

RuralAus Investments Limited

ABN 19 091 247 166

Half-Year Financial Report and ASX Appendix 4D

31 December 2007

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Results for Announcement to the Market

Appendix 4D

Current reporting period: Half-year ended 31 December 2007

Previous corresponding reporting period: Half-year ended 31 December 2006

	Percentage Change %	Amount \$'000
Revenue from ordinary activities	(10)	1,466
Loss from ordinary activities after tax	8	(299)
Net profit/(loss) attributable to members	8	(299)

Dividends Paid or Proposed - No dividends have been paid or proposed during the period.

Brief Explanation of Revenue and Net Profit

The Group experienced an decrease in the net loss after tax compared to the same period last year, posting a loss for the six months to 31 December 2007 of \$299,000 (2006: Loss \$326,000).

Revenue for the period was \$1,466,000, which was down from the previous period (2006: \$1,630,000). This reduction in revenue can be attributable to a reduction in the number of growers due to the cancellation of the woodlots of growers who have not paid their outstanding accounts and therefore a corresponding reduction in the lease and management fees charged to growers in the period.

Further rehabilitation work was done during the period, including the spraying of firebreaks, pruning of pines and nitens on Kangaroo Island and general property and maintenance repairs at both Kangaroo Island and Bremer Bay. A substantial fertiliser program was started in the period on the plantations at Bremer Bay with over \$210,000 having been spend on the purchase of fertiliser and \$80,000 having been spent on trunk pruning at Kangaroo Island.

The share price of Gage Roads Brewing Co Ltd ("GRB") fell during the period, resulting in a write down of the group's investment in GRB by a further \$189,000. The directors remain of the opinion that this is a medium to long-term investment and accordingly there is no intention to sell this investment.

A second on-market share buy-back was conducted during the period. A total of 4,896,195 shares (\$1,112,407) were purchased and subsequently cancelled. This buy-back remains "open" however, there are no plans to purchase any further shares at the present time. A total of 100,000 shares (\$20,000) were issued to Mr Scott Wallace as part of his remuneration package during the period.

NTA Backing

	Half Year Ended 31 Dec 07	Half-Year Ended 31 Dec 06
Net tangible asset backing per security	35.5 cents	39.7 cents

Results for Announcement to the Market Appendix 4D continued

Details of Entities over which control has been gained or lost during the period - The Group has not gained or lost control of any entities during the half-year ended 31 December 2007.

Details of Dividends or Distribution Re-Investment Plans - Not Applicable

Details of Associates or Joint Ventures - Not Applicable

Audit Dispute or Qualification – We are not aware of any audit dispute or qualification for the accounts for the half-year ending 31 December 2007.

Directors' Report

Your directors submit their report for the half-year ended 31 December 2007.

DIRECTORS

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

George Gear (Chairman)
Ian Olson
Peter Wallace
Paul McKenzie

REVIEW AND RESULTS OF OPERATIONS

The Group experienced an decrease in the net loss after tax compared to the same period last year, posting a loss for the six months to 31 December 2007 of \$299,000 (2006: Loss \$326,000).

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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.

DIVIDENDS

No dividends have been declared or paid in this financial period.

Directors' Report continued

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received the auditor's independence declaration, which is included on page 7 of this report and forms part of this report.

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

Signed in accordance with a resolution of the directors.

A handwritten signature in cursive script that reads "George Gear".

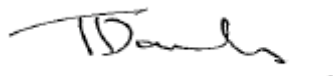
George Gear
Chairman
Dated this 28th day of February 2008

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

In relation to our review of the financial report of RuralAus Investments Limited for the half-year ended 31 December 2007, 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



T G Dachs
Partner

28 February 2008

Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Notes	Consolidated	
		2007 \$'000	2006 \$'000
Revenue	3	1,466	1,630
Other income	3	55	50
Expenses	3	(2,225)	(1,787)
Finance Costs		(115)	(112)
(Loss)/profit before income tax		(819)	(219)
Income tax benefit/(expense)	4	520	(107)
Net (loss)/profit attributable to members of parent		(299)	(326)
Earnings per share (cents per share)			
- basic for profit/(loss) for the half-year		(0.55)	(0.61)
- diluted for profit/(loss) for the half-year		(0.55)	(0.52)
Dividends paid per share (cents per share)	5	-	-

Balance Sheet

AS AT 31 DECEMBER 2007

	Notes	Consolidated	
		As at 31 December 2007 \$'000	As at 30 June 2007 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		3,295	4,729
Trade and other receivables		4,997	5,766
Other current assets		100	303
Total Current Assets		8,392	10,798
Non-Current Assets			
Trade and other receivables		4,190	4,429
Investment properties		9,937	9,937
Plant and equipment		202	181
Biological assets		103	38
Available-for-sale investments		328	517
Other		10	2
Total Non-Current Assets		14,770	15,104
TOTAL ASSETS		23,162	25,902
LIABILITIES			
Current Liabilities			
Trade and other payables		750	1,412
Interest-bearing liabilities		2,500	-
Current tax liabilities		624	1,113
Provisions		36	40
Total Current Liabilities		3,910	2,565
Non-Current Liabilities			
Interest-bearing liabilities		-	2,500
Deferred tax liabilities		747	939
Total Non-Current Liabilities		747	3,439
TOTAL LIABILITIES		4,657	6,004
NET ASSETS		18,505	19,898
EQUITY			
Contributed Equity	6	8,588	9,682
Retained earnings		9,917	10,216
TOTAL EQUITY		18,505	19,898

Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	2007 \$'000	2006 \$'000
Cash flows from operating activities		
Receipts from customers	828	758
Payments to suppliers and employees	(1,670)	(1,373)
Repayment of growers' loans	462	560
Interest received	243	647
Borrowing costs	(115)	(112)
Net cash flows (used in)/from operating activities	(252)	480
Cash flows from investing activities		
Purchase of available for sale investment	-	(1,010)
Purchase of property, plant & equipment	(68)	(73)
Net cash flows used in investing activities	(68)	(1,083)
Cash flows from financing activities		
Payment for shares pursuant to share buy-back	(1,114)	(1,005)
Repayment of borrowings	-	(524)
Net cash flows used in financing activities	(1,114)	(1,529)
Net (decrease)/increase in cash and cash equivalents	(1,434)	(2,132)
Cash and cash equivalents at beginning of period	4,729	3,020
Cash and cash equivalents at end of period	3,295	888

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Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

CONSOLIDATED	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2007	9,682	10,216	19,898
Loss for the period and total recognised expense for the period		(299)	(299)
Issue of share capital	20	-	20
Shares cancelled pursuant to buy-back	(1,112)	-	(1,112)
Cost of share buy-back	(2)	-	(2)
At 31 December 2007	8,588	9,917	18,505

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2006	10,131	10,948	21,079
Loss for the period and total recognised expense for the period	-	(326)	(326)
Issue of share capital to Paul McKenzie pursuant to resolution at AGM	53	-	53
Shares cancelled pursuant to buy-back	(1,003)	-	(1,003)
Cost of share buy-back	(2)	-	(2)
At 31 December 2006	9,179	10,622	19,801

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

1. CORPORATE INFORMATION

The financial report of RuralAus Investments Limited (“the Company”) and its controlled entities for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 28 February 2008. RuralAus Investments Limited is a company incorporated 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 Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of RuralAus Investments Limited as at 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by RuralAus Investments Limited and its controlled entities during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of preparation

The half-year financial report is a general purpose condensed financial report, which has been prepared in accordance with AASB 134 “Interim Financial Reporting” and the Corporations Act 2001.

The half-year financial report has been prepared on a historical costs basis, except for investment properties, available-for-sale investments and biological assets which have been measured at fair value.

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 98/0100. The Company is an entity to which the class order applies.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007, except stated below.

Changes in Accounting Policies

Since 1 July 2007 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 101 (revised October 2006) *Presentation of Financial Statements*
- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10 *Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038)*
- AASB 2007-1 *Amendments to Australian Accounting Standards arising from Interpretation 11 (AASB 2)*
- AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*
- AASB 2007-7 *Amendments to Australian Accounting Standards (AASB 1, AASB 2, AASB 4, AASB 5, AASB 107, & AASB 128)*
- Interpretation 10 *Interim Financial Reporting and Impairment*
- Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of RuralAus Investments Limited (“the parent entity”) and its controlled entities as at 31 December 2007 (“the Group”).

The financial statements of controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All intercompany balances and transactions, income and expenses and profit and losses arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

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

Where there is a loss of control of a subsidiary, the consolidated financial statements include the results from the part of the reporting period during which RuralAus Investments Limited has control.

3. REVENUE AND EXPENSES

	CONSOLIDATED	
	2007	2006
	\$'000	\$'000
Profit/(loss) before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
(i) Revenue		
Interest from growers	924	811
Lease fees	139	232
Management Fees	268	991
Bank interest	85	47
Other	50	21
	1,466	1,630
(ii) Other Income		
Commitment fee	-	50
Fair value increase in biological assets	55	-
	55	50

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	CONSOLIDATED	
	2007 \$'000	2006 \$'000
3. REVENUE AND EXPENSES		
(iii) Expenses		
Provision for doubtful debts	591	491
Provision for impairment on available-for-sale investments	189	-
Forestry expenses – Bremer Bay	305	153
Forestry expenses – Kangaroo Island	104	187
Salaries and wages	364	319
Professional fees	20	58
Legal fees	53	50
Directors fees	109	100
Responsible entity fees	69	55
ASX/Share registry fees	26	26
Debt collection fees	-	1
Rates	55	40
Insurance	43	46
Unrecoverable GST	33	27
Computer Maintenance	39	20
Website development	19	-
Audit fees	17	73
Rent and office costs	32	13
Depreciation	25	-
Utilities, stationery and postage	35	20
Issue of shares to S Wallace	20	-
Other	77	108
	2,225	1,787

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	CONSOLIDATED	
	2007 \$'000	2006 \$'000
4. INCOME TAX EXPENSE		
The major components of income tax expense are:		
<i>Income Statement</i>		
Current Income tax charge	(335)	-
Adjustment in respect of current income tax of previous years	(329)	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	144	(107)
Income tax expense reported in the income statement	<u>(520)</u>	<u>(107)</u>

5. DIVIDENDS PAID AND PROPOSED

No dividends have been paid during the current period and no dividends have been proposed. No dividends were paid during the prior period.

6. CONTRIBUTED EQUITY

	CONSOLIDATED	
	2007 \$'000	2006 \$'000
<i>Ordinary Shares</i>		
Issued and fully paid	<u>8,588</u>	<u>9,682</u>
	Thousands	\$'000
<i>Movements in ordinary shares on issue</i>		
At 1 July 2007	56,828	9,682
Issued during the period (see below)	100	20
Cancelled pursuant to share buy-back	(4,896)	(1,112)
Cost of share buy-back	-	(2)
At 31 December 2007	<u>52,032</u>	<u>8,588</u>

In December 2007, following the approval of a resolution of shareholders of RuralAus Investments Limited at the Annual General Meeting, 100,000 shares were granted to Mr Scott Wallace. The fair value of the shares was calculated as the average share price of RuralAus Investments Limited shares on the date the shares were granted to Mr Wallace.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

7. SEGMENT REPORTING

The Group comprises the following business segments:

- Forestry – involves the packaging, marketing, establishment and management of the investment in timber plantations; and
- Finance – was created to support the marketing of timber investments through the raising and provision of finance to investors in the promoted timber projects.

Business segments

The following table presents the segment revenue and segment result information regarding business segments for the half-year period ended 31 December 2007 and 31 December 2006.

	Forestry \$'000	Finance \$'000	Unallocated \$'000	Total \$'000
Half-year ended 31 December 2007				
Revenue				
Revenue from external customers	449	991	26	1,466
Total segment revenue	449	991	26	1,466
Result				
Segment result	(383)	243	(564)	(704)
(Loss) before tax and finance				(704)
Finance costs				(115)
(Loss) before income tax				(819)
Income tax benefit				520
Net (loss) for year				(299)
Half-year ended 31 December 2006				
Revenue				
Revenue from external customers	751	811	68	1,630
Total segment revenue	751	811	68	1,630
Result				
Segment result	(118)	116	(105)	(107)
(Loss) before tax and finance				(107)
Finance costs				(112)
(Loss) before income tax				(219)
Income tax expense				(107)
Net (loss) for year				(326)

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

8. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent assets or contingent liabilities.

9. EVENTS AFTER BALANCE DATE

There have been no significant events after balance date.

10. ADDITIONAL INFORMATION

Reconciliation of Cash

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2007.

	CONSOLIDATED	
	2007	2006
	\$'000	\$'000
Cash at bank and in hand	3,295	888

Directors' Declaration

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

In the opinion of the directors:

- a. the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they come due and payable.

On behalf of the Board

A handwritten signature in cursive script that reads "George Gear".

George Gear
Chairman

Dated this 28th day of February 2008.

To the members of RuralAus Investments Limited

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying half-year financial report of RuralAus Investments Limited (the company), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the half year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of RuralAus Investments Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

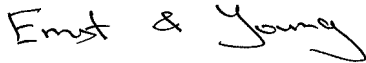
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

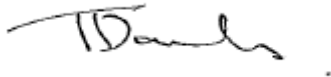
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of RuralAus Investment Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



T G Dachs
Partner
Perth
28 February 2008