



# RuralAus Investments Limited

## Annual General Meeting

Thursday, 17 November 2005  
Esplanade Hotel, Fremantle

# Agenda

- Chairman's report
- Business of the meeting as distributed
- General business

# Chairman's Report

- Administration
- Corporate snapshot
- Board & management
- Annual financial report highlights
- May 2005 to the present
- Moving forward

# Administration

- The company was placed in administration on 1 July 2003 when negotiations on a re-financing package with the NAB fell through.
- A previous attempt by the Administrators to sell the assets of the company in Sept 2003 fell through.
- The company was in administration until the 29 April 2005 when the Administrators retired and present management took over.

## Corporate Snapshot

Market capitalisation:	\$11 million (@ 0.205)
Number of shares on issue:	53,993,294
Number shareholders:	813
Net tangible asset backing per share (fully diluted):	\$0.38
Number grower investors:	1,333
Number of staff:	6

# Board and Management

## Directors

- George Gear  
Non-Executive Chairman
- Peter Wallace  
Non-Executive
- Ian Olson  
Non-Executive
- Paul McKenzie  
Non-Executive

## Staff

- Scott Wallace  
Company Secretary
- Peter Kinnear  
C.O.O.
- Caroline Jones  
Admin Manager
- Eliza Atkinson  
Accounts Officer
- Dennis Wedding  
KI Plant. Manager
- Ken Goldsworthy  
BB Plantation Manager

# Annual financial report highlights

- The company came out of administration on 29 April 2005.
- The Responsible Entity, Australian Growth Managers Ltd (AGML), was sold to Primary Securities. RuralAus retained all the assets and income stream.
- Revenue from ordinary activities for the year was up by \$1.073M which is a lift of 67.95% over the previous financial year.

## May 2005 to the present - A matter of priorities

- Financial restructure
- Financial performance
- Staff & accommodation
- Plantation rehabilitation
- Loan book
- Growers fees
- Operational improvements

# Financial restructure

- RuralAus \$3.75m capital raise with the issue of 18,750,000 shares was completed on 12 July 2005 fully subscribed.
- \$2.5m was paid to the NAB on time reducing the loan to \$3.5m.
- Debt now represents only 13% of total assets which is well below industry average.
- Trading on the ASX commenced on 22 July 2005.

# Financial performance

- Profit for Sept qtr: \$110k
- Net cash flow from operating & financing activities since administration: \$671k
- Cash at bank: \$1.67m
- Total assets: \$27.5m
- Total liabilities: \$ 4.1m

## Staff & accommodation

- No former staff after administration, however Dennis Wedding at KI was re-engaged.
- The company has leased modest offices in Pakenham Street, Fremantle.
- We took the view that we needed to be close to our responsible entity, Primary Securities and that we weren't going to spend more than necessary on office accommodation.

# Plantation rehabilitation

- In May Paul McKenzie visited the Bremer Bay and Kangaroo Island plantations with an independent forester and presented a report to the board for a full rehabilitation plan.
- The board approved a \$1.4m plantation restoration budget to restore confidence to the growers.
- With the limited time available we have planted 187,000 trees and fertilised all the Bremer Bay plantations with Kangaroo Island currently underway.
- Internal vermin proof fencing on KI is planned for Dec 05-Jan 06 as well as tree pruning where required.



# Plantation rehabilitation cont...



Plantation showing good condition in response to fertiliser and excellent winter rainfall.



# Plantation rehabilitation cont...



Seedlings at Bremer Bay show good growth after 1 month

# Loan book

- 53% of all loans are now being serviced, either on the original or renegotiated terms.
- Cash recovered is on target.
- Investors who have not attempted to commence repayments have now been sent to a debt collection agency.
- We will resume woodlots in the case of non payment.
- These will be reallocated where growers trees are either not up to standard or weren't planted, with the balance remaining as an asset to the company.

## Growers fees

- 21% of prior year fee arrears have been recovered.
- This is slightly below target.
- Many growers are waiting to see if their trees are going to be planted.
- The Responsible Entity has been communicating with growers outlining the work that we had done and encouraging growers bring their fees up to date.
- At the end of November the Responsible Entity will instigate recover by debt collection agencies.

# Operational improvements

- IT upgrade to improve our communication, records and customer communications has been carried out.
- Spraying equipment has been purchased for our Kangaroo Island operations.
- Employed a contractor in Bremer Bay to carry out work on an as needs basis.

# Growth strategy

- It's time
- Develop innovative projects
- Market the projects
- Alternative investments to MIS

## It's time

- Since gaining control of the company we have placed a priority on stabilising the company and bringing value into the existing assets and revenue stream.
- Whilst we still have work to do in this regard we are confident that we can now work on growing the company in the agribusiness sector.



## Develop innovative projects

- Timber will continue to be a major part of our business.
- Work is well advanced in identifying projects which have reached production stage and negotiations will identify the most beneficial way in which RuralAus can take a position.

# Market the projects

- Employ a CEO with a proven track record.
- Use extensive networks of the directors and major shareholders to distribute the projects.
- Product design will be advisor friendly with full planning support.

# Alternative investments to MIS

- MIS is susceptible to Legislative risk particularly top tax rate cuts being discussed by both major political parties.
- A priority of the CEO will be to develop strategies to seek investment money which are not tax driven.

## Conclusion

- We have come through a difficult process in bring Australian Growth out of administration. We have a way to go but have made a good start.
- Rehabilitation of the plantations is well underway with excellent growth forecast.
- We have started developing new projects for 2006 and are in discussion on other business opportunities.

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## Conclusion - continued

- We are now in a position to say that we have addressed all regulatory, management and operational issues that were inherited, are cash flow positive and well advanced to enter the market in 2006 with new investment products.

# Business of meeting

- Resolutions to be presented:
  - Consideration of financial report, directors' report and auditors report;
  - Reappointment of current directors; and
  - Adoption of the remuneration report.

# Questions

- **Questions submitted.**
- **Questions from the floor.**

## WAFM claim

The company was awarded a claim of \$1.4m against WA Forest Management P/L and one of its directors.

- WAFM went into liquidation in Aug 2002. The liquidators are investigating the shifting of assets that took place. RuralAus has agreed to fund this with the assistance of litigation funders on a success fee basis.
- The Director concerned was successful in having the claim against himself set aside on a technicality. RuralAus has instigated proceedings to have the matter reheard.
- Our advice is that the claim has a high chance of success

## Past directors actions

- A number of shareholders had started an investigation on the likelihood of pursuing past Directors of Australian Growth for compensation for breach of their fiduciary duties as directors, in particular, misleading & deceptive conduct.
- The company is taking legal advice on the chances of success in a court and the chances of the company and/or shareholders receiving compensation.

## Loans to former directors

- There are existing loans to former directors which were provided for the planting of trees.
- These loans are on commercial terms, and therefore unless they are in default no action can be taken.



# Replacement of auditors

- The audit committee has recommended that the company seek tenders for the provision of audit services.
- This will be done for the 2006/07 financial year.



# Questions from the floor.

- Any further questions?

# Meeting closed

**Thankyou for your attendance.**