

Ruralco Holdings Limited

Annual General Meeting

6 February 2004

Chairman's address

Considering the backdrop of the worst drought in 100 years, which affected some of the main areas of our operations, the achievement of a revenue increase from 526 million to 561 million was a pleasing result. Unfortunately this improvement in revenue did not result in increased profits due to a number of factors including a series of 'one-off' costs.

In total about \$1.5 million was incurred in these one-off costs and write-offs, which were related to a number of items including staff redundancies, the closure of corporate stores that were not producing adequate returns because of the drought, stock adjustments related to the closedown of the old Grow Force system and a prior year tax adjustment.

Profitability

The group net profit after tax of \$2.05 million is unacceptable to the board and management, however we believe a strong platform has been developed to enable the group to take advantage of opportunities in this and future years and produce improved results.

Rain has been received in most of the areas that were drought affected, however a good autumn break is required in order to turn the current level of cautious optimism by farmers into strong sales.

The focus of the company is changing to reflect the changes in the market place and our ability to adapt is enhanced by the independent nature of our members who have a tremendous knowledge of their local market and are able to react far more quickly than our corporate competitors.

As market changes occur, such as the rationalisation of the grain industry, we will, wherever appropriate, pro-actively seek alliances with other organisations in order to meet challenges and opportunities as they arise. Our national distribution network of over 400 outlets and the strength of our trading brands, particularly CRT, means that we have a great deal to offer to potential alliance partners.

Future Direction

The shifting market has also meant that there is a need to enhance our offering to members and as such we now provide a much wider range of products aimed at the hobby farm, home and garden and pet segments which are growing significantly.

Areas for development and growth in the coming year will be our CRT Real Estate network, which was launched last year, and the CRT Livestock member group, which is planned for launch in the latter half of this year.

The primary focus for the wool and livestock group will be the provision of funds to farmers for the purchase of livestock through independent agents who are members of CRT Wool and Livestock. This funding will replace some of the arrangements that independent agents currently utilize but will be forced to discontinue once the FSR licensing becomes fully operational.

In order to generate the funding required for the livestock lending we wish to announce that we will be issuing an unsecured notes prospectus to enable farmers to deposit funds with the company at a competitive interest rate. Predictions are for the livestock market to remain strong for the next few years and this funding initiative is expected to enable the group to be well positioned to take advantage of a positive market.

Corporate Governance

Corporate Governance has been under the spotlight and remains topical. Your board has always prided itself on its approach and therefore spent considerable time taking into account the various new requirements and recommendations that have been introduced. Further to this we took the opportunity to fully review all company procedures during the year culminating in changes to board committees and their charters. In addition there has been a review of policies and procedures which influence group operations along with a detailed risk analysis exercise covering all divisions. If you would like to investigate the corporate governance policies that have been adopted then please refer to the website, www.ruralco.com.au.

It is also important to note that whilst we do not have a majority of independent directors on the board we firmly believe that the expertise and daily interaction between directors who are trading members of the group gives the board an excellent insight into the daily workings of the company and its strength of operations.

Board

During the year, two long-standing directors of the company retired from the board, Cedric Getley, formerly the CRT member for Bunbury Western Australia. Cedric retired after 15 years service to shareholders, including a period of 3 years as chairman.

John Story, a solicitor and independent director, retired after 20 years service to shareholders including a period, as Chairman.

On your behalf we thank them for their contributions to the growth and development of the company's business over many years.

We were fortunate to secure the services of two outstanding candidates for the board with wide commercial experience, relevant to the future direction of Ruralco.

We welcome Miles Hampton, Managing Director of Roberts Limited and Michael Millner, deputy chairman of Washington H Soul Pattinson Limited to the board. They submit themselves to election by shareholders later in this meeting.

Two of our directors, Len Petch and Brian Castine retire by rotation and offer themselves for re-election.

Directors' Fees

The board has sought your approval for an increase in the level of fees to properly remunerate directors for the significant involvement that is required and to enable the attraction of quality candidates as independent directors. I shall address this issue more fully when the resolution is proposed, later in the meeting.

Management and Staff

The year under review produced some of the most difficult trading conditions in the history of the company. Our Managing Director, John Hughes and his management team provided strong leadership in difficult times and made significant progress with the development of aspects of the business. On your behalf I thank them for their efforts.

Frank Payne, our company secretary, chose to retire after 17 years with the company. Frank is known personally to many CRT members and shareholders and will be missed. We thank him for his unstinting efforts on your behalf during his long period with the company.

We were fortunate to have Duncan Glasgow join us as company secretary and general counsel, which is a new position for Ruralco. Duncan has assumed his duties with enthusiasm and the board is delighted with his performance to date.

I wish to make special mention of Greg O'Neill, general manager, Rural Merchandise who has steered the company through the difficult trading conditions brought on by the drought. He has had some tough decisions to make and has made them. A highlight of the past year for Greg, was securing Robert Limited as a member, with 17 stores in Tasmania.

I wish to extend the boards thanks to all staff for the way they have worked together in the company's interest, during the past year. Their loyalty and dedication to the tasks at hand is very much appreciated.

Finally, I wish to thank my colleagues on the Board for their support. They are a great team to work with.

Outlook

For the first three months of trading this year conditions have certainly improved and sales and profits are both ahead of last year however our major months of trading are still to come and hopefully, if predictions are correct, good rainfall will be received

and hence strong sales and profits will be generated. I now invite our Managing Director, John Hughes to address and elaborate on our outlook.

Managing Director's Commentary

Thank you Mr Chairman and good afternoon ladies and gentlemen.

The first quarter of our trading year has produced a sound result overall with a modest increase in income of 6% and a 28% increase in profit before tax. The major contributors to this result were the merchandising and livestock divisions which reaped the rewards of significant member growth and a strong livestock market respectively.

Unfortunately Queensland and large areas of NSW were adversely affected by continuing drought conditions and this had a negative impact on the results for fertilisers and our Queensland corporate store operations.

Whilst we are pleased with the first quarter profit result this should be viewed in context of our full year being heavily dependent upon our second half performance.

Recent rains across wide areas of the country have increased farmer confidence but there still needs to be a good autumn break for positive attitudes to be turned into strong market demand and hence sales.