	Received as Remuneration	Options Exercised	Net change – other	Balance at 30/6/20
James Jackson	2,380,417	250,000	-	78,273	2,708,690
Darren Anderson	344,905	62,500	-	-	407,405
Wayne Massey	135,088	125,000	-	-	260,088
TOTAL	2,860,410	437,500	-	78,273	3,376,183

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (continued)

REMUNERATION REPORT (AUDITED) (continued)

(H) Performance of Australian Rural Capital Limited

The Company's initial aim of generating shareholder wealth through investment in micro-cap companies and financial services businesses has changed since 2009 mainly because of two investments in the wine sector proving problematic and thereby significantly reducing the Economic Entity's access to capital. Consequently, the Company returned capital to shareholders in the form of large fully franked dividends and capital returns, via distribution of underlying investments. In turn, this led to a high fixed cost base relative to capital investment and significant investment concentration of the Company's remaining capital, producing volatile returns. In July 2014, the Company refocused its investment strategy onto the rural, agricultural and related sectors. These factors ensured that the Company's share price has traded in the 50 cent range over the last 3 years. In the last 12 months the Company's investment in Namoi has decreased in value and this has resulted in a reduction in the share price during this period and is currently trading below 50 cents.

The table below shows the performance for the Company as measured by its share price, market capitalisation, distributions via dividends and capital returns and profit from all operations (discontinued or ongoing) over the last five financial years.

	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Share price (adjusted)	\$0.57	\$0.50	\$0.69	\$0.36	\$0.29
Market capitalisation (\$000's)	5,143	6,246	8,620	4,850	3,754
Dividends paid (\$000's)	-	-	-	-	-
Capital returns (\$000's)	-	-	-	-	-
Profit/(loss) for the year (\$000's)	263	(29)	1,281	(2,473)	(1,149)

This concludes the Remuneration Report, which has been audited.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Pursuant to Access and Indemnity deeds signed by the parties when each Director was appointed, the Company has agreed to indemnify each Director against any liability incurred by being a Director of the Company and to pay all of the Directors reasonable defence costs in relation to any claim alleging any liability on the part of the Director as a result of being a Director of the Company. The Company has agreed to maintain Director's and Officers' Liability Insurance upon terms and conditions reasonably satisfactory to the Directors and to pay all reasonable or market premiums in respect to the insurance for a period of 7 years following the date when any

Director ceases to be a Director of the Company. Under the terms of the policy, the Company is precluded from disclosing the details of premiums paid.

ENVIRONMENTAL REGULATION

No significant environmental regulations apply to the economic entity.

CHANGES IN STATE OF AFFAIRS

During the financial year, there was no significant change in the state of affairs of the economic entity other than those noted under significant events during the year.

PROCEEDINGS ON BEHALF OF THE COMPANY

There are no material legal or other proceedings being made on behalf of the Company or against the Company as at the date of this report.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (continued)

SUBSEQUENT EVENTS

Nil.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors expect to continue to work towards enhancing the value of the investment in Namoi Cotton Limited. The Company is no longer seeking to expand its funds management activities through the establishment of wholesale funds investing in selected agricultural assets as well as advising outside parties on the restructuring of agricultural company capital structures. The Directors have excluded information on the expected results of the economic entity since financial performance is partly reliant on gains from the sale of investment securities or mark to market adjustments, which inherently cannot be forecast. The Directors have budgeted cash operating costs of approximately \$250,000 from the normal operations of the Company, prior to the costs/benefits of any business development on initiatives or dividend receipts.

NON AUDIT SERVICES

During the year the Company's auditors performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Details of the amounts paid to the auditors of the Company for audit and non-audit services provided during the year are set out in Note 5 to the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 11.

Dated at Brisbane this 20th day of August 2020.

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



J A Jackson - Chairman

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been:

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



Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants



Stewart Douglas
Director
Brisbane, 20 August 2020

FINANCIAL REPORT FOR THE YEAR TO 30th JUNE 2020

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Statement of Changes in Equity for the year ended 30 June 2020

Statement of Cash Flows for the year ended 30 June 2020

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AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

		Economic Entity	
	Note	2020 \$	2019 \$
		<u> </u>	<u> </u>
Continuing operations			
Revenues	2	(606,105)	(2,032,889)
Other expenses	3A	(537,197)	(439,659)
Finance costs	4	(6,497)	(820)
Profit/(loss) before income tax		<u>(1,149,799)</u>	<u>(2,473,368)</u>
Income tax benefit	7	1,093	(5,584)
Profit/(loss) after income tax		<u>(1,148,706)</u>	<u>(2,478,952)</u>
Profit/(loss) attributable to non-controlling interests		-	-
Profit/(loss) after income tax and non-controlling interests		<u>(1,148,706)</u>	<u>(2,478,952)</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income attributable to owners of Australian Rural Capital Limited		<u>(1,148,706)</u>	<u>(2,478,952)</u>
Basic earnings/(loss) (cents) per share from continuing operations	8	(9.0)	(19.8)
Diluted earnings/(loss) (cents) per share from continuing operations	8	(9.0)	(19.8)
Dividends (cents) per share	6	-	-

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Economic Entity	
		2020	2019
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	9	116,144	282,154
Financial assets	10,14	4,108,688	4,714,888
Trade and other receivables	11	21,510	3,872
TOTAL CURRENT ASSETS		4,246,342	5,000,914
NON-CURRENT ASSETS			
Deferred tax assets	7B	7,239	6,146
Goodwill	25	7,709	7,709
TOTAL NON-CURRENT ASSETS		14,948	13,855
TOTAL ASSETS		4,261,290	5,014,769
CURRENT LIABILITIES			
Trade and other payables	15	56,111	40,125
Borrowings	16	200,000	-
TOTAL CURRENT LIABILITIES		256,111	40,125
TOTAL LIABILITIES		256,111	40,125
NET ASSETS		4,005,179	4,974,644
EQUITY			
Issued Capital	18A	20,178,935	20,003,935
Options Reserve	18B	387,303	387,303
Share based payments reserve	19	68,588	74,980
Accumulated Losses		(16,629,647)	(15,491,574)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF AUSTRALIAN RURAL CAPITAL LIMITED		4,005,179	4,974,644

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

ECONOMIC ENTITY	Issued Capital \$	Share Based Payments Reserve \$	Options Reserve \$	Accumulated Losses \$	Total Equity \$
As at 30 June 2018	19,995,610	98,353	388,118	(13,045,009)	7,437,072
Total comprehensive income for the period	-	-	-	(2,478,952)	(2,478,952)
Share based payments reserve	-	8,199	-	-	8,199
Contribution of equity from listed options exercised	8,325	-	-	-	8,325
Unlisted options lapsed	-	(31,572)	-	31,572	-
Listed options exercised	-	-	(815)	815	-
As at 30 June 2019	20,003,935	74,980	387,303	(15,491,574)	4,974,644
Total comprehensive income for the period	-	-	-	(1,148,706)	(1,148,706)
Share based payments reserve	-	4,241	-	-	4,241
Unlisted options lapsed	-	(10,633)	-	10,633	-
Shared based payments	175,000	-	-	-	175,000
As at 30 June 2020	20,178,935	68,588	387,303	(16,629,647)	4,005,179

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Economic Entity	
		2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(359,608)	(434,030)
Dividends received		-	255,951
Interest received		95	349
Finance costs paid		(6,497)	(820)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	22 (A)	(366,010)	(178,550)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from equity issuance		-	8,325
Loan from 3 rd Party		200,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	22 (B)	200,000	8,325
Net (decrease)/increase in cash held		(166,010)	(170,225)
Cash at the beginning of the financial year		282,154	452,379
Cash at the end of the financial year	9	116,144	282,154

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been approved for issue by the Board of Directors of Australian Rural Capital Limited on 20 August 2020. The functional currency of the entity is measured using the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the economic entity's functional and presentation currency.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements cover the economic entity, consisting of Australian Rural Capital Limited and its subsidiaries and covers the financial year ended 30 June 2020. Australian Rural Capital Limited is a publicly listed entity, incorporated and domiciled in Australia.

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Group. The principal accounting policies adopted in the preparation of this financial report are set out below.

A. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ("AASB's"), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements also comply with International Financial Reporting Standards.

The Group is a "for-profit" entity, the principal activities of which during the financial year ended 30 June 2020 included 'equity investment' and 'funds management and financial services'. There were no significant changes in the nature of the group's activities during the financial year.

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on historic costs as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Amendments to Accounting Standards

In accordance with Corporations Amendment (Corporate Reporting Reform) Act 2010, the economic entity has dispensed with the inclusion of parent company accounts but discloses the requisite information for the parent company as per note 13.

B. Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Rural Capital Limited ("company" or "parent entity") as at 30 June 2020 and the results of all subsidiaries for the year then ended. Australian Rural Capital Limited and its subsidiaries together are referred to in these financial statements as "group" or "the economic entity".

Subsidiaries are all those entities over which the economic entity has control. The economic entity controls an entity when the economic entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the economic entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the economic entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the economic entity.

Investments in subsidiaries are accounted for at the lower of cost or recoverable value in the individual financial statements of the parent entity.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

C. Operating Segments

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

D. Income Tax

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

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

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

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

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

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

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

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

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

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

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

E. Revenue

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

F. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

Financial guarantee contracts are initially measured at fair value (and if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance to AASB 9.3.25.3; and
- the amount initially recognised less accumulative amount of income recognised in accordance with the revenue recognition policies.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investments will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which the Group elected to classify under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amount due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: *Financial Instruments*:

- the general approach;
- the simplified approach;

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

General approach

Under the general approach, at each reporting period, the Group assessed whether the financial instruments are credit impaired, and:

- if the credit risk of the financial instrument increased significantly since initial recognition, the Group measured the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- if there was no significant increase in credit risk since initial recognition, the Group measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that result from transactions that are within the scope of AASB 15: *Revenue from Contracts with Customers*, and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of its customer base, appropriate groupings of its historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

G. Trade and Other Receivables

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

H. Trade and Other Payables

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

I. Finance Costs

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

J. Employee Benefits

Wages, salaries, annual leave and sick leave

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

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

Share based payments

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

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

Share based payments are expensed over the period that the payments vest to the employee and directors with a corresponding increase in equity over the vesting period.

K. Cash and Cash Equivalents

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

L. Goods and Services Tax

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

M. Contributed Equity

Ordinary shares are classified as equity.

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

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

N. Earnings Per Share

Basic earnings per share

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

Diluted earnings per share

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

O. Intangible Assets

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

Goodwill

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

P. Impairment of Non-Financial Assets

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

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

Q. Fair Value Measurement

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

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

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

R. Leases

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts classified as short-term leases (with a remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- Fixed lease payments less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss and other comprehensive income.

S. Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

T. Comparative Figures

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

U. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020.

The Group anticipates to adopt these standards from their relevant application dates. Based on the preliminary assessment these standards are not expected to have a material effect.

V. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

W. New and Amended Accounting Policies Adopted by the Group

Initial application of AASB 16: Leases

The Group has adopted AASB 16: Leases with a date of initial application of 1 July 2019. As a result, the Group has changed its accounting policy for Leases as detailed in this note.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The Group does not have any leases as at report date and/or that would require adjustment made to the current or prior period upon adoption of the standard.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

	Economic Entity	
	2020	2019
	\$	\$
2. REVENUES		
Interest revenue	95	349
Dividend income	-	255,951
Change in fair value of investments retained	(606,200)	(2,290,089)
Miscellaneous Income	-	900
TOTAL REVENUES	(606,105)	(2,032,889)
3. PROFIT/(LOSS) FOR THE YEAR		
(A) EXPENSES		
Auditors remuneration – audit, audit review and accruals	31,600	31,600
Directors fees, employee benefits and costs	-	248,186
Share based payments	179,241	8,199
Legal Expenses	115,190	1,440
Office and occupancy expenses - other	12,000	12,000
Other expenses	199,166	138,234
TOTAL EXPENSES EXCLUDING FINANCE COSTS	537,197	439,659
4. FINANCE COSTS		
External	6,497	820
Total finance costs	6,497	820

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

	Economic Entity	
	2020	2019
	\$	\$
<hr/>		
5. AUDITORS REMUNERATION		
Remuneration of the auditors of the parent entity for:		
Auditing and reviewing the financial statements	28,600	28,600
Audit of controlled entities	3,000	3,000
	<hr/>	<hr/>
	31,600	31,600

Non-audit services

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

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

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

	2020	2019
	\$	\$
<hr/>		
Taxation services		
- Bentleys Brisbane (Audit) Pty Ltd	2,300	6,800

6. DIVIDENDS AND FRANKING CREDIT BALANCES

Franking Credits

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

43,621	43,621
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No dividends were declared or paid in respect of the years ended 30 June 2020 or 30 June 2019.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

	Economic Entity	
	2020	2019
	\$	\$
7. INCOME TAX		
(A) INCOME TAX		
The aggregate amount of income tax expense/(benefit) attributable to the year differs from the amount prima facie payable on the profit/(loss) from ordinary activities. The differences are reconciled as follows:		
Profit/(loss) before tax	(1,149,799)	(2,473,368)
Prima facie income tax expense/(benefit) on the profit/(loss) before income tax at 27.5% (2019: 27.5%)	(316,195)	(680,140)
Add/(deduct) tax effect of:		
Tax losses used/(not brought to account)	313,936	672,045
Prior year tax adjustment	-	5,391
Franking credits		6,033
Other permanent differences	1,166	2,255
Other timing differences	-	-
	<u>315,102</u>	<u>685,724</u>
Income tax (benefit)/expense attributable to entity	<u>(1,093)</u>	<u>5,584</u>

The effective tax rate of 0% (2019: 0%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2019: not to bring to account tax losses) in respect of the current year.

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

Deferred tax	1,093	(5,584)
	<u>1,093</u>	<u>(5,584)</u>

(B) DEFERRED TAX ASSETS

Deferred tax assets comprise:

Temporary differences – accruals	7,239	6,146
	<u>7,239</u>	<u>6,146</u>

(C) RECONCILIATIONS

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

Opening balance	6,146	11,730
(Debit) to statement of profit or loss and other comprehensive income	1,093	(5,584)
Closing balance	<u>7,239</u>	<u>6,146</u>

(D) DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT

As at 30 June 2020, the economic entity had estimated unrecouped operating income tax losses of \$13,959,947 (2019: \$12,818,365) which are not presented on the Statement of Financial Position. The benefit of these losses has not been brought to account as realisation is not probable. The benefit will only be obtained if:

- (i) the companies derive future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (ii) the companies continue to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the companies in realising the benefit from the deductions for the losses.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

	Economic Entity		
	2020	2019	
	\$	\$	
8. EARNINGS PER SHARE			
Continuing operations			
Earnings used in the calculation of basic EPS	(1,148,706)	(2,478,952)	
Earnings used in the calculation of diluted EPS	(1,148,706)	(2,478,952)	
Weighted average number of ordinary shares outstanding during the year used in calculation of EPS:			
basic EPS	12,783,672	12,503,190	
diluted EPS	12,783,672	12,503,190	
Basic earnings/(loss) per share (cents)	(9.0)	(19.8)	
Diluted earnings/(loss) per share (cents)	(9.0)	(19.8)	
9. CASH AND CASH EQUIVALENTS			
Cash on hand and at bank	116,144	282,154	
Net cash and cash equivalents as per Statement of Cash Flows	116,144	282,154	
10. FINANCIAL ASSETS (CURRENT)			
Fair value through profit or loss:			
Listed investments at fair value			
- shares in listed corporations (note 14, 26F)	4,108,688	4,714,888	
TOTAL	4,108,688	4,714,888	
11. TRADE AND OTHER RECEIVABLES			
CURRENT			
Other debtors and receivables	21,510	3,872	
	21,510	3,872	
12. CONTROLLED ENTITIES			
	Country of	Percentage Owned	
	Incorporation	2020	2019
Parent Entity:			
Australian Rural Capital Limited	Australia		
Controlled Entities of Australian Rural Capital Limited:			
ARC Agrivest Limited*	Australia	100%	100%
Australian Rural Capital Management Pty. Limited	Australia	100%	100%

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

	Economic Entity	
	2020	2019
	\$	\$
13. PARENT ENTITY INFORMATION		
Information relating to the parent entity, Australian Rural Capital Limited:		
Current Assets	4,228,276	4,977,408
Total Assets	4,272,099	5,020,138
Current Liabilities	256,202	40,216
Total Liabilities	256,202	40,216
Issued Capital	20,178,935	20,003,935
Share Based Payments Reserve	68,588	74,980
Options Reserve	387,303	387,303
Accumulated Losses	(16,618,929)	(15,486,294)
Total Shareholders' Equity	<u>4,015,897</u>	<u>4,979,924</u>
Profit/(Loss) of the parent entity	(1,143,268)	(2,473,106)
Total comprehensive income of the parent entity	<u>(1,143,268)</u>	<u>(2,473,106)</u>

As at 30 June 2020 and 30 June 2019, the parent entity had not entered into any guarantees in relation to the debts of its subsidiaries, nor had entered into any contractual commitments for the acquisition of property, plant or equipment.

14. FINANCIAL ASSETS

The Economic Entity's shares in listed corporations include the following interests which account for over 5% of the Economic Entity's shareholders' funds or 5% of the investee company's issued capital:

Namoi Cotton Co-operative Limited		
<i>Principal activity is cotton ginning and marketing</i>		
9.6% interest in Namoi Cotton Co-operative Limited (2019: 9.6%)	<u>4,108,688</u>	<u>4,714,888</u>

15. TRADE AND OTHER PAYABLES

CURRENT (UNSECURED)

Trade creditors	23,923	5,686
Other creditors and accruals	26,746	28,997
Other payables	5,442	5,442
	<u>56,111</u>	<u>40,125</u>

16. BORROWINGS

Loan from 3rd Party	200,000	-
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Term of loan is 6 months due for repayment on 27th September 2020. Loan is for \$200,000 and is fully drawn down as 30th June 2020. Purpose of the loan is for general corporate purposes. Interest rate is 12% per annum.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

Economic Entity	
2020	2019
\$	\$

17. CONTINGENT LIABILITIES

The Economic Entity has no outstanding contingent liabilities (2019: nil).

18. ISSUED CAPITAL

12,946,240 fully paid authorised ordinary shares (2019: 12,508,740)	20,178,935	20,003,935
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Terms and conditions of contributed equity:

Ordinary shares have no par value. Ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The voting rights attached to the ordinary shares at a general meeting of shareholders are such that on a show of hands every member present (in person or by proxy) shall have one vote and on a poll one vote for each share held.

MOVEMENT IN ISSUED SHARES OF THE PARENT ENTITY FOR THE YEAR

(A) ORDINARY SHARES

Date	Details	Number of shares	\$
1 July 2019	Opening balance	12,508,740	20,003,935
14 November 2019	Share based payments	437,500	175,000
30 June 2020	Closing balance	12,946,240	20,178,935

On 14 November 2019 the company issued 437,500 fully paid ordinary shares (James Jackson 250,000, Darren Anderson 62,500 and Wayne Massey 125,000 (together the Related Parties)) in regard to remuneration for the period 1 July 2019– 30 June 2020 or the period of their tenure as Director during the 2020 Financial Year.

The fully paid ordinary shares will be issued pari passu to existing securities and were subject to three trading lock periods that restricts trading on the Australian Stock Exchange for an overall period of one year from the date of issue of the shares.

The shares issued to Messrs Jackson, Anderson and Massey were subject to three trading lock periods from the date of issue as per the terms of each Director’s Agreement. The trading locks determined that the shares became tradable quarterly as four equal parcels. For each Director, the terms of the trading locks are set out as follows:

- i. One quarter of the issued shares to have no trading lock attached (1st quarter of FY 2020).
- ii. One quarter of the issued shares to have a trading lock attached from the date of issue to 31 December 2019 (2nd quarter of FY 2020)
- iii. One quarter of the issued shares to have a trading lock attached from the date of issue to 31 March 2020 (3rd quarter of FY 2020)
- iv. One quarter of the issued shares to have a trading lock attached from the date of issue to 30 June 2020 (4th quarter of FY 2020)

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

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

Date	Details	Number of Options	Option Reserve \$
1 July 2019	Opening balance	7,914,213	387,303
30 June 2020	Closing balance	7,914,213	387,303

19. SHARE BASED PAYMENTS RESERVE

Executive Remuneration

On 4 August 2014, the company issued 450,000 options each exercisable into one new share of ARC at a price of 70c per share before 31 December 2020 to the Executive Chairman, James Jackson. The options vest in three tranches of 150,000 on 25 July 2015 (now vested), 25 July 2016 and 24 July 2018 providing James Jackson is still an employee of the company. These options had a fair value at the grant date of 12.75c per option. The conditions for the issue of all three tranches of 150,000 options have been met, which means they have now vested and are held by Mr. Jackson. The cost of the options has been amortised over the relevant period to full vesting and equated to \$0 for the period ending 30 June 2020 (2019: \$0).

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

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

The options vest in three tranches of 133,333 on 31 October 2018, 31 October 2019 and 31 October 2020 providing James Jackson and Wayne Massey are still an employee of the company. These options had a fair value at the grant date of 8c per option. The cost of the options is amortised over the relevant period to full vesting and equated to \$4,241 in the period to 30 June 2020 (2019: \$8,199). The options relating to tranche 1 expired at 31 October 2018 and a transfer to account for this was made between the share based payments reserve and retained earnings of \$9,304. The options relating to tranche 2 expired at 31 October 2019 and a transfer to account for this was made between the share based payments reserve and retained earnings of \$10,633.

Set out below are summaries of options movements during the current reporting period:

Grant Date	Expiry Date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/ other	Balance at the end of the year
4/8/2014	31/12/2020	0.70	450,000	-	-	-	450,000
11/11/2016	31/10/2021	0.70	266,667	-	-	(133,333)	133,334

Weighted average exercise price 0.70 - - - 0.70

The weighted average share price during the financial year was \$0.27 (2019: \$0.59)

The weighted average remaining contractual life of unlisted options outstanding at the end of the financial year was 0.33 years (2019: 0.95 years).

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

20. KEY MANAGEMENT PERSONNEL

The names and positions held by Key Management Personnel of the economic entity who have held office during the financial year are:

Directors

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

Compensation

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

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	-	226,436
Post-employment benefits	-	21,750
Share based payments	179,241	8,193
	<u>179,241</u>	<u>256,385</u>

Shareholding

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

	Balance at start of the year	Received as part of remuneration	Additions	Disposals / other	Balance at the end of the year
2020					
<i>Ordinary shares</i>					
James Jackson	2,380,417	250,000	78,273	-	2,708,690
Darren Anderson	344,905	62,500	-	-	407,405
Wayne Massey	135,088	125,000	-	-	260,088
	<u>2,860,410</u>	<u>437,500</u>	<u>78,273</u>	<u>-</u>	<u>3,376,183</u>
2019					
<i>Ordinary shares</i>					
James Jackson	2,380,417	-	-	-	2,380,417
Darren Anderson	344,905	-	-	-	344,905
Wayne Massey	135,088	-	-	-	135,088
	<u>2,860,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,860,410</u>

Related party transactions

Related party transactions are set out in note 24.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

21. CAPITAL AND LEASING COMMITMENTS

(A) OPERATING LEASE COMMITMENTS

The Economic Entity has no outstanding operating lease commitments (2019: nil).

(B) CAPITAL COMMITMENTS

The Economic Entity has no outstanding capital commitments (2019: nil).

(C) SUPERANNUATION

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

	Economic Entity	
	2020	2019
	\$	\$
22. CASH FLOW INFORMATION		
(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX		
Operating profit/(loss) after income tax	(1,148,706)	(2,478,952)
Cash flows excluded from profit/(loss) attributable to operating activities:		
Purchases of investments	-	-
Proceeds from sales of investments	-	-
Non cash flows in operating profit/(loss):		
Change in fair value of investments retained	606,200	2,290,089
Share based payments	179,241	8,199
Changes in assets and liabilities net of acquisitions:		
(Increase)/decrease in deferred tax balances	(1,093)	5,584
(Increase)/decrease in sundry debtors & prepayments	(17,638)	8,170
(Decrease)/increase in trade creditors & accruals	15,986	(11,640)
Cash flows (used in)/provided by operations	(366,010)	(178,550)
(B) RECONCILIATION OF CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings		
Opening balance 01 July	-	-
Cash flows	200,000	-
Closing balance	200,000	-

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

23. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to the reporting date.

24. RELATED PARTY INFORMATION AND TRANSACTIONS

Ultimate Controlling Entity

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

Key management personnel remuneration

During the financial year, total remuneration of \$179,241 (2019: \$256,385) was paid to Directors and key management personnel by the economic entity, including partially owned controlled entities. Details of the payments and shareholdings in Australian Rural Capital Limited of Directors and key management personnel are shown in the Remuneration Report contained as part of the Directors Report on pages 7 – 9 of this Financial Report.

Australian Rural Capital Limited transactions with controlled entities

During the financial year, Australian Rural Capital Limited advanced and repaid loans, sold and purchased goods and services, and provided management, accounting and administrative assistance to its controlled entities. At 30 June 2020, the parent was owed from controlled entities \$ 30,370 (2019: owed \$24,775). All loans advanced to and from these controlled entities are unsecured, subordinate to other liabilities and do not bear interest. Loans between members of the tax consolidated group are not on normal terms and conditions.

No dividends were received from controlled entities in either of the periods to 30 June 2020 or 30 June 2019.

Other related party transactions

In the year to 30 June 2020, the Company paid Holding Redlich total invoices, including GST, of \$107,507 (2019: \$0) in respect of legal advice and related disbursements. Darren Anderson, a Director of the Company has been a Partner of Holding Redlich since November 2019. All fees and charges rendered by Holding Redlich were on commercial terms or more advantageous to the Company and were approved by Directors other than Darren Anderson.

At 30 June 2020, the parent owed Holding Redlich \$18,237 (2019: \$0).

Darren Anderson was a Partner of Broadley Rees Hogan (“BRH”) until November 2019. In the year to November 2019, the Company paid BRH, including GST, \$7,700 (2019: \$11,000) in respect of licence fees for a space within the BRH Brisbane offices. The Company has a licence, cancellable at one months’ notice, to maintain an office within the BRH space for a fee of \$1,000 per month + GST. No monies were paid to BRH during 2020 in respect of legal advice (2019: \$2,392).

25. INTANGIBLE ASSETS

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

26. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT

The economic entity undertakes transactions in a range of financial instruments including:

- listed shares and equity type securities in other corporations;
- cash assets;
- receivables;
- payables;
- deposits; and
- bills of exchange and commercial paper.

As a consequence, the Economic Entity is exposed to a number of financial risks. The Directors believe that these risks fall into two categories:

- “largely controllable risks” including interest rate risk, credit risk, and liquidity and operational risks; and
- “partly controllable risks” mainly arising from financial market risk.

We seek to sensibly mitigate the controllable risks but recognise that our financial performance is likely to be highly volatile as a result of “mark-to-market” accounting conventions, and the economic entity’s portfolio of investments in agribusiness related companies, which may be influenced by global soft commodity markets, currency fluctuations or weather related factors.

The Board provides overall guidance in respect of risk management, mainly in the areas of approving individual security investments, and providing advice and guidance in respect of the economic entity’s debt financing of its activities. The economic entity generally does not enter into derivative contracts as part of its day to day business, and has no major necessity to hedge specific exposures, given its relatively simple debt and equity financing structures and lack of overseas assets and liabilities.

(A) CAPITAL RISK MANAGEMENT

We aim to manage equity and debt capital in order to provide returns for shareholders, whilst maintaining the Economic Entity’s ability to pay its debts as and when they come due. As a smaller corporation, there is limited ability to manage the overall cost of capital, since equity capital may not always be accessible, and if so, only at significant theoretical cost. These costs may result in significant dilution to existing shareholders percentage interest in the economic entity.

In addition, the supply of debt capital is also not always assured as a result of the economic entity’s requirements to use major commercial banks. Since the economic entity’s business is of a specialist nature, commercial banks may not always be willing to lend to support its activities or may do so on terms which are highly constraining. These constraints include not only the price of available credit – referenced by its margin over market based bank bill rates – but also the variable nature of covenants required to be observed by the economic entity.

To manage overall capital risks, it may be necessary for the Board of Directors to adjust the level of dividends paid to shareholders, return capital to shareholders or issue new shares. Capital is monitored on an overall basis, although in the past has had to be done so with an emphasis on maintaining access to debt facilities made available to the economic entity. These have historically required the economic entity to maintain stipulated ratios of total liabilities to total tangible assets, minimum net worth (in dollar terms), restricted the ability to pay dividends in certain circumstances, and required that a parcel of securities be lodged with the economic entity’s debt financier. The economic entity fully repaid facilities which required maintenance of such criteria on 14 July 2010, although it has utilised overdraft facilities, from time to time, since that date.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

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

(B) LARGELY CONTROLLABLE RISKS – INTEREST RATE RISK AND EXPOSURES

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets, such as interest bearing bank accounts. Historically, our interest rate liability risk arose primarily from drawdowns of bank accepted bills with a maximum of 180 days duration.

At current interest rates, over the course of a full year, an increase of 100 basis points in borrowing rates with an accompanying change in deposit rates would reduce pre-tax loss by \$1,806 (2019: reduce pre-tax loss by \$4,525).

Interest rate risk is not specifically managed since the economic entity has no fixed balance sheet inflow/outflow requirements which would require complex asset-liability management, and the maximum 180 day bill accepted drawdown nature of the previous facility inhibited such a requirement. Given the equity nature of the economic entity's investments, the Directors believe that any increases in the costs of debt finance could be mitigated by the sale of equity investments.

The following table summarises interest rate risk, for the economic entity with weighted average interest rates at reporting date:

	Interest Rate	Fixed Interest Rate \$	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
ECONOMIC ENTITY 2020					
Financial assets:					
Cash and cash equivalents	0.05%	-	116,144	-	116,144
Trade and other receivables	-	-	-	21,510	21,510
Investments	-	-	-	4,108,688	4,108,688
		-	116,144	4,130,198	4,246,342
ECONOMIC ENTITY 2020					
Financial Liabilities:					
Trade and other payables	-	-	-	56,111	56,111
Loan from 3 rd party	12.00%	200,000	-	-	200,000
		200,000	-	56,111	256,111
Net Financial Assets		(200,000)	116,144	4,074,087	3,990,231
ECONOMIC ENTITY 2019					
Financial assets:					
Cash and cash equivalents	0.05%	-	282,154	-	282,154
Trade and other receivables	-	-	-	3,872	3,872
Investments	-	-	-	4,714,888	4,714,888
		-	282,154	4,718,760	5,000,914
Financial Liabilities:					
Trade and other payables	-	-	-	40,125	40,125
		-	-	40,125	40,125
Net Financial Assets		-	282,154	4,678,635	4,960,789

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

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

(C) LARGELY CONTROLLABLE RISKS – CREDIT RISK

Credit risk is the risk that a contracting entity will not complete its obligations under an agreement or financial instrument and cause us to incur a financial loss. We have exposure to credit risk on various financial assets included in our statement of financial position.

The economic entity's major theoretical credit risk relates to its exposure to sold securities transactions where Members of ASX Limited are required to settle such transactions in the normal course of business on the Australian Securities Exchange. Members of ASX Limited are generally covered by the National Guarantee Fund for the types of transactions entered into by the Economic Entity. To help manage this risk, we monitor our exposures to individual entities. The maximum amount to which the economic entity is exposed as at 30 June 2020 is \$nil (2019: \$nil).

The economic entity is also exposed to credit risk through bank deposits and other simple money market instruments. These risks are managed by the economic entity placing short term deposits and bills only with highly rated major domestic commercial banks.

(D) LARGELY CONTROLLABLE RISKS – OPERATIONAL AND LIQUIDITY RISK

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the due date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial asset at all.

To help mitigate these risks we maintain constant monitoring of the economic entity's financial position through a series of cross-linked financial programs and attempt to ensure the economic entity has accessible liquidity in the form of cash and readily saleable securities. The contracted cash flows of all financial liabilities (refer note 16) are equal to their carrying value and will mature within twelve months of the reporting date.

(E) PARTLY CONTROLLABLE RISKS – FINANCIAL MARKET AND SECURITIES RISK

Financial market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. In the main, this occurs due to the economic entity's investments in listed ordinary shares whose share prices can fluctuate significantly over short periods of time.

The Board of Directors regard financial market risk as being only partly controllable, since investing in ordinary shares is an inherent component of the economic entity's activities, from which it seeks to profit. The economic entity is subject to significant risks which it is largely unable to control as a result of investing in smaller companies.

Investments in these companies are subject to more volatile price fluctuations as a result of:

- illiquidity of trading in the investee company's securities;
- potential proprietorial conflict from large shareholdings owned by management or Directors;
- concentration of major shareholdings, which can lead to extreme negative fluctuations in share prices when single investors seek to sell their securities in the investee company, irrespective of the business performance of the investee;
- lack of diversification of business activities of the investee company, rendering the investee susceptible to volatility within a single industry; and
- non-voting or restricted voting securities or other restrictive mechanisms enshrined in investee constitutions.

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

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

In respect of individual securities, the Board of Directors monitors and approves significant exposures to individual securities, other than controlled entities. In addition, the inherent risks of significant exposures to individual entities are, on occasion, partly mitigated by board representation on the investee company. Due to the nature of securities owned, there is limited correlation with traditional stock market indices.

In the event that the listed company portfolio increased or decreased in value by 10% from the levels of 30 June 2020, there would be a corresponding positive or negative impact on pre-tax profit/(loss) of \$ 410,869 (2019: \$471,489).

(F) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

As of 1 July 2009, the group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

30 June 2020	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	4,108,688	-	-	4,108,688
TOTAL	4,108,688	-	-	4,108,688
30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	4,714,888	-	-	4,714,888
TOTAL	4,714,888	-	-	4,714,888

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used):

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2020	30 June 2019				
Held for trading non-derivative financial assets (see notes 10, 14)	Listed Australian equity securities: Agricultural industry - \$4,108,688	Listed Australian equity securities: Agricultural industry - \$4,714,888	Level 1	Quoted bid prices in an active market	N/A	N/A
Held for investment non-derivative financial assets	Unlisted Australian equity security: biotechnology industry - \$nil	Unlisted Australian equity security: biotechnology industry - \$nil	Level 2	Directors' valuation adjustments to Observable prices in private transactions	N/A	N/A

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Other data on net fair values of assets and liabilities is presented in notes 10 and 14 to the financial statements.

(G) RECONCILIATION OF NET FINANCIAL ASSETS TO NET ASSETS

	Economic Entity	
	2020	2019
	\$	\$
Net Financial Assets as above	3,990,231	4,960,789
Non financial assets and liabilities:		
Deferred tax assets	7,239	6,146
Goodwill	7,709	7,709
Net assets per balance sheet	4,005,179	4,974,644

27. COMPANY DETAILS

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

AUSTRALIAN RURAL CAPITAL LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

28. SEGMENT REPORTING

The Economic Entity has two reportable segments, which both solely operate in one geographic segment, being Australia. Segment results, assets and liabilities include items directly attributable to a segment. Information about each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Executive Chairman, who is also the chief operating decision maker.

Segment profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of each operating segment. The reportable segments are as follows:

Funds management: management of investment vehicles and provision of funds management services.

Investment: investment in agriculture related entities, schemes and securities; "microcap" Australian companies, and other financial services entities.

2020	Funds			TOTAL
	Management	Investment	Unallocated	
	\$	\$	\$	\$
External revenue	-	(606,200)	-	(606,200)
Interest revenue	-	95	-	95
Expenses other than finance, depreciation and amortisation	(5,595)	-	(531,602)	(537,197)
SEGMENT RESULT	(5,595)	(606,105)	(531,602)	(1,143,302)
Finance Costs	-	-	(6,497)	(6,497)
PROFIT/(LOSS) BEFORE INCOME TAX	(5,595)	(606,105)	(538,099)	(1,149,799)
Income tax expense	-	-	1,093	1,093
PROFIT/(LOSS) AFTER INCOME TAX	(5,595)	(606,105)	(537,006)	(1,148,706)
Segment Assets	49,791	4,175,041	36,458	4,261,290
Segment Liabilities	-	-	256,111	256,111
Capital Expenditure	-	-	-	-
2019	Funds			TOTAL
	Management	Investment	Unallocated	
	\$	\$	\$	\$
External revenue	-	(2,033,238)	-	(2,033,238)
Interest revenue	-	349	-	349
Expenses other than finance, depreciation and amortisation	(5,713)	-	(434,766)	(440,479)
SEGMENT RESULT	(5,713)	(2,032,889)	(434,766)	(2,473,368)
Finance Costs	-	-	-	-
PROFIT/(LOSS) BEFORE INCOME TAX	(5,713)	(2,032,889)	(434,766)	(2,473,368)
Income tax expense	-	-	(5,584)	(5,584)
PROFIT/(LOSS) AFTER INCOME TAX	(5,713)	(2,032,889)	(440,350)	(2,478,952)
Segment Assets	49,768	4,948,145	16,856	5,014,769
Segment Liabilities	240	-	39,885	40,125
Capital Expenditure	-	-	-	-

AUSTRALIAN RURAL CAPITAL LIMITED

DIRECTORS DECLARATION

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

- (a) The financial statements and notes of the Economic Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Economic Entity's financial position as at 30 June 2020 and of its performance for the year ended on that date;
 - (ii) complying with Accounting Standards and Corporations Regulations; and
 - (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and
- (b) In the opinion of the directors, there are reasonable grounds to believe that the Economic Entity will be able to pay its debts as and when they become due and payable.
- (c) The Managing Director has declared that:
 - (i) the financial records of the Economic Entity for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (iii) the financial statements and notes for the financial year give a true and fair view.
- (d) The remuneration disclosures that are contained in pages 7 to 9 of the Directors' Report comply with Australian Accounting Standard AASB 124 Related Parties and Corporations Regulations 2001.

On behalf of the Board



J A Jackson
Chairman

Date: 20 August 2020

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



Opinion

We have audited the financial report of Australian Rural Capital Limited (the Company and its controlled entities (the "Group")), which comprises the consolidated statement of financial position as at 30 June 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration. In our opinion the consolidated financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
<p>Share Based Payments</p> <p>As disclosed in Note 19 in the financial statements, during the year ended 30 June 2020, the Company incurred share-based payments totaling \$4,241.</p> <p>Share based payments are considered to be a key audit matter due to:</p> <ul style="list-style-type: none"> - the value of the transactions; - the complexities involved in recognition and measurement of these instruments; and - the judgement involved in determining the inputs used in the valuation. <p>Management engaged an external valuer to determine the fair value of the options granted. This process involved significant estimation and judgement required to determine the fair value of the equity instruments granted.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> - Analysing contractual agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with AASB 2 Share Based Payments; - Evaluating the Monte Carlo valuation model used by the external valuer and assessing the assumptions and inputs used; - Assessing the adequacy of the disclosures included in Note 19 to the financial report.

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



Other Required Information

The directors are responsible for the other required information. The other required information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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



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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 9 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Australian Rural Capital Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink that reads "Bentleys".

Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants

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

Stewart Douglas
Director
Brisbane, 20 August 2020

AUSTRALIAN RURAL CAPITAL LIMITED.

OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2020

A. Range of Shares Issued as at 12 August 2020

As at 12 August 2020 there were 12,946,240 ordinary shares held by 417 shareholders, all of which were quoted on the ASX.

Range	Holders	Shares held	% of capital
1-1,000	295	45,668	0.35
1,001-5,000	38	98,135	0.76
5,001-10,000	14	123,560	0.95
10,001-100,000	43	1,781,896	13.76
100,001-9,999,999,999	27	10,896,981	84.17
Totals	417	12,946,240	100.000

There are 311 shareholders owning a total of 65,983 shares who own unmarketable parcels of the Company's securities.

B. Top Twenty shareholders as at 12 August 2020

Holder	Shares held	% of capital
Federal Pacific Holdings Pty Ltd	1,271,707	9.82%
Mistover Pty Ltd <Mistover A/C>	1,174,825	9.07%
Agrico Investments Pty Limited	1,024,368	7.91%
E R Nixon Pty Ltd <ER Nixon Retirement Fund A/C>	1,000,000	7.72%
Agrico Pty Ltd <Palm Super Fund A/C>	978,604	7.55%
Poal Pty Ltd <Barain Super Fund A/C>	521,164	4.02%
Pethol (Vic) Pty Ltd <Macy No 5 Super Fund A/C>	472,809	3.65%
Abron Management Services Pty Limited <Brown Family Super Fund A/C>	430,000	3.32%
Andrew Adcock Investments Pty Ltd <Adcock Family S/F A/C>	410,000	3.16%
BNP Paribas Nominees Pty Ltd <IB Au Noms RetailClient DRP>	350,020	2.70%
Data Investments Pty Ltd <Deep North Securit S/F A/C>	344,905	2.66%
P K Capital Pty Ltd	311,500	2.40%
Citicorp Nominees Pty Limited	272,896	2.10%
Kanumera Investments Pty Ltd <Mac Super Fund A/C>	250,000	1.93%
James Andrew Jackson	250,000	1.93%
Rombola Superannuation Pty Ltd <Rombola Super Fund A/C>	200,000	1.54%
Ract Super Pty Ltd <Rand Superannuation A/C>	200,000	1.54%
Mr Andrew Alexander Adamovich	200,000	1.54%
Clapsy Pty Ltd <Baron Super Fund A/C>	186,046	1.43%
Crommo Pty Ltd	185,850	1.43%
TOTAL TOP TWENTY SHAREHOLDERS	10,034,694	77.51%

C. Voting Rights

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

OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2020 (CONTINUED)

D. Top Twenty listed option holders as at 12 August 2020

Holder	Options held	% of class
Federal Pacific Holdings Pty Ltd	836,166	10.57%
Agrico Investments Pty Limited	782,469	9.89%
Poal Pty Ltd <Barain Super Fund A/C>	776,473	9.81%
Mistover Pty Ltd <Mistover A/C>	656,000	8.29%
E R Nixon Pty Ltd <ER Nixon Retirement Fund A/C>	637,200	8.05%
Agrico Pty Ltd <Palm Super Fund A/C>	473,121	5.98%
P K Capital Pty Ltd	420,000	5.31%
T B I C Pty Ltd <Crommelin Family Account>	322,400	4.07%
Pethol (Vic) Pty Ltd <Macy No 5 Super Fund A/C>	315,002	3.98%
Abron Management Services Pty Limited <Brown Family Super Fund A/C>	280,375	3.54%
Andrew Adcock Investments Pty Ltd <Adcock Family S/F A/C>	270,000	3.41%
Datala Investments Pty Ltd <Deep North Securit S/F A/C>	229,788	2.90%
Baron Nominees Pty Limited	200,000	2.53%
Mr Austin Sydney Miller	189,172	2.39%
Daved Investments Pty Ltd <The Brown Super Fund A/C>	120,000	1.52%
HSBC Custody Nominees (Australia) Limited	113,364	1.43%
Stiletto Investments Pty Ltd	104,526	1.32%
Mitchelldangar Pty Ltd	100,000	1.26%
Brian T Donnellan Pty Ltd <BT Donnellan Super Fund A/C>	100,000	1.26%
Pilrift Pty Limited <Crichley Ret Fund A/C>	90,000	1.14%
TOTAL TOP TWENTY SHAREHOLDERS	7,016,056	88.65

E. Substantial Shareholders

The company has received the following substantial holder notices from shareholders who hold relevant interests in the company's ordinary shares as at 12 August 2020:

Disclosed Holder	Shares held at time of notice	% of capital disclosed at time of notice
James Andrew Jackson (relevant interests)	2,708,690	20.92%
Agrico investments Pty. Limited	2,002,972	15.5%
E R Nixon Pty. Limited	1,000,000	8.0%

E. Corporate Governance Statement and Information

The Company's Corporate Governance Statement and other corporate governance related information including Securities Trading Policy, Board Charter, Risk and Audit Committee Charter and Code of Conduct is available at the Company's website: www.ruralcapital.com.au/investors-centre.