RuralAus Investments Limited

ABN: 19 091 247 166

Annual Financial Report

For the year ended 30 June 2012

Corporate Information

Directors
Paul Lawrence McKenzie (Chairman)
Ian Peter Olson
Frederick Raymond Woollard

Company Secretary
Scott Andrew Wallace

Registered Office and Principal Place of Business
23/60 Royal Street
East Perth Western Australia 6004

Telephone: (08) 9221 8006
Facsimile: (08) 9221 8007

Solicitors
Templar Legal
3/94 Hay Street
Subiaco Western Australia 6008

Bankers
National Australia Bank Limited
100 St Georges Terrace
Perth Western Australia 6000

Auditor
Ernst & Young
11 Mounts Bay Road
Perth Western Australia 6000

Share Register
Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth Western Australia 6000
Telephone: (08) 9323-2000

RuralAus Investments Limited shares are listed on the Australian Stock Exchange (ASX)

Principal Operating Entity
RuralAus Plantation Management Pty Ltd
ACN 114 145 498

Website
www.ruralaus.com.au

Australian Stock Exchange Code
RUR

Contents

Directors' Report

Your directors submit their report for the year ended 30 June 2012.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows: Directors were in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Paul Lawrence McKenzie
B.Sc. (Agric), B.Comm, FAICD, AAAC – *Non Executive Chairman*

Paul is the Managing Partner of Agrarian Management, a leading Western Australian agriculture consultancy with offices in Geraldton, Perth and Katanning. Paul has 20 years experience in agribusiness, management, finance and primary production. He is a past President of the Australian Association of Agricultural Consultants (WA) Inc and a Ministerial Appointee to various agribusiness review and advisory panels. Paul was the founding Chairman of Gage Roads Brewing Co ("GRB"), from concept to private company to ASX listing in December 2006 and resigned in May 2008. In June 2008, Paul was appointed director of Rural Financial Counselling Service (WA) ("RFCS"). RFCS administrates a federal government funded program in WA under the Department of Agriculture, Fisheries and Forestry.

Paul is Ferrier Hodgson's WA Agribusiness Specialist for advisory, reconstruction and recovery appointments

Paul was appointed Chairman of the Group on 1 July 2009.

Ian Peter Olson
CA, B.Comm, MAICD, AIMM – *Non Executive Director*

An experienced Chartered Accountant, Ian brings extensive knowledge in corporate advisory, audit and assurance to the Board. Ian was formerly Managing Partner of PKF Chartered Accountants in Western Australia and is now owner and Executive Chairman of the King Group, a diversified surveying, drafting, mapping and GIS business. Ian is currently a Non-Executive Director of ASX listed company Diploma Group Limited, appointed 10 October 2007 and Non-Executive Chairman of ASX listed company Gage Roads Brewing Co Limited, appointed 12 November 2007.

Frederick Raymond Woollard
B.Ec, F.Fin, GAICD – *Non Executive Director*

Fred is Managing Director of Samuel Terry Asset Management Pty Ltd ("Samuel Terry"), a Sydney-based funds manager.

Fred has worked in stock broking and funds management for over 30 years, in Australia and in Europe. Before establishing Samuel Terry, he was a director of Hunter Hall International Ltd in London.

Fred was appointed to the board of the company on 11 March 2008. He was also appointed a director of Hamilton Securities Ltd on 14 July 2009, which is listed on the National Stock Exchange. He has not been a director of any other publicly listed company in the last three years.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors, either directly or indirectly, in the shares of RuralAus Investments Limited were:

	Ordinary Shares Direct Interest	Ordinary Shares Indirect Interest	Options
Paul McKenzie	2,166,667	-	-
Ian Olson	771,622	-	-
Frederick Woollard*	6,000	17,672,287	-

* These shares are held by JP Morgan Nominees as custodian of the Samuel Terry Absolute Return Fund. Mr Woollard is Managing Director of Samuel Terry as trustee of the Samuel Terry Absolute Return Fund.

CFO and Company Secretary

Scott Wallace

CA, B.Comm

Scott is a Chartered Accountant with more than 13 years in the corporate reconstruction area of several major accounting firms including KPMG, Ernst & Young and KordaMentha. During this time, Scott spent two years on secondment to a major Australian bank in their specialised business services division.

Dividends

The directors have resolved not to declare a dividend for the year ended 30 June 2012. No dividends were paid during the previous year.

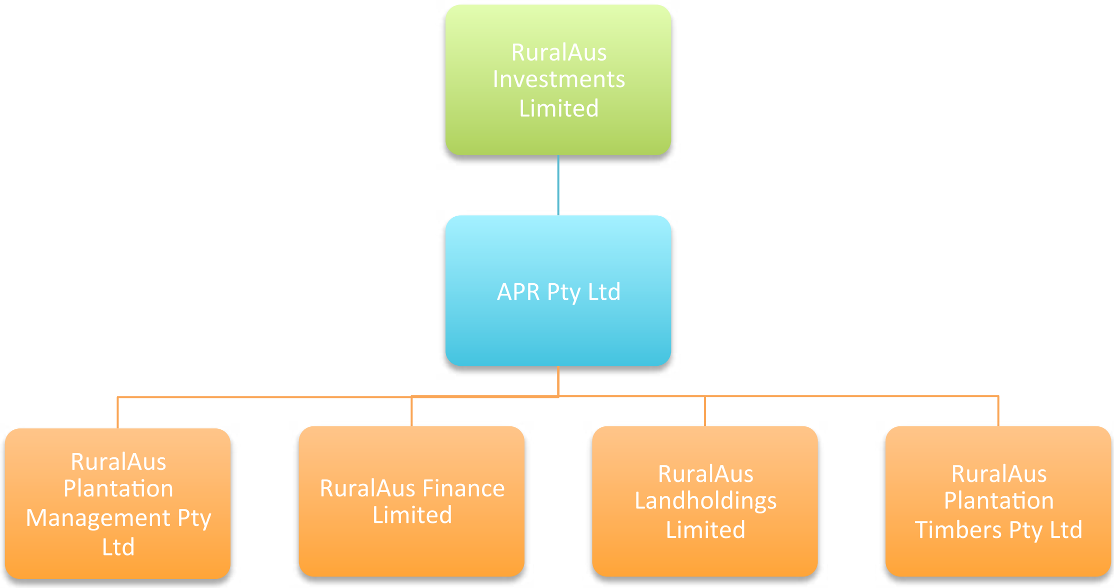
Principal activities

The principal activities during the year of entities within the consolidated entity was the management of forestry based managed investment projects, the provision of related forestry service, lending for investment in forestry based managed investment projects and the production of sawn timber and posts from the sawmill on Kangaroo Island. There have been no significant changes in the nature of those activities during the year.

Corporate information

Corporate structure

RuralAus Investments Limited is a publicly listed company that is incorporated and domiciled in Australia. RuralAus has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the Group's corporate structure:



Employees

The consolidated entity employed 10 employees at 30 June 2012 (2011: 9 employees).

Operating and financial review

Group overview

Group operations principally involve the management of third party and Company owned investments in timber plantations. RuralAus Plantation Management Pty Ltd is the manager of five managed investment schemes involved in blue gum and pine plantations, which cover 4,650 hectares of plantations located on Kangaroo Island, South Australia and Bremer Bay, Western Australia.

During the year, forestry management services were provided on a contract basis to New Forests Limited in relation to their land located on Kangaroo Island. Services provided in relation to the contract were expected to conclude in October 2011, however, this contract has been extended on a month-by-month basis since that time.

RuralAus Finance Limited ("RAFL") was created to support the marketing of the timber investments through the raising and provision of finance to investors in the historically promoted projects. It currently manages a portfolio of 331 loans, down from 348 loans last year.

RuralAus Landholdings Limited ("RALL") owns the land that the plantations are located on and also the timber mill assets and land that was acquired in 2010 as part of the SFM Australasia Pty Ltd (Receivers and Managers Appointed) ("SFMA") transaction. This purchase included approximately 3,452 hectares of land planted with approximately 2,200 hectares of pine plantations and a sawmill. All of the SFMA assets are located on Kangaroo Island.

As part of the purchase of SFMA, RuralAus Plantation Timbers Pty Ltd was created to run the operations of the sawmill on Kangaroo Island.

Results of operations

Net loss for the period was $3.942m. This is a substantial difference from last year (2011: loss $1,503m) and is mainly as a result of two factors: a significant increase in the allowance for impairment against outstanding grower loans; and an increase in costs associated with establishment of operations at the Kangaroo Island sawmill, both of which are discussed below.

Revenue from ordinary activities for the period increased by 7.14 % to $1.995m (2011: $1.862m) and is largely as a result of the contribution of sales of sawn timber from the sawmill on Kangaroo Island.

Overall costs for the period increased by $1.886m to $6.692m (2011: $4.806m) and mostly comprises the impairment allowance for outstanding grower loans. (An increase of $1.579m as compared to last year).

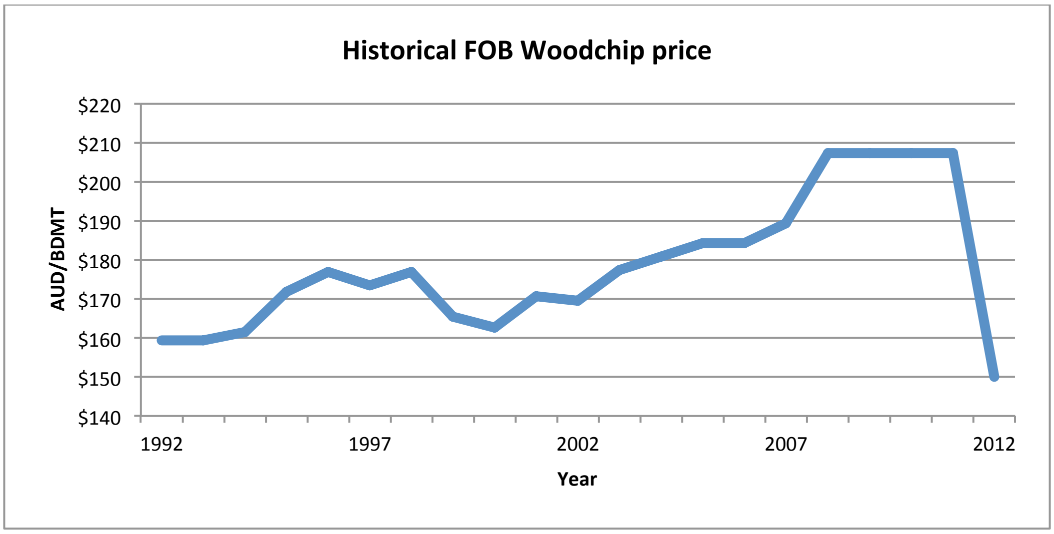
MIS Operations

MIS operations cover the lease and management agreements in relation to the growers' plantations and the associated finance loans provided by RAFL.

Continued care and maintenance of the plantations was carried out during the year in addition to substantial work investigating the marketing of the woodchips from the harvest of Project 1 timber at Bremer Bay. Meetings of growers in Projects 2 to 5 were held in March 2012 by the Responsible Entity to extend each of those projects by a further two years, to allow for the marketing and harvesting of the woodchips from those projects.

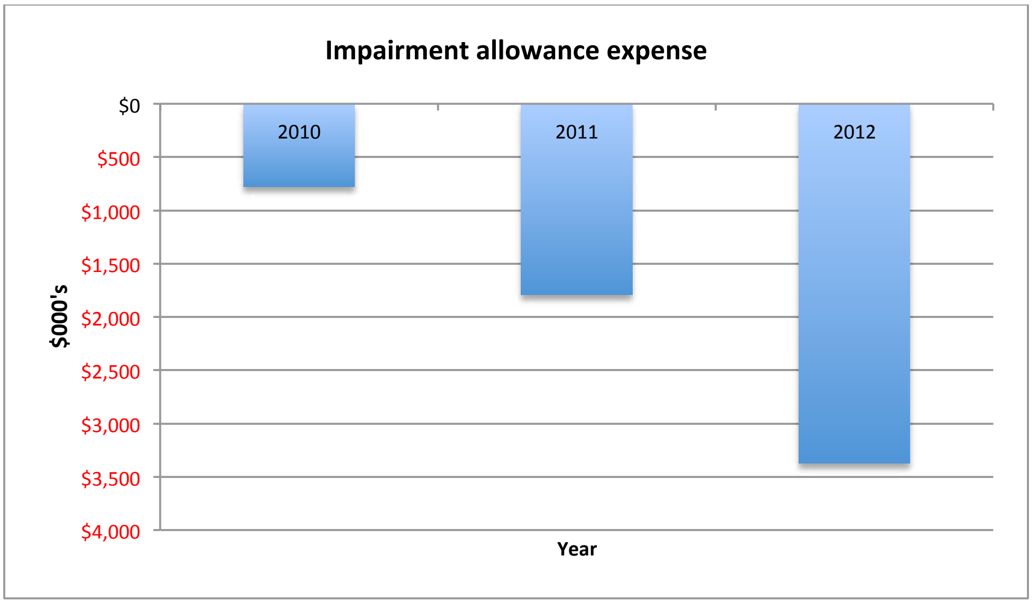
During the period lease and management income increased by 10.3% to $0.913m (2011: $0.827m) and is a result of CPI indexing of lease and management fees charged. Interest from grower loans decreased however by 13.3% to $0.751m (2011: $0.866m) as a result of closure of number of loans in the period due to non-payment. At 30 June 2012, 39 loans representing $1.943m in outstanding principal and interest were either in breach or default. At 30 June 2011, 48 loans totalling $3.272m were either in breach or default. The difference is largely as a result of loans being written off in the period.

A substantial increase in the allowance for impairment on the outstanding grower loans of $3.373m (2011: $1.794m) was expensed in the accounts during the year and was the single largest contributing factor to the loss reported by the group this year. This expense was as a result of a review of the grower loans and relates to the expected forecast return that may be paid to growers on harvest. This expected return directly affects the recoverable amount of the loans. The reason for the increase is a substantial fall in the woodchip export price from the previous four-year's price of $207.40/bone dry metric tonne ("BDMT") to the current level of approximately $150/BDMT. This is a fall of approximately 25% and is illustrated in the following graph.



This fall has been caused by a fall in demand for export woodchips caused by global market conditions, the high Australian dollar and the series of natural disasters in 2011 in Japan (the traditional market for Australian woodchips). This fall has also contributed to the delays in harvesting of the timber projects and was the main reason behind the grower meetings to extend the projects for a further two-year period as at an export price of $150/BDMT, the proceeds from harvest barely cover the costs of harvest. Should these woodchip prices continue, the current arrangement between the Group and growers will need to be fundamentally restructured in order that a mutually beneficial commercial outcome can be achieved at some point in the future.

The following graph depicts the impairment allowance expensed in the Group's accounts for the past three years:



The above chart is affected by the fall in woodchip export prices and major issues faced in the forestry industry. The demise of Great Southern Plantations, Timbercorp and Willmott Forests and the impact those company failures have had on the MIS industry in general, has affected investor sentiment and the servicing by the borrowers on their loans. As can been seen further in the accounts, the outstanding loans have now nearly been written down to a nil balance and therefore this impairment allowance expense trend will not continue into future periods.

As mentioned above, the contract to manage the land owned by New Forests Limited on Kangaroo Island contributes on average $4,000 per month and continues on a month-by-month basis.

Landholdings

In January 2012, the Group's last remaining property at Bremer Bay, "Old Myamba" was sold. The sale price was $1.7m with the Group receiving $1.668m on settlement after costs of sale. The property was valued in the accounts at $1.185m and the resulting fair value increase on sale of $0.439m has been recorded in "Other Income" on the Consolidated Statement of Comprehensive Income.

The vendor finance loan that was in relation to the sale of Toocalup and Myamba in Bremer Bay was also finalised in January 2012. The finalisation of this loan and sale of Old Myamba concludes the board's exit strategy from land ownership in Bremer Bay. The Group continues to lease 2,957 hectares in Bremer Bay for the MIS plantations at a cost of approximately $400,000 per annum.

Milling Operations

Included in the SFMA acquisition was the only operational pine sawmill on Kangaroo Island. As was advised in last year's annual report, it was the board's intention to commence operations at the sawmill during this period. After a series of refurbishment works that concluded in late 2011, the sawmill commenced operations in earnest in January 2012 (timber was being processed from October 2011 albeit on a limited trial basis).

Operations have been limited to the production of rough sawn green timber at the "green mill", the timber from which is used in the production of pallets, and the production of timber posts. Whilst there are other areas of the mill, such as the kilns for drying the timber, the "dry mill" being the production process after the kilns to produce dried sawn timber and the CCA treatment plant [1] for the treating of posts, these areas of the mill have not been opened at this stage. It is the board and management's strategy to focus on the successful operation of the green mill before other areas of the mill are opened.

During the year, the mill processed 5,363 tonnes of timber: 3,835 tonnes of rough sawn timber and 1,528 tonnes of posts. Timber sales for the year totalled $187,000, however the overall operating loss for the mill for the year was $141,000 before the allocation of any corporate overheads. Total operating cash outflow for the year was $1.155m, reflecting start-up and refurbishment costs and the creation of inventory of sawn timber and finished posts.

As was expected during the start up phase, the costs of production of rough sawn timber have exceeded the average sale price. This was due to a number of "one-off" maintenance and adjustment costs associated with restarting the mill. Accordingly, a write down in the finished goods inventory of $80,000 has been entered in the accounts. The average sales price for posts however, has exceeded the average cost of production and no adjustment has been processed for finished goods inventory of posts. As the quality of rough sawn timber continually improves, the sales price/tonne is forecast to increase.

Management have also been exploring other opportunities on Kangaroo Island in terms of the export of logs off the island.

During the next year, the board and management will continue to focus on developing the green mill whilst reviewing opportunities to commence operations at the other areas of the mill. Despite the mill presently being loss making, the rate of losses is expected to decline as the mill becomes more efficient. Management believe that the mill will break even from an operational perspective (before the allocation of any corporate overhead costs or stumpage) during the next few months. If that cannot be achieved, then the mill may need to be closed.

Corporate Operations

A non-renounceable entitlements issue was announced on 9 September 2011 and advised in last year's Annual Report. The details of the issue were a one share for five shares at a price of $0.12 per share, with the issue fully underwritten by Samuel Terry Asset Management Pty Ltd as trustee for the Samuel Terry Absolute Return Fund of which Mr Frederick Woollard is a director and Agrarian Consulting Pty Ltd as trustee for the Paul McKenzie Family Trust Number 2 of which Mr Paul McKenzie is a director. The offer closed on 11 October 2011, fully subscribed.

The purpose of the capital raising was to provide working capital for the start up of the mill, refurbishment/maintenance costs and other costs associated with the mill. In addition, funds were utilised towards meeting some of the costs of the government grant that was received during the previous period.

The results of the grant were received in October 2011. The grant was a pre-cursor study to explore the merits or otherwise of establishing a bio-mass power plant on Kangaroo Island. The findings of the report indicated that the plant has merit and that further work should be done to investigate the issue with a view to providing a final report to present to investors/interested parties to build and operate the plant.

This next study is progressing now with the Company seeking a further government grant to enable it to complete the study. The results of this should be known later this year.

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1 CCA Treatment plant refers to the process of treating timber with copper chrome arsenic and renders the timber impervious to termites

Performance indicators

	2012 $'000	2011 $'000	% Change from the previous period
Revenue from ordinary activities	**1,995**	1,862	Increase 7.1%
Profit/(loss) from ordinary activities	**(3,942)**	(1,503)	Decrease 162.3%
Profit/(loss) attributable to members for the period	**(3,942)**	(1,503)	Decrease 162.3%
Total comprehensive income/(loss) after tax	**(3,942)**	945	Decrease 517.1%
Net tangible asset backing per security	**$0.21**	$0.31	Decrease 32.3%

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group.

Significant events after balance date

On 24 July 2012, John Ipsen, Scott Wallace and Operations Manager, Ian Knobel, received 100,000 shares each in the Company and a $5,000 cash payment as part of their remuneration review, which was conducted prior to 30 June 2012.

There have been no other significant events after balance date.

Likely developments and expected results

The Group will continue to pursue its principal activities, being forestry, the recovery of the loan book and the production of timber on Kangaroo Island.

The harvest of Project 1 is also likely to commence during the next period. This however, is tied to a recovery in the woodchip export price.

Further work will be done to explore income opportunities by the possible opening of other areas of the mill and other export opportunities of timber off Kangaroo Island.

All of these activities are expected to have a positive impact on the financial results of the Group.

Environmental regulation and performance

The company's operations are subject to environmental regulations pursuant to the conditions of tree farm planning permissions and the requirements of planning and regulatory approvals of local government councils. To the best of the director's knowledge, the company has complied with all environmental regulations relating to its activities during the year.

Indemnification and insurance of directors and officers

During the financial period a controlled entity, on behalf of the Group, paid insurance premiums in respect of directors' and officers' liability insurance against liability, except wilful breach of duty, of a nature that is required to be disclosed under section 300(8) of the Corporations Act 2001. In accordance with the insurance policy, further details of the nature of the liabilities insured against and the amount of the premium are prohibited from being disclosed.

Directors' meetings

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Directors Meetings	Audit	Remuneration
Number of meetings held:	**10**	**2**	**1**
Number of meetings attended			
Paul McKenzie	10	2	1
Ian Olson	10	2	1
Frederick Woollard	10	2	1

Committee membership

As at the date of this report, the company had an Audit and Compliance Committee and a Remuneration Committee of the Board of Directors. All directors act on both of these committees.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Auditor independence and non-audit services

The directors have received the auditors' independence declaration, which is included on page xx of this report. The declaration forms part of the Directors' report.

No director of the Group is currently or was formerly a partner of Ernst & Young.

Non-Audit Services

The entity's auditors, Ernst & Young, did not provide any services other than audit and tax services during the year. See Note 28 in the Notes to the Financial Statements for details of audit and tax services provided during the year.

Remuneration report (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purpose of this report, the term "executive" encompasses the Chief Executive Officer and Chief Financial Officer of the Parent and the Group.

Key management personnel

Key management personnel are as follows:

Directors

Paul McKenzie	Chairman - Non-executive Director
Ian Olson	Non-executive Director
Fred Woollard	Non-executive Director

Executives

John Ipsen	Chief Executive Officer
Scott Wallace	Company Secretary, Chief Financial Officer

There have been no changes to Key Management Personnel after the reporting date and before the date the financial accounts were authorised for issue.

Remuneration committee

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing remuneration arrangements for the directors and executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

Remuneration philosophy and structure

The company has structured remuneration packages for its executives and directors in order to attract and retain people with the necessary qualifications, skills and experience to assist the company in achieving its desired results.

The following table shows the EPS and share price of the Group for the past 5 years:

	Net tangible assets	**Earnings per share**	**Share price at 30 June**
2012	$0.21	($0.072)	$0.06
2011	$0.31	($0.028)	$0.16
2010	$0.31	($0.014)	$0.12
2009	$0.30	($0.051)	$0.14
2008	$0.35	($0.0073)	$0.18

Remuneration is reviewed on an annual basis, taking into consideration both qualitative and quantitative performance indicators, with reference to industry benchmarks. A review has been conducted in the period of this annual report.

Overall performance of the directors and the two executives of the company are considered against:

- Timely production of company accounts and records;
- Management of the portfolio of loans against acceptable write off and performance standards

- Maintenance/improvement of the Net Tangible Assets of the company;
- Control of costs;
- Investor relations;
- Assessment of new opportunities; and
- Employee performance.

Remuneration is recommended by the Remuneration Committee to the Board and is set at around the mid point for professional personnel as measured by knowledge of the members of the Remuneration Committee and augmented by reference to reports produced by professional Human Resources consultants.

Non-executive director remuneration

Objective
The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure
The total amount paid to non-executive directors is determined by the Board from time to time for presentation to and resolution by shareholders at the Annual General Meeting. The current maximum aggregate remuneration paid to non-executive directors is fixed at $250,000 pa.

The non-executive directors are paid a set amount per year. They are not eligible for any additional payments, other than reimbursement of expenses incurred on behalf of the Group. No director is employed under contract. Fred Woollard is paid on a PAYG basis and accordingly, superannuation payments are made on his behalf to his nominated superannuation fund.

The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

Details of the nature and amount of remuneration of each non-executive director of the company and the consolidated entity for the financial year are as follows:

	2012			2011		
	Short term	**Post employment**		Short term	Post employment	
	Salary & Fees	**Super**	**Total**	Salary & Fees	Super	Total
	$	**$**	**$**	$	$	$
Paul McKenzie	**75,000**	**-**	**75,000**	75,000	-	75,000
Ian Olson	**50,000**	**-**	**50,000**	50,000	-	50,000
Fred Woollard	**45,872**	**4,128**	**50,000**	45,872	4,128	50,000
	170,872	**4,128**	**175,000**	170,872	4,128	175,000

No options were granted as part of remuneration during the year.

Executive remuneration

Objective
The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities with the company so as to:

- Align the interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Structure

Executives are employed under normal statutory contractual employment terms. Termination payments are paid as per statutory termination arrangements. There are no termination obligations with any of the executives. The total amount paid to executives is determined by the Board on an annual basis as part of the annual performance review of executives conducted by the Board based on KPI's set by the Board each year for the executives. The amount of salary and fees and the payment of cash bonuses, if any, are at the Board's ultimate discretion.

The following people are executives of the company and the consolidated entity receiving the highest remuneration for the financial year:

	2012							
	Short term (a)			**Post employment**	**Long term (b)**	**Share-based payment (c)**		
	Salary & fees	**Cash bonus***	**Other non-monetary benefits**	**Super**	**Long service leave**	**Executive share loan plan**	**Shares ***	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
John Ipsen	**214,991**	**5,000**	**5,196**	**19,112**	**-**	**170,333**	**6,000**	**420,632**
Scott Wallace	**160,701**	**5,000**	**4,956**	**14,298**	**1,900**	**34,067**	**6,000**	**226,922**
	375,692	**10,000**	**10,152**	**33,410**	**1,900**	**204,400**	**12,000**	**647,554**

	2011					
	Short term		Post employment	Long term	Share-based payment	
	Salary & fees	Other non-monetary benefits	Super	Long service leave	Executive share loan plan	Total
	$	$	$	$	$	$
John Ipsen	170,585	2,271	15,338	-	56,667	244,861
Scott Wallace	169,879	2,289	15,107	18,138	11,333	216,746
	340,464	4,560	30,445	18,138	68,000	461,607

*Cash bonus and shares were granted on 30 June 2012 however were not received until 24 July 2012.

(a) *Short-term incentives*

As well as salary and fees, short-term incentives include the following:

- Cash bonus – being a cash bonus of $5,000 paid in recognition of performance for the 2011/12 financial year (this is a discretionary payment based on performance);
- Other non-monetary benefits – being the use of a car bay and mobile telephone; and

(b) Long service leave

Is the accrual of long service leave for Mr Wallace for service to the Group.

(c) Share based payment

This was the allocation of 100,000 shares each to Messrs Ipsen and Wallace and was paid in recognition of performance for the 2011/12 financial year (this is a discretionary payment based on performance).

Executive share loan plan
In March 2011, the Directors established an Executive share loan plan. The purpose of the plan is to align the interest of the executives with those of shareholders and to ensure that remuneration is competitive by market standards. This plan provided for non interest bearing, limited recourse loans to the Chief Executive Officer and Chief Financial Officer to purchase shares in the Group based on the VWOP of the underlying shares at grant date, which was $0.15 per share. The total shares offered under the plan were 3,000,000. There is one vesting condition related to the executives remaining eligible employees until 25 March 2012.

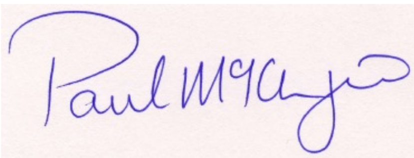
The plan is accounted for and valued as an option plan, with contractual life of each option equivalent to loan life, being five years. There are no cash settlement alternatives with the repayment of the loan representing exercise of the options. See Note 32 for further details of the plan.

No options were granted as part of remuneration during the year.

Share options
As at the date of this report, there were no options issued.

End of Remuneration Report

Signed in accordance with a resolution of the directors



Paul McKenzie
Chairman

Dated this 27th day of September 2012

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Auditor's Independence Declaration to the Directors of RuralAus Investments Limited

In relation to our audit of the financial report of RuralAus Investments Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

D S Lewsen
Partner
Perth
27 September 2012

Corporate Governance Statement

The Board of Directors of the company is responsible for the Corporate Governance of the consolidated entity. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has used its best endeavours to follow the Principles and Recommendations set out by the Australian Stock Exchange's Corporate Governance Council.

RuralAus Investments Limited's corporate governance practices were in place throughout the year ended 30 June 2012.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by RuralAus Investments Limited, please also refer to our website:

www.ruralaus.com.au

The table below summarises the Group's compliance with the Corporate Governance Council's Principles and Recommendations:

Recommendation	Comply Yes/No	Reference
Principle 1 – Lay solid foundations for management and oversight		
○ Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	Yes	Page 16, website
1.2 Companies should disclose the process for evaluating the performance of senior executives	Yes	Page 10, 11, website
1.3 Companies should provide the information in the Guide to reporting on Principle 1.		
Principle 2 – Structure the Board to add value		
2.1 A majority of the Board should be independent directors.	Yes	Page 17
2.2 The chair should be an independent director.	Yes	Page 2
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	Page 10
2.4 The Board should establish a nomination committee.	No	Page 17
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors	Yes	Website
2.6 Companies should provide the information in the Guide to reporting on Principle 2.		
Principle 3 – Promote ethical and responsible decision making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the company's integrity. • The practices necessary to take into account their legal obligations and the expectations of their stakeholders. • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of the policy.	Yes	Page 19
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.		
Principle 4 – Safeguard integrity in financial reporting		
4.1 The Board should establish an audit committee.	Yes	Page 18
4.2 Structure the audit committee so that it consists of: • Only non-executive directors. • A majority of independent directors. • An independent chair, who is not chair of the Board. • At least three members.	Yes	Page 18
4.3. The audit committee should have a formal charter.	Yes	Website
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.		

Recommendation	Comply Yes/No	Reference
Principle 5 – Make timely and balanced disclosure		
5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for the compliance and disclose those policies or a summary of those policies.	Yes	Website
5.2 Companies should provide the information in the Guide to reporting on Principle 5.		
Principle 6 – Respect the rights of shareholders		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website
6.2 Companies should provide the information in the Guide to reporting on Principle 6.		
Principle 7 – Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 18
7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Page 18, 19
7.3 The Board should disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with s295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risk.	Yes	Page 19
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.		
Principle 8 – Remunerate fairly and responsibly		
8.1 The Board should have a remuneration committee.	Yes	Page 10
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 11, 12
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Page 10, 11, 12

Board Function

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility for the operation and administration of the company is delegated, by the Board, to the CEO and executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the executive management team, which was undertaken in the last reporting period.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- Implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- Approval of the annual and half-yearly financial reports;
- Approving and monitoring the progress of capital management, acquisitions and divestitures;
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored;
- Reporting to shareholders;
- Establishing and monitoring the company's capital management strategy, including dividend payments;
- Assessing the company's funding requirements; and
- Monitoring borrowings from financial institutions.

At all times the Board retains full responsibility for guiding and monitoring the company. Due to the size of the Board and Company, apart from an Audit Committee and Remuneration Committee, there are no other separate committees of the Board, the Board maintaining full responsibility on matters of finance and treasury with assistance from the CEO and CFO.

Board composition and membership

The Board comprises three independent non-executive directors, being Paul McKenzie, Ian Olson and Fred Woollard. See the directors' report for details of their experience and qualifications.

Directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The full Board is responsible for establishing criteria for Board membership, reviewing Board membership and identifying and nominating directors. Board membership is reviewed annually to ensure the Board has an appropriate mix of qualifications, skills and experience. External advisors may be used to assist in this process.

The terms and conditions of appointment and retirement of non-executive directors are set out in a letter of appointment that includes the recommendation outlined in Principle 1. The company has also developed a company pack and induction program suitable for new directors and senior management.

In view of the size of the parent entity, the directors have considered that establishing a nomination committee for new Board members would contribute little to its effective management and accordingly all directors participate in decisions regarding the nomination and election of new Board members.

Officers and executives are given the opportunity to receive their emoluments in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the consolidated entity. See the Remuneration Report in the attached Directors' Report for details of remuneration policies.

The overall objective is to ensure maximum shareholder benefit from the retention of a quality Board and Executive Team.

Independent professional advice

In fulfilling their duties, the Directors may obtain independent professional advice at the company's expense.

Ethical standards

The Board acknowledges the importance of ethical behaviour from the company's directors, management and employees. The Board's policy is for the directors, management and employees to conduct themselves with the highest ethical standards and the best practices of corporate governance.

Audit and Compliance Committee

The Board has established an Audit and Compliance committee, which comprises all non-executive directors and operates under a charter approved by the Board. Therefore, ultimately it is the Board's responsibility to ensure that an effective internal control framework exists within the entity and for establishing and maintaining this framework of internal control and ethical standards of the Group.

From time to time the company's senior management and the company's auditors, may be invited to attend meetings of the committee.

The number of meetings held during the year and the number of meetings attended by each director were as follows:

	Number of meetings attended	Number of meetings held during the year
Ian Olson	2	2
Paul McKenzie	2	2
Frederick Woollard	2	2

The responsibilities of the Audit and Compliance committee are contained within its charter and include:

- Assessment and monitoring of internal control adequacy.
- Monitoring the activities and effectiveness of the internal audit function.
- Overseeing and monitoring integrity of financial reporting.
- Review draft annual and half-yearly financial statements with management and external auditors and make recommendations to the full board.
- Review and monitor the company's compliance with laws and ASX Listing Rules.
- Review performance against the company's Code of Conduct.
- Report regularly to the Board on its activities and findings.
- Other responsibilities as required by the Board or considered appropriate.

Risk

The Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The company's process of risk management and internal compliance and control includes:

- Establishing the company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- Continuously identifying and measuring risks that might impact upon the achievement of the company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- Formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls;
- Monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and control, including an annual assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- Effectiveness and efficiency in the use of the company's resources;
- Compliance with applicable laws and regulations;
- Preparation of reliable published financial information.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management.

CEO and CFO Certification

The Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board that:

- Their view provided on the company's financial report is founded on a system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- The company's risk management and internal compliance and control system is operating effectively in all material respects.

Remuneration

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive Team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives;
- Attraction of high quality management to the company; and
- Performance incentives that allow executives to share in the success of RuralAus Investments Limited.

For a full discussion of the company's remuneration philosophy and framework, details of the remuneration committee and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits to non-executive directors.

Trading Policy

The long-term holding of the Company's securities by designated persons is encouraged however, under the Company's Securities Trading Policy, a designated person must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Also, they must not give such information to any other person who is likely to:

- use this information with which to trade in the company's securities; and/or
- pass this information on to another person who may use this information with which to trade in the Company's securities.

Before commencing to trade in the Company's securities:

- A director must first obtain the written approval of the Chairman; and
- An executive must first obtain the written approval of the Company Secretary.

In the instance that the Chairman wishes to trade in the Company's securities, he/she must obtain the written approval of all other members of the board.

Closed Period

Designated persons are prohibited from trading in the Company's securities during the following periods:

- From 1 July to one day after the release of the Company's final results;
- From 1 January to one day after the release of the Company's half-year results; and
- Any other periods as may be determined by the Board and communicated to designated persons.

Exemptions
Only in exceptional circumstances will approval for the disposal of the Company's securities during this closed period be forthcoming. Examples of such circumstances are:

- Where severe financial difficulty or hardship can be demonstrated.
- By Order of a Court of Australia.

At no time will approval for the purchase of the Company's securities be granted to designated employees during the closed period.

Notification of Dealings by Directors
As required by the ASX Listing Rules, the Company is required to report any transaction conducted by Directors in the securities of the Company to the ASX within 5 business days after the date of the transaction.

Directors are required to report these transactions to the Company Secretary the day following the transaction so the appropriate disclosure can be made and to ensure the Company's compliance with the ASX listing rules.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Interest from loans to growers		**751**	866
Lease and management fees		**913**	846
Timber sales		**187**	-
Livestock sales		**-**	24
Plantation management		**71**	-
Rent		**6**	8
Interest from vendor finance loans		**23**	65
Bank interest		**44**	34
Other woodlots		**-**	19
Revenue		**1,995**	1,862
Cost of sales		**(308)**	-
Gross profit		**1,687**	1,862
Other income	5a	**460**	916
Forestry expenses		**(579)**	(553)
Marketing expenses		**(4)**	(3)
Administrative expenses		**(1,407)**	(1,121)
Occupancy expenses		**(203)**	(181)
Other expenses	5b	**(4,483)**	(2,891)
Finance costs	5c	**(16)**	(57)
Profit/(loss) before income tax		**(4,545)**	(2,028)
Income tax benefit/(expense)	6	**603**	525
Net profit/(loss) for the period		**(3,942)**	(1,503)
Other comprehensive income			
Net fair value gain in property, plant and equipment		**-**	3,497
Income tax on item of other comprehensive income	6	**-**	(1,049)
Other comprehensive income for the period net of tax		**-**	2,448
Total comprehensive income/(loss) for the period attributable to members of the parent		**(3,942)**	945
Basic profit/(loss) per share	7	($0.062)	($0.028)
Diluted profit/(loss) per share	7	($0.062)	($0.028)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2012

		Consolidated	
		2012	2011
	Notes	**$'000**	$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**1,227**	368
Trade and other receivables	9	**1,715**	2,226
Term deposits		**65**	-
Inventories	10	**253**	-
Loan receivable	23	**-**	152
Other current assets	11	**347**	313
Total current assets		**3,607**	3,059
Non-current assets			
Trade and other receivables	12	**227**	2,555
Loan receivable	23	**232**	214
Property, plant and equipment	15	**5,987**	6,063
Investment properties	16	**5,850**	7,035
Other non-current assets	14	**5**	17
Total non-current assets		**12,301**	15,884
TOTAL ASSETS		**15,908**	18,943
LIABILITIES			
Current liabilities			
Trade and other payables	17	**373**	306
Interest-bearing liabilities	20	**58**	41
Current tax liabilities	18	**108**	123
Unearned income	19	**1,280**	1,318
Total current liabilities		**1,819**	1,788
Non-current liabilities			
Interest-bearing liabilities	20	**122**	152
Deferred tax liabilities	6	**-**	603
Total non-current liabilities		**122**	755
TOTAL LIABILITIES		**1,941**	2,543
NET ASSETS		**13,967**	16,400
EQUITY			
Contributed equity	21	**9,898**	8,593
Reserves	22	**2,720**	2,516
Retained earnings		**1,349**	5,291
TOTAL EQUITY		**13,967**	16,400

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

		Consolidated	
		2012	2011
	Notes	**$'000**	$'000
Cash flows from operating activities			
Receipts from customers		**1,209**	1,341
Payments to suppliers and employees		**(3,578)**	(2,606)
Interest received		**458**	539
Borrowing costs		**(15)**	(57)
Net cash flows (used in)/from operating activities	26	**(1,926)**	(783)
Cash flows from investing activities			
Proceeds from sale of investment properties		**1,700**	1,530
Proceeds from sale of available-for-sale investments		**-**	-
Purchase of property, plant and equipment		**(136)**	(2,643)
Loans to contractors		**-**	(210)
Net cash flows from/(used in) investing activities		**1,564**	(1,323)
Cash flows from financing activities			
Proceeds from capital raising		**1,305**	-
Cash placed on term deposit		**(65)**	-
Repayment of borrowings		**(59)**	(2,500)
Proceeds from borrowings		**40**	193
Net cash flows from/(used in) financing activities		**1,221**	(2,307)
Net increase/(decrease) in cash and cash equivalents		**859**	(4,413)
Cash and cash equivalents at beginning of period		**368**	4,781
Cash and cash equivalents at end of period	8	**1,227**	368

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Issued Capital $'000	Treasury Shares $'000	Property, plant & equipment Revaluation Reserve	Option Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2010	8,588	-	-	-	6,794	15,382
Loss for the period	-	-	-	-	(1,503)	(1,503)
Other comprehensive income	-	-	2,448	-	-	2,448
Total comprehensive income	-	-	2,448	-	(1,503)	945
Issue of shares	5	-	-	-	-	5
Share-based payment	450	(450)	-	68	-	68
Balance at 30 June 2011	9,043	(450)	2,448	68	5,291	16,400
Balance at 1 July 2011	9,043	(450)	2,448	68	5,291	16,400
Loss for the period	-	-	-	-	(3,942)	(3,942)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(3,942)	(3,942)
Issue of shares	1,305	-	-	-	-	1,305
Share-based payment	-	-	-	204	-	204
Balance at 30 June 2012	10,348	(450)	2,448	272	1,349	13,967

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

1. Corporate information

The financial report for RuralAus Investments Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 27 September 2012.

RuralAus Investments Limited is a company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' report.

2. Basis of preparation and accounting policies

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for investment properties, freehold land and available-for-sale investments that have been measured at fair value and biological assets that have been measured at fair value less costs to sell. RuralAus is a for profit entity.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

b) Going concern assumption

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

During the year ended 30 June 2012, the Group achieved a net loss after tax of $3,942,000 and a net cash outflow used in operating activities of $1,926,000. In addition, total cash inflows from investing activities were $1,564,000 and net cash inflows from financing activities were $1,221,000. The cash and cash equivalents balance, as at 30 June 2012 was $1,227,000. The consolidated entity's net current asset position at 30 June 2012 was $1,788,000.

In order to continue as a going concern, the Group's primary focus is the successful ramp-up of the mill's operations on Kangaroo Island. This will require operation cost control and a successful capital raising.

During the period, operations commenced at the mill that was purchased on Kangaroo Island, albeit in a limited capacity by only operating the "green" mill. Whilst the results from this have been encouraging, the Group will require further funding to commence operations in the other areas of the mill, which is anticipated will be sourced from a combination of capital raising, new bank facilities or a pre-funding arrangement pursuant to the off-take agreement for finished timber. There are no commitments associated with the mill and expanded operations will only commence once the pre-funding arrangements are obtained

The Directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be successful in securing the additional funds through an equity issue but note that this has not been secured at the date of this report.

Should the Group not achieve the matter set out above, there is uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

c) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

There is no impact of new accounting standards and interpretations applied during the year.

d) New accounting standards and interpretations

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2011.

Reference	Title	Application date of standard	Application date for Group
AASB 124 (Revised)	The revised AASB 124 *Related Party Disclosures (December 2009)* simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures	1 January 2011	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] Makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 *Operating Segments* to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	1 July 2011
AASB 2010-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13] Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] The amendments increase the disclosure requirements for transactions involving transfers of financial assets but which are not derecognised and introduce new disclosures for assets	1 January 2011	1 July 2011

	that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.		
AASB 1048	Interpretation of Standards AASB 1048 identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. Entities are required to apply each relevant Australian Interpretation in preparing financial statements that are within the scope of the Standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended Interpretations issued since the June 2010 version of AASB 1048.	1 January 2011	1 July 2011
AASB 1054	Australian Additional Disclosures This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the entity is a for-profit or not-for-profit entity (d) Whether the financial statements are general purpose or special purpose (e) Audit fees (f) Imputation credits	1 January 2011	1 July 2011

None of the above amendments have had in impact of the Group's financial statement.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2012. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 January 2012	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interest in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013

AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	1 July 2013
Annual Improvements 2009-2011 Cycle	Annual Improvements to the IFRSs 2009-2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards • Repeated application of IFRS 1 • Borrowing costs IAS 1 Presentation of Financial Statements • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment • Classification of servicing equipment IAS 32 Financial Instruments: Presentation • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting Interim financial reporting and segment information for total assets and liabilities	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	1 July 2013

AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.	1 July 2013	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle; and	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: • repeat application of AASB 1 is permitted (AASB 1); and • clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 January 2013	1 July 2013
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 January 2015	1 July 2015

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective and has not yet assessed the impact of these standards.

e) Basis of consolidation

The consolidated financial statements comprise the financial statements of RuralAus Investment Limited and its subsidiaries and as at and for the period ended 30 June each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-Group transactions and dividends have been eliminated in full.

All controlled entities have a June financial year-end.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by RuralAus Investments Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit disposal of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

f) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations, which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers — being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

(c) Nature of the products and services
(d) Nature of the production processes
(e) Type or class of customer for the products and services
(f) Methods used to distribute the products or provide the services, and if applicable
(g) Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately.

However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

h) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

i) Biological Assets

Livestock

Livestock are used on the properties for weed control and are valued at fair value less costs to sell at each reporting date. The fair value is determined based on the market prices. Changes in fair value less estimated point-of-sale costs are recognised in the income statement in the year they arise.

Timber plantations

Biological assets which include mature and immature radiata pine plantations are stated at fair value less estimated point of sale costs except when the fair value cannot be measured reliably. In this instance, the biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses until such time as its fair value can be reliably measured.

Net movement in fair value less estimated point of sale costs of biological assets are included in the statement of comprehensive income in the year they arise.

j) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year-end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investment not at fair value through profit or loss, directly attributable transaction costs.

Recognition and Derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(ii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

k) Property, plant and equipment

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Straight Line
Plant and equipment	6-33%
Mobile plant and vehicles	20%
Buildings	3%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Freehold land and buildings
Freehold land and buildings are measured at fair value, less accumulated depreciation on buildings and less any impairment losses recognised after the date of revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Freehold land is not depreciated.

Buildings are depreciated on a straight-line basis over the estimated useful like of the asset.

Any revaluation increment is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit and loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in the profit and loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

l) Investment properties
Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the profit and loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from an investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under *Property, plant and equipment* up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

m) Inventories

Inventories are valued at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

(e) Raw Materials: purchase costs on a first in, first out basis;
(f) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on cash flow hedges, recognised in other comprehensive income, in respect of the purchase of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

n) Impairment of non-financial assets

Non-financial assets are tested 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. For the purposes of assessing impairment, assets are Grouped at the lowest levels of which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

o) Trade and other payables

Trade payables and other payables are carried at amortised cost due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

q) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable than an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee Leave Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They 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 are measured at the rates paid or payable.

r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

s) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Rendering of services/Unearned income

This represents lease and management fees that are invoiced annually in advance in June each year. This income is brought to account on a monthly basis. Lease and management fees are recognised as they accrue under the relevant lease and management agreement.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Rent

Rent is recognised as it accrues under the relevant rental agreement.

Agistment

Agistment is recognised as it accrues under the relevant agistment agreement. Agistment is payment for a third party's livestock to graze on the Group's properties.

t) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

RuralAus Investments Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2004.

The head entity, RuralAus Investments Limited and the controlled entities in the tax consolidation Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

In addition to its own current and deferred tax amounts, RuralAus Investments Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and tax credits assumed from controlled entities in the tax consolidation Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in Note 6.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

u) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to member of the parent adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

v) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

x) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates, and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Valuation of investment properties and freehold land

Investment properties and freehold land are stated at fair value, based on periodic but at least triennial valuations by external independent valuers who apply the IVSC standard, less any impairment losses recognised after the date of the revaluation. During the intervening period valuation is based on discounted cash flow models determined by Management.

Recoverability of grower loans – impairment allowance

The recoverability of grower loans has been reviewed on an individual basis. Based on the grower's past payment history, current payment history, discussions and correspondence with growers, an estimate of the recoverability of the loan and hence whether an impairment allowance needs be raised against that loan, has been made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluation conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. Management has considered the triggers for impairment and concludes that there is no impairment.

3. Financial risk management objective and policies

The Group's principal financial instruments comprise receivables, payables, available-for-sale investments, cash and short-term deposits.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Primary responsibility for identification and control of financial risks is shared between the board members and executive management.

Risk Exposures and Responses

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest bearing liabilities and short-term deposits. The level of debt is disclosed in Note 20. As the loans provided to growers and Carlsen Logging Pty Ltd are at a fixed rate of interest, there is no interest rate exposure in relation to those loans.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk that are not designated in cash flow hedges:

	Consolidated	
	2012	2011
	$'000	$'000
Financial assets		
Cash and cash equivalents	**1,227**	368
Term deposits	**65**	-
Loans receivable	**-**	152
	1,292	520
Financial liabilities		
Interest bearing liabilities	**-**	-
	-	-
Net exposure	**1,292**	520

The Group has no outstanding debt exposed to variable rates of interest.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

The following table demonstrates the sensitivity of the Group's income statement to a reasonably possible change in interest rates based on historical fluctuation in interest rates over a 5-year period and management's expectations of the future interest rate with all other variables held constant.

Judgements of reasonably possible movements:	Post tax profit Higher/(lower) 2012 $'000	2011 $'000	Equity Higher/(lower) 2012 $'000	2011 $'000
Consolidated				
+1%	13	5	-	-
-0.5%	(6)	(2)	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The company aims to minimise concentrations of credit risk in relation to trade receivables and loans to growers by undertaking transactions with a large number of customers.

Cash at bank is held at the National Australia Bank and Rabobank Australia Ltd, which both have a S&P (Standard & Poors) rating of AA.

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days for receivables other than loans to growers
- a regular risk review takes place on all receivables and loan balances
- a thorough assessment process is used for all growers loans

The Finance Manager has direct responsibility of the recovery of outstanding accounts. All overdue accounts are now sent directly to the Group's lawyers for legal action after all other avenues of recovery have been exhausted.

Legal action on those particular accounts where the matter is being defended are dealt with directly by the Chief Financial Officer or the Finance Manager and the lawyers involved.

The Finance Manager and Chief Financial Officer who both regularly report to the Chief Executive Officer and the Board of Directors on these matters.

Refer to Note 9 for ageing analysis of loan receivables.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other available credit lines.

The table below reflects all contractually fixed settlements and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2012. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2012.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2012	2011
	$'000	$'000
6 months or less	**(612)**	(520)
6-12 months	**-**	-
1-5 years	**(122)**	(188)
Over 5 years	**-**	-
	(734)	(708)

Maturity analysis of financial assets and liability based on management's expectations

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, RuralAus Investments Limited has established risk reporting covering its business that reflects expectations of management of expected settlement of financial assets and liabilities.

Year ended 30 June 2012	< 6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Financial Assets					
Cash and cash equivalents	1,227	-	-	-	1,227
Term deposits	65	-	-	-	65
Trade and other receivables	1,715	-	227	-	1,942
Loans receivable	-	-	232	-	232
Other financial assets	158	-	5	-	163
	3,165	-	464	-	3,629
Financial Liabilities					
Trade and other payables	(373)	-	-	-	(373)
Interest bearing loans and borrowings	(58)	-	(122)	-	(180)
	(431)	-	(122)	-	(553)
Net Maturity	2,734	-	342	-	3,076

Year ended 30 June 2011	< 6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Consolidated Financial Assets					
Cash and cash equivalents	368	-	-	-	368
Trade and other receivables	2,226	-	2,555	-	4,781
Loans receivable	152	-	214	-	366
Other financial assets	139	-	17	-	156
	2,885	-	2,786	-	5,671
Consolidated Financial Liabilities					
Trade and other payables	(306)	-	-	-	(306)
Interest bearing loans and borrowings	(41)	-	(188)	-	(229)
	(347)	-	(188)	-	(535)
Net Maturity	2,538	-	2,598	-	5,136

Fair value
The methods for estimating fair value are outlined in the relevant notes to the financial statements.

Price risk
The Group's exposure to commodity and equity securities price risk is minimal as the Group no longer holds investments in equity securities, these having being sold in the 2009/10 financial year.

4. Segment information
The Group's primary segment reporting format is business segments as the Group's risks and returns are affected predominately by differences in the products and services produced.

The forestry management segment primarily involves the packaging, marketing, establishment and management of investment in timber plantations and milling operations associated with the purchase of the former assets of SFMA.

The finance segment was created to support the marketing of timber investments through the raising and provision of finance to investors in the promoted projects.

All operations are conducted in Australia.

Year ended 30 June 2012	**Forestry $'000**	**Finance $'000**	**Total $'000**
Revenue			
Revenue from external customers	1,212	752	1,964
Total segment revenue	1,212	752	1,964
Unallocated			31
			1,995
Result			
Segment result	(1,082)	(2,748)	(3,830)
Profit/(loss) before tax and finance costs			(3,830)
Unallocated			(699)
Finance costs			(16)
Income tax benefit/(expense)			603
Net profit/(loss) for the year			(3,942)
Assets and liabilities			
Segment assets	14,146	1,026	15,172
Total segment assets			15,172
Unallocated			736
Total assets			15,908
Segment liabilities	1,258	399	1,657
Total segment liabilities			1,657
Unallocated			284
Total liabilities			1,941
Other segment info			
Impairment of receivables		3,373	3,373

Year ended 30 June 2011	Forestry $'000	Finance $'000	Total $'000
Revenue			
Revenue from external customers	1,020	899	1,919
Total segment revenue	1,020	899	1,919
Unallocated			(57)
Total revenue			1,862
Result			
Segment result	362	(993)	(631)
Loss before tax and finance costs			(631)
Unallocated			(1,340)
Finance costs			(57)
Income tax benefit			525
Net loss for year			(1,503)
Assets and liabilities			
Segment assets	14,809	3,960	18,769
Total segment assets			18,769
Unallocated			174
Total assets			18,943
Segment liabilities	1,305	396	1,701
Total segment liabilities			1,701
Unallocated			239
Deferred tax liabilities			603
Total liabilities			2,543
Other segment info			
Impairment of receivables		1,794	1,794

5. Revenue and expenses

	Consolidated	
	2012	2011
	$'000	$'000
(a) Other income		
Change in fair value of investment properties – Note 16	**439**	800
Fire insurance	**-**	84
Other	**21**	32
	460	916
(b) Other expenses		
Impairment of receivables	**3,373**	1,794
Change in fair value of biological assets – Note 13	**-**	66
Share-based payment	**216**	68
Audit fees (including scheme audit fees)	**103**	118
Property, plant and equipment write off	**6**	2
Inventory write off	**80**	-
Unrecoverable GST	**5**	22
ASIC fees	**6**	14
Depreciation	**130**	69
ASX/share registry fees	**47**	24
Directors fees	**172**	175
Legal fees	**45**	101
Responsible entity's costs	**150**	140
Professional fees	**83**	228
Other corporate expenses	**67**	70
	4,483	2,891
(c) Finance costs		
Bill facility fee	**-**	26
Loan interest	**16**	31
	16	57
(d) Employee benefits expense		
Wages and salaries	**877**	696
Superannuation costs	**76**	63
	953	759

6. Income tax

	Consolidated	
	2012	2011
a) **Income tax expense**	**$'000**	$'000
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge/(benefit)	**-**	-
Adjustments in relation to previous income tax	**-**	-
Deferred income tax		
Relating to origination and reversal of temporary differences	**-**	(525)
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	**(603)**	-
Income tax expense/(benefit) reported in income statement	**(603)**	(525)
Accounting profit/(loss) before tax	**(4,545)**	(2,028)
At the statutory income tax rate of 30% (2010: 30%)	**(1,363)**	(609)
Add: Non-deductible expenses/capital gain on sale of land	**499**	54
Tax loss not brought to accounts as a deferred tax asset	**547**	-
Temporary differences not recognised	**(246)**	-
Adjustments in relation to previous income tax	**(40)**	30
Less: Realisation of prior tax losses no previously recognised	**-**	-
Income tax expense/(benefit) reported in income statement	**(603)**	(525)

b) **Amounts charged or credited to equity**		
Deferred income tax related to items charged (credited) to equity		
Net gain on property, plant and equipment	**-**	1,049
Income tax expense reported in equity	**-**	1,049

Tax Consolidation

The company and its 100% owned controlled entities have formed a tax consolidation Group. Members of the Consolidated Entity have entered into a tax sharing arrangement in order to allocate income tax expenses to the wholly owned controlled entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated Group is RuralAus Investments Limited.

Tax effect accounting by members of the tax consolidated Group

Members of the tax consolidated Group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated Group. Deferred taxes are allocated to members of the tax consolidated Group in accordance with a Group allocation approach which is consistent with the principles of AASB 112 Income Taxes.

The allocation of taxes under the tax funding agreement is recognised as an increase/(decrease) in the member entities' intercompany accounts with the tax consolidated Group head company, RuralAus Investments Limited. In this regard the company has assumed the benefit of tax losses from the member entities as of the balance date. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2012	2011	**2012**	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
CONSOLIDATED						
Loans and borrowings	**-**	(3)	**-**	-	**-**	(3)
Inventory	**(24)**	-	**-**	-	**(24)**	-
KI Feasibility	**-**	(12)		-	**-**	(12)
Trade and other receivables	**(653)**	(938)	**1,114**	1,044	**461**	106
Property, plant and equipment	**(1,211)**	(533)	**2,698**	3,079	**1,487**	2,546
Trade and other payables	**(37)**	(15)	**-**	-	**(37)**	(15)
Tax losses	**(1,887)**	(2,019)	**-**	-	**(1,887)**	(2,019)
Tax (assets)/liabilities	**(3,812)**	(3,520)	**3,812**	4,123	**-**	603
Set off of tax	**3,812**	3,520	**(3,812)**	(3,520)	**-**	-
Net tax (assets)/liabilities	**-**	-	**-**	603	**-**	603

Deferred income tax

Deferred income tax at 30 June 2012 relates to the following:

Movements in temporary differences during the year	Balance 1/7/11 $'000	Recognised in Income $'000	Recognised in Equity $'000	Balance 30/6/12 $'000
Property, plant and equipment	2,546	(1,059)	-	1,487
Inventory	-	(24)	-	(24)
Trade and other receivables	106	355	-	461
KI Feasibility	(12)	12	-	-
Loans and borrowings	(3)	3	-	-
Trade and other payables	(15)	(21)	-	(36)
Tax losses	(2,019)	131	-	(1,887)
	603	(603)	-	-

Movements in temporary differences during the year	Balance 1/7/10 $'000	Recognised in Income $'000	Recognised in Equity $'000	Balance 30/6/11 $'000
Property, plant and equipment	1,662	(165)	1,049	2,546
Trade and other receivables	(70)	176	-	106
KI Feasibility	-	(12)	-	(12)
Loans and borrowings	(3)	-	-	(3)
Trade and other payables	(19)	4	-	(15)
Tax losses	(1,491)	(528)	-	(2,019)
	79	(525)	1,049	603

7. Earnings per share

The following reflects the income and share data used in the total operation's basic and diluted earnings per share computations:

a) Earnings used in calculating earnings per share

	Consolidated	
	2012	2011
	$'000	$'000
Net loss attributable to ordinary equity holders of the parent	**(3,942)**	**(1,503)**

b) Weighted average number of shares

	Thousands	*Thousands*
Weighted average number of ordinary shares for basic earnings per share	**62,820**	52,799
Effect of dilution:		
Share options	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**62,820**	52,799

There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

8. Current assets – Cash and cash equivalents

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

	Consolidated	
	2012	2011
	$'000	$'000
Cash at bank and in hand	**1,227**	368
	1,227	368

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

9. Current assets – Trade and other receivables

	Consolidated 2012 $'000	2011 $'000
Trade receivables (a)	**121**	21
Interest receivable from Growers (c)	**1,710**	2,702
Loans to Growers (b)	**998**	1,412
Allowance for impairment loss (e)	**(2,012)**	(2,814)
	696	1,300
Grower management fee (d)	**1,062**	1,226
Allowance for impairment loss (e)	**(164)**	(318)
	898	905
Carrying amount of trade and other receivables	**1,715**	2,226

a) Terms of trade
Trade debtors are non-interest bearing and generally on 30-day terms.

b) Loans to growers
The above amount represents the portion of loans to growers that is due within the next 12 months.

c) Interest receivable
Represents outstanding interest charged on loans to growers. It is due and payable immediately.

d) Grower management fees
Represents grower lease and management fees invoiced and charged to date. These amounts are immediately due and payable.

e) Allowance for impairment loss
An impairment loss is recognised when there is objective evidence that a trade receivable is impaired. An allowance for impairment loss of $1,112,000 (2011: $351,000) has been recognised by the Group in the “other expenses” line item for the current year for specific debtors and debtors assessed on a collective basis, as described in Note 2(f), for which such evidence exists. During the year, $2,068,000 of the allowance was written off against the outstanding provision and the loan and/or lease and management accounts.

At 30 June 2012, a total of 39 loans, representing $1,943,000 in outstanding principal and interest were either in breach or default. At 30 June 2011, 48 loans with outstanding principal and interest of $3,272,000 were either in breach or default.

At 30 June, the ageing analysis of trade receivables is as follows:

Consolidated		Total	61-90 Days PDNI*	61-90 Days CI*	+ 91 Days PDNI*	+ 91 Days CI*
2011	Interest receivable	2,702	-	-	675	2,027
	Loans to growers	1,412	-	-	625	787
	Grower management fee	1,223	-	-	905	318
		5,337	-	-	2,205	3,132
2012	Interest receivable	1,710	-	-	338	1,372
	Loans to growers	998	-	-	358	640
	Grower management fee	1,062	-	-	898	164
		3,770	-	-	1,594	2,176

*PDNI – Past due not impaired – represents the portion of the outstanding amount that the grower/borrower is servicing under a mutually agreed repayment plan, but is more than 90 days past due.

*CI – Considered impaired

g) Credit risk and effective interest rate risk and fair values

Details regarding the credit risk and effective interest rate of current receivables are disclosed in Note 3. The net carrying amount of trade and other receivables is assumed to approximate their fair value.

Movements in the allowance for impairment loss were as follows:

	Consolidated	
	2012	2011
	$'000	$'000
Loans receivable		
At 1 July	**2,814**	2,843
Charge for the year	**1,054**	323
Amounts written off	**(1,856)**	(352)
At 30 June	**2,012**	2,814
Lease and Management fees receivable		
At 1 July	**318**	373
Charge for the year	**58**	28
Amounts written off	**(212)**	(85)
At 30 June	**164**	318

10. Inventories

	Consolidated	
	2012	2011
	$'000	$'000
Raw materials (at cost)	**83**	-
Work in progress (at cost)	**-**	-
Finished goods (at cost or net realisable value)	**170**	-
	253	-

11. Current assets - Other

	Consolidated	
	2012	2011
	$'000	$'000
Monies held by Responsible Entity to be banked	**158**	139
Prepayments	**182**	129
Other	**7**	45
	347	313

12. Non-current assets – Trade and other receivables

	Consolidated	
	2012	2011
	$'000	$'000
Loans to growers (a)	**4,263**	4,331
Allowance for impairment loss (b)	**(4,036)**	(1,776)
	227	2,555

a) Loans to Growers

Loans to Growers are interest bearing with principal repayable at harvest in one to two years.

b) Allowance for impairment loss

An impairment loss of $2,260,000 has been recognised by the Group in the “other expenses” line item for the current year. All non-current loans to growers are in Plantation Forestry Hardwood Project # 1, in which the Group has guaranteed a return of $9,000 per woodlot to those growers who obtained finance from RuralAus Finance Limited to the extent of their borrowings from RuralAus Finance Limited.

c) Fair values

The net carrying amount of loans to growers is assumed to approximate their fair value.

13. Biological assets

	Consolidated	
	2012	2011
	$'000	$'000
Livestock	**-**	-
	-	-

Livestock

Movement in Biological assets	Value		Quantity	
	2012	2011	2012	2011
	$'000	$'000	No.	No.
Balance at beginning of the period	-	66	-	2,450
Additions	-	-	-	-
Disposals	-	(66)	-	(2,405)
Balance at the end of the period	-	-	-	-

All livestock were sold during 2011.

14. Non-current assets - Other

	Consolidated	
	2012	2011
	$'000	$'000
Other receivables (a)	**368**	368
Allowance for impairment	**(368)**	(368)
	-	-
Other	**5**	17
	5	17

(a) Other receivables

This relates to expenses incurred in relation to a property development, and paid by the Group. It had previously been reported that the property development was conducted by the third party who purchased the Group's Toocalup and Myamba properties. However, it has since been disclosed that a company of which Peter Kinnear (the former CEO) and George Gear (the former Chairman) are directors purchased the development from the third party. The Group is in negotiations as to the reimbursement of part or all of the incurred expenses from that company.

15. Non-current assets – Property, plant and equipment

a) Reconciliation of carrying amounts at the beginning and end of the period

	Freehold land and buildings $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2012			
At 1 July 2011 net of accumulated depreciation and impairment	5,120	943	6,063
Additions	-	132	132
Disposals	-	(146)	(146)
Adjustment in accumulated depreciation in relation to disposals	-	68	68
Depreciation charge for year	(35)	(95)	(130)
Revaluations	-	-	-
At 30 June 2012 net of accumulated depreciation and impairment	5,085	902	5,987
At 30 June 2012			
Cost or fair value	5,120	1,133	6,253
Accumulated depreciation and impairment	(35)	(231)	(266)
Net carrying amount	5,085	902	5,987

	Freehold land and buildings $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2011			
At 1 July 2010 net of accumulated depreciation and impairment	-	129	129
Additions	1,623	886	2,509
Disposals	-	(77)	(77)
Adjustment in accumulated depreciation in relation to disposals	-	74	74
Depreciation charge for year	-	(69)	(69)
Revaluations	3,497	-	3,497
At 30 June 2011 net of accumulated depreciation and impairment	5,120	943	6,063
At 1 July 2010			
Cost or fair value	-	344	344
Accumulated depreciation and impairment	-	(215)	(215)
Net carrying amount	-	129	129
At 30 June 2011			
Cost or fair value	5,120	1,153	6,273
Accumulated depreciation and impairment	-	(210)	(210)
Net carrying amount	5,120	943	6,063

b) Freehold land acquired during the year and revaluations

As part of the SMFA acquisition, unencumbered freehold land was acquired. This land represented eight of the ten properties that were purchased. The remaining two properties were encumbered with MIS plantations and accordingly, have been classified as Investment properties (see Note 16).

Freehold land acquired is carried at fair value, which has been determined by reference to independent valuations on the Group's entire land estate in May/June 2011. See Note 16 for further commentary on the determination of fair value.

16. Non-current assets – Investment properties

	Consolidated	
	2012	2011
	$'000	$'000
At Fair value		
Investment properties	**5,850**	7,035
	5,850	7,035

Investment properties are carried at fair value, which has been determined by reference to independent valuations conducted on the Group's landholdings in May/June 2011 by Colliers International, whom are industry specialists in valuing these types of investment properties and whom also reviewed and confirmed their valuation in June 2012.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller at an arm's length transaction at the date of valuation.

In determining fair value for the Kangaroo Island land, the following main inputs have been used:

- Plantation land has been assessed at $2,500 per hectare;
- No value has been ascribed to natural vegetation;
- Fire breaks, swamp, curtilage etc. have been assessed at $800 per hectare; and
- Any sheds on the properties have been assessed at between $50-$100 m2.

These inputs have been referenced to market information.

On 3 January 2012, settlement on the sale of Old Myamba occurred. The sale price was $1.7m. The Group received $1.668m on settlement after adjustment for costs and quarterly rent in advance.

	Consolidated	
	2012	2011
	$'000	$'000
Investment Properties		
Opening balance as at 1 July	**7,035**	5,870
Acquisitions (at cost)	**-**	365
Fair value adjustment	**439**	800
Disposals	**(1,624)**	-
Closing balance as at 30 June	**5,850**	7,035

17. Current liabilities – Trade and other payables

	Consolidated	
	2012	2011
	$'000	$'000
Trade payables	**265**	198
Other payables	**108**	108
	373	306

a) Trade payables

Trade payables are non-interest bearing and are normally settled on 30-day terms.

b) Other payables

Represent annual leave entitlements of employees within the Group and are non-interest bearing.

c) Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

18. Current liabilities – Tax liabilities

	Consolidated	
	2012	2011
	$'000	$'000
Goods and Services tax payable	**40**	78
PAYE tax payable	**68**	45
	108	123

19. Current liabilities – Unearned income

	Consolidated	
	2012	2011
	$'000	$'000
Grower prepaid lease and management fees	**919**	944
Borrower prepaid interest	**361**	374
	1,280	1,318

a) Grower prepaid lease and management fees

Grower management fees represent management fees paid in the current financial year but not due until the 2012/13 financial year.

b) Borrower prepaid interest

Borrower prepaid interest represents interest paid in the current financial year but not due until the following financial year.

20. Interest-bearing liabilities

	Consolidated	
	2012	2011
	$'000	$'000
Current		
Chattel mortgage agreements (a)	**58**	41
	58	41
Non-current		
Chattel mortgage agreements (a)	**122**	152
	122	152

- Chattel mortgage agreements relate to three goods mortgages with De Lage Landen for the purchase of a 70,000 litre diesel fuel tank, a Volvo loader and a Nissan Navara. Security for these loans extends only to the three assets subject to the agreement. The agreements for the fuel tank and Volvo Loader are to be repaid in four annual instalments with the Nissan paid monthly over a four-year term.

- The carrying amount of interest bearing liabilities approximates their fair value.

21. Contributed equity

	Consolidated	
	2012	2011
	$'000	$'000
a) Issued and paid up capital		
Ordinary shares fully paid	**9,898**	8,593

Fully paid ordinary shares carry one vote per share and carry the right to dividends

b) Movements in shares on issue

	2012		2011	
	Number of shares	**$'000**	Number of shares	$'000
Beginning of financial year	55,067,769	8,593	52,032,769	8,588
Issue of shares	11,063,585	1,305	35,000	5
Share-based payment	-	-	3,000,000	450
Treasury shares	-	-	-	(450)
End of the financial year	66,131,354	9,898	55,067,769	8,593

c) Capital management

Capital consists of share capital and borrowings of $10.451m (2011: $9.092m).

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. In the absence of appropriate investment opportunities, these funds may be used for either:

- reduction of debt;
- reduction of existing capital; and
- return of capital to shareholders i.e. payment of a dividend to take advantage of any available franking credits.

Management monitor capital through the gearing ratio (net debt/total capital). The gearing ratios at 30 June 2012 and 30 June 2011 were as follows:

	Consolidated	
	2012	2011
	$'000	$'000
Trade and other payables	**373**	306
Interest bearing liabilities	**180**	193
Less cash and cash equivalents	**(1,227)**	(368)
Net debt	**(674)**	131
Total equity	**13,967**	16,400
Total capital	**13,293**	16,531
Gearing Ratio	**(5.09%)**	0.79%

The Group is not subject to any externally imposed capital requirements.

22. Reserves

	Consolidated 2012 $'000	2011 $'000
Option reserve (a)	**272**	68
Property, plant and equipment reserve (b)	**2,448**	2,448
	2,720	2,516

a) Option reserve

	Consolidated 2012 $'000	2011 $'000
Opening balance at 1 July	**68**	-
Share-based payment – Note 32	**204**	68
Closing balance at 30 June	**272**	68

b) Property, plant and equipment revaluation reserve

	Consolidated 2012 $'000	2011 $'000
Opening balance at 1 July	**2,448**	-
Net fair value gain on property, plant and equipment	**-**	2,448
Closing balance at 30 June	**2,448**	2,448

23. Loans receivable

	Consolidated 2012 $'000	2011 $'000
Current		
Vendor finance loan (a)	**-**	152
	-	152
Non-current		
Carlsen Logging Loan (b)	**232**	214
	232	214

a) Vendor finance loan

This relates to vendor finance facilities offered as part of the settlement of Toocalup and Myamba, which was repaid on 9 January 2012.

b) Carlsen Logging Loan

During 2011, a $210,000 loan was granted to Carlsen Logging Pty Ltd. The terms of the loan are as follows:

- Initial loan amount is $210,000
- Principal repayable in 36 equal monthly instalments commencing one month after the commencement of harvest operations at Kangaroo Island.
- Interest is payable monthly in arrears at 8% pa. Should monthly repayments not be received by the 14th day following month end, an additional 3% interest may be charged.
- Registered security has been taken over specific assets that have been offered as security by Carlsen Logging Pty Ltd. The value of security has been estimated at between $410,000 and $435,000.

24. Contingent liabilities

A company in the consolidated entity, RuralAus Finance Limited ("RAFL"), has, in return for the payment of an indemnity fee by the company, agreed to indemnify those growers who took out loans with RAFL in relation to Plantation Forestry Hardwood Project # 1, for any shortfall that may be suffered in relation to the balance of the grower's loan at harvest as compared with the grower's net harvest proceeds. No loss has been incurred to date. An impairment allowance of $4,086,000 has been recognised based on current harvest projections. The maximum exposure upon harvest in 2013 is $4,259,000.

The Group has issued a guarantee ($50,000) to ASIC in relation to the financial services license issued to an unrelated party and a guarantee to Alessandrino Property Group ($23,100) in relation to the lease for the company's office in East Perth. No liabilities are expected to arise.

The directors are not aware of any other matter or circumstance not otherwise dealt with in the report or consolidated financials statements that has significantly or may significantly affect the operations of the consolidated entity.

25. Contingent assets

The directors are not aware of any contingent assets.

26. Cash flow statement reconciliation

	Consolidated	
	2012	2011
	$'000	$'000
The fair value of cash and cash equivalents is $1,227,038 (2011: $367,647).		
Reconciliation from the net profit after tax to the net cash flows from operations		
Net profit/(loss)	**(3,942)**	(1,503)
Adjustments for		
Depreciation	**130**	69
Impairment	**3,373**	1,794
Unearned income	**(37)**	300
Fair value decrease in biological assets	**-**	60
Fair value Increase in investment properties	**(439)**	(800)
Share-based payment	**216**	68
Changes in assets and liabilities		
(Increase)/decrease in receivables and other debtors	**(392)**	(629)
Increase/(decrease) in tax liabilities	**(581)**	557
(Increase)/decrease in other assets	**(285)**	(960)
Increase/(decrease) in accounts payable	**62**	94
Increase/(decrease) in employee entitlements	**-**	44
Increase/(decrease) in unearned lease fee income	**(31)**	123
Net cash (used in)/from operating activities	**(1,926)**	(783)

27. Events after balance date

On 24 July 2012, John Ipsen, Scott Wallace and Operations Manager, Ian Knobel, received 100,000 shares each in the Company and a $5,000 cash payment as part of their remuneration review, which was conducted prior to 30 June 2012.

There have been no other significant events after balance date.

28. Auditor remuneration

The auditor of RuralAus is Ernst & Young

	Consolidated 2012 $	Consolidated 2011 $
Amounts received or due and receivable by Ernst & Young for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	**82,660**	78,900
	82,660	78,900

29. Key management personnel

Compensation of key management personnel

	Consolidated 2012 $	Consolidated 2011 $
Short-term employee benefits	**395,844**	549,929
Post-employment benefits	**33,410**	37,406
Long service leave	**1,900**	18,138
Share-based payment	**216,400**	68,000
	647,554	673,473

Option holdings of key management personnel

There are no option holdings for the Group.

Shareholdings of key management personnel (Consolidated)

30 June 2012	Beginning of period	Granted as remuneration	Options exercised	Net change other	End of period
Directors					
Paul McKenzie	500,000	-	-	1,666,667	2,166,667
Ian Olson	643,017	-	-	128,605	771,622
Fred Woollard	11,736,347*	-	-	5,941,940	17,678,287
Executives					
John Ipsen	2,500,000	-	-	-	2,500,000
Scott Wallace	600,000	-	-	-	600,000
	15,979,364	-	-	7,737,212	23,716,576
30 June 2011					
Directors					
Paul McKenzie	250,000	-	-	250,000	500,000
Ian Olson	643,017	-	-	-	643,017
Fred Woollard	11,659,472	-	-	76,875	11,736,347
Executives					
John Ipsen	-	2,500,000	-	-	2,500,000
Scott Wallace	100,000	500,000	-	-	600,000
	12,652,489	3,000,000	-	326,875	15,979,364

* These shares are held by JP Morgan Nominees as custodian of the Samuel Terry Absolute Return Fund. Mr Woollard is Managing Director of Samuel Terry as trustee of the Samuel Terry Absolute Return Fund.

Other transactions with directors and executives

On 30 June 2012 the executives were granted 100,000 shares each as part of their remuneration package for 2011/12. These were issued on 24 July 2012. There have been no transactions with directors or executives.

30. Related party disclosures

Ultimate parent

The ultimate parent entity is RuralAus Investments Limited, a publicly listed company domiciled and incorporated in Australia.

Subsidiaries

The consolidated financial statements include the financial statements of RuralAus Investments Limited and the subsidiaries listed in the following table:

		Percentage of equity interest held by the consolidated entity	
	Country of	2012	2011
Name	incorporation	%	%
APR Unit Trust	Australia	100	100
RuralAus Plantation Management Pty Ltd	Australia	100	100
RuralAus Finance Limited	Australia	100	100
RuralAus Landholdings Limited	Australia	100	100
RuralAus Plantation Timber Pty Ltd	Australia	100	100

Key management personnel

Details relating to key management personnel, including remuneration paid, are included in Note 29.

Transactions with related parties

Transactions between RuralAus Investments Limited and other entities in the wholly owned group during the period consisted of:

- Loans advanced by RuralAus Investments Limited; and
- Loans advanced to RuralAus Investments Limited.

Loans provided by the company to wholly owned entities are made on an interest free basis and are repayable on demand.

All inter-entity transactions and balances are eliminated in the consolidated financial statements.

On 9 September 2011, the Group announced the raising of up to $1.32 million via a non-renounceable entitlements issue. The entitlements issue was jointly underwritten by Samuel Terry Asset Management Pty Ltd as trustee for the Samuel Terry Absolute Return Fund ("STAM"), of which Mr Frederick Woollard is a Director, and Agrarian Consulting Pty Ltd as trustee for the Paul McKenzie Family Trust Number 2 ("Agrarian") of which Mr Paul McKenzie is a Director. The Joint Underwriting Agreement was subject to specific termination clauses. The offer opened on 26 September 2011 and closed on 11 October 2011. The offer was fully subscribed.

31. Parent Entity Information

Information relating to RuralAus Investments Limited

	2012 $'000	2011 $'000
Current assets	**3,274**	2,698
Total assets	**6,505**	5,786
Current liabilities	**1,393**	1,378
Total liabilities	**1,393**	1,378
Issued capital	**9,898**	8,593
Option reserve	**272**	272
Retained earnings	**(5,091)**	(4,457)
Total shareholders equity	**5,112**	4,408
Profit/(loss) of the parent entity	**(823)**	(763)
Total comprehensive income	**(823)**	(763)

Parent entity guarantees, commitments and contingent liabilities

The directors are not aware of any guarantees, commitments or contingent liabilities of the parent entity.

32. Share-based Payment Plans

Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated	
	2012 $'000	2011 $'000
Expense arising from equity-settled share-based payment transactions	**204**	68
Total expense from share-based payment transactions	**204**	68

Executive share loan plan (ESLP)

The executives are entitled to a share loan, the loans being interest free with recourse limited to the underlying shares. The loans are made based on the VWOP of the underlying shares on the grant date. There is one vesting condition related to the executives remaining eligible employees until 25 March 2012. This plan is accounted for and valued as an option plan, with contractual life of each option equivalent to loan life, being five years. There are no cash settlement alternatives with the repayment of the loan representing exercise of the options.

The purpose of the share plan is to align the interest of the executives with those of shareholders and to ensure that total remuneration is competitive by market standards.

Summaries of options granted under ESLP

	2012 No	2012 WAEP	2011 No	2011 WAEP
Outstanding at the beginning of year	-	-	-	-
Granted during the year	-	-	3,000,000	0.15
Exercised during the year	-	-	-	-
Outstanding at the end of the year	-	-	3,000,000	0.15

Weighted average remaining contractual life

The weighted average remaining contractual life for the share options as at 30 June 2012 is 3.75 years.

Range of exercise price
The exercise price of the options was $0.15 per option

Option pricing model
The fair value of the equity-settled share options granted under the ESLP is estimated at the date of grant using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the model:

Share price at grant date	$0.18 per share
Option strike price	$0.15 per share
Time to expiration	5 years
Risk-free interest rate	5.85%
Volatility	40%

33. Commitments

Leasing commitments

Operating lease commitments – Group as lessee
The Group has entered into commercial property leases for four properties at Bremer Bay. These leases have remaining terms of between two and four years.

The Group financed a wheel loader and fuel tank at the sawmill in the previous year. A vehicle was financed during the current period. All agreements are repayable over four years from commencement.

Future minimum rentals payable under these leases as at 30 June 2012 are as follows:

	Consolidated	
	2012	2011
	$'000	$'000
Within one year	**480**	418
After one year but not more than five years	**874**	496
After more than five years	**-**	-
Total minimum lease payments	**1,354**	914

Operating lease commitments – Group as lessor
The Group has entered into commercial property leases on its investment properties in relation to growers under the five managed investment schemes that the Group manages.

These leases have remaining terms of between three and 14 years.

Future minimum rentals receivable under these operating leases as at 30 June 2012 are as follows:

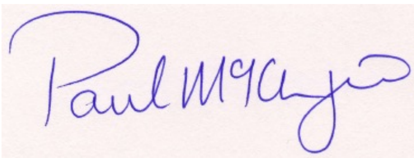
	Consolidated	
	2012	2011
	$'000	$'000
Within one year	**308**	303
After one year but not more than five years	**838**	1,071
After more than five years	**290**	470
Total minimum lease payments	**1,436**	1,844

Directors' Declaration

In accordance with a resolution of the directors of RuralAus Investments Limited, I state that:

- In the opinion of the directors:
  - The financial statements and notes of RuralAus Investments Limited for the financial year ended 30 June 2012 are in accordance with the Corporations Act 2001, including:
    - Giving a true and fair view of its financial position as at 30 June 2012 and performance; and
    - Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001
  - The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and
  - Subject to Note 2(b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
- This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

On behalf of the Board



Chairman

Dated this 27th day of September 2012

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Independent audit report to members of RuralAus Investments Limited

Report on the financial report

We have audited the accompanying financial report of RuralAus Investments Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of RuralAus Investments Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(b) in the financial report. As a result of these matters, there is significant uncertainty whether the Group will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of RuralAus Investments Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
27 September 2012

Different in Results Reported to the Australian Securities Exchange

Following the audit of the accounts, a differing of opinions between the Group's tax advisors, Grant Thornton and the tax partner at Ernst & Young in relation to the tax treatment of the Group's deferred tax liabilities has arisen.

Accordingly, this has resulted in a change in the accounts between the Annual Report and the Appendix 4E lodged with the Australian Securities Exchange.

The change has resulted in an income tax benefit of $603,000 being recorded in the Annual Report, where previously there was none.

This has resulted in the following:

- The net loss for the year has decreased to $3,942,000 (from $4,545,000 in the Appendix 4E).
- Non-current liabilities have decreased by $603,000 to $1,941,000 as a result of the deferred tax liability balance being reduced to nil.
- Total equity has increased by $603,000 to $13,967,000.
- NTA for the group has increased to $0.21.

Supplementary Information for Investors as at 25 September 2012

The information contained below is to be read in conjunction with the annual report of RuralAus Investments Limited dated 30 June 2012.

Details of top 20 shareholders

The following is a list of the top 20 shareholders of the company:

Name of shareholder	Number of shares held	% of total shares issued
JP Morgan Nominees Australia Limited	27,370,787	41.20
Mrs Julie Pennycook	3,225,000	4.85
Gear Investment Trust	2,792,533	4.20
Ipsen Family Account	2,600,000	3.91
Aminac Pty Ltd	2,166,667	3.26
Ms Shelley Kinnear	2,053,000	3.09
Mr George Takla	2,010,250	3.03
Passel Ltd	1,662,871	2.50
Mr Gadi Peleg and Ms Linda Schoenheimer	1,661,760	2.50
Mr Hugh and Mrs Vanessa Middleton	1,200,000	1.81
HSBC Custody Nominees (Australia) Limited	1,100,000	1.66
Keliri Pty Ltd	1,000,000	1.51
MAJ Pty Ltd	900,000	1.35
Mrs Toby Jones	850,000	1.28
Est Peter Jones	750,000	1.13
Mr Scott Wallace	700,000	1.05
Mr John Sergeant (Sergeant Family S/F A/C)	677,500	1.02
Ms Kym Chegwidden	550,000	0.83
Mr John Sergeant (Sergeant Family A/C)	535,823	0.81
Omnivest Pty Ltd	480,000	0.72

Details of substantial shareholders

The following is a list of substantial shareholders of the company and their associates:

Name of substantial shareholder	Registered holder of the shares	Number of shares held	Associate of substantial shareholder
Samuel Terry Asset Management Pty Ltd	JP Morgan Nominees	17,678,287	Fred Woollard, Tim Cole
Supervised Investments Limited	JP Morgan Nominees	9,692,500	Ida Constable
	HSBC Custody Nominees	1,100,000	Ida Constable
Mrs Julie Pennycook	Mrs Julie Pennycook	3,225,000	-
Gear Investment Trust	Ms Carol Gear	2,792,533	George Gear
Ipsen Family Account	Ipsen Family Account	2,600,000	John Ipsen

Distribution of shareholder numbers

Number of shares held	Number of shareholders
1 – 1,000	45
1,001, - 5,000	151
5,001 – 10,000	70
10,001 – 100,000	122
More than 100,001	49

Number of shareholders with less than a marketable parcel of securities

As at 25 September 2012, there were a total of 236 shareholders with less than a marketable parcel of securities held in RuralAus Investments Limited.

Unlisted options

There are no unlisted options.

Types of securities and voting rights

There is one class of ordinary shares. Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Number and class of shares held in escrow

There are currently no shared held in escrow.