



Australian Agricultural Company Limited
ABN 15 010 892 270

Australian Agricultural Company Limited

2011 Annual Financial Report

ASX Announcement No. 02/2012

31 January 2012

Australian Agricultural Company Limited ('AAco') has today released the Company's Annual Financial Report for the financial year ended 31 December 2011.

The documents released today are:

- Media Release '*AAco full year results at top end of guidance*'
- AAco Appendix 4E
- AAco Annual Report
- 2011 AAco Results Presentation

The Annual Report includes the Full Year Financial Report and Statements.

A PDF copy of the 2011 Annual Financial Report will also be available for download from the AAco website at www.aaco.com.au

Bruce Bennett
Company Secretary

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AAco

Australian Agricultural Company Limited – AAco (ASX:AAC) – is the largest beef cattle company in Australia. AAco was established in 1824 and is one of the oldest companies in Australia.



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AAco full year results at top end of guidance

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Highlights

AAco has announced full year results at the top end of guidance, with earnings indicating that the Company's turnaround strategy is gaining momentum.

		% change
EBITDA	\$58.1 million	40.7% increase
Revenue	\$384.4 million	32.1% increase
EBIT	\$45.7 million	60.9% increase
NPAT	\$10.5 million	1,064.4% increase
Gross margin	\$127.7 million	25.6% increase
Live cattle revenue	\$231 million	46.9% increase
Branded beef revenue ⁽¹⁾	\$135 million	18.3% increase
Herd numbers	665,591 head	15% increase
Total kilograms	80.7 million	26% increase

(1) Excludes Chefs Partner revenue

Australian Agricultural Company Limited today reported total EBITDA of \$58.1 million for the full year ending 31 December 2011, which was at the top end of guidance of between \$50 million and \$60 million.

Commenting on the result, AAco Managing Director David Farley said: "The 2011 financial performance demonstrates that the turnaround strategy introduced two years ago is gaining momentum and that the company is establishing a strong platform for maximising business performance."

AAco's solid financial performance was driven by strong revenue growth. The Company's pastoral division (including farming operations) was a particularly strong performer achieving revenue growth of 52%.

The Company reported net tangible assets of (NTA) \$2.15 per share, which is \$0.03 higher than the pro forma December 2010 NTA, which takes into account the dilution caused by the successful capital raising conducted in May 2011.

Operational outcomes

Increased pasture levels as a result of excellent seasonal conditions coupled with stronger global beef prices contributed to a focus on increasing both herd levels and weight gain. The current seasonal conditions indicate a six to eight month grassload across AAco properties, mitigating short term risk in case of a return to drought conditions.

AAco's cattle inventory increased to 665,591 (including 156,282 calves branded and 177,516 cattle acquired) representing ~15% growth on the previous year. Total kilograms produced also increased by ~26% to 80.7 million kilograms.

"By growing the herd and maximising weight gain during 2011, AAco is now in a strong position to capitalise on the current global beef shortage and increasing cattle and beef prices, as we continue our transformation of AAco into an integrated beef producer, processor and marketer," said Mr Farley.

Increased cattle purchases, including the Tipperary acquisition accounted for \$31.7 million of the \$64.1 million total cash outflows from operating activities in 2011 (2010: \$48.8 million cash outflow).

Other operating cash outflows included the Chefs Partner closure, a decline in Beef Group margins (\$9.3 million) and shipping delays in December due to weather conditions which resulted in related cash being received in January 2012 (\$12.2 million).

Herd developments

A highlight was the acquisition of 53,531 branded cattle from Tipperary Group for a total consideration of \$27.2 million. The herd acquired included high quality Brahman cattle, comprising a mix of cows, heifers, steers, bulls and calves. The acquisition also included an agistment agreement to use stations owned by Tipperary Group including Tipperary and Litchfield, with options to extend at AAco's discretion.

"This acquisition, along with a number of other agistment agreements across northern Australia, demonstrates the effectiveness of AAco's strategy of enhancing operating yields while minimising capital intensity," said Mr Farley.

Total herd production increased cattle gross margins by 38% in dollar terms, compared with the previous year.

At the conclusion of the wet season, AAco will assess the 2012 seasonal outlook and determine productivity capacity for the coming year. This assessment will be used to determine the basis of herd size and structure for 2012.

Herd improvements

AAco has had a key focus during 2011 on improving the age profile of its breeding cows and bulls. In addition, the company has focused on maximising the number of live calves and on improving re-breeding rates.

This has resulted in 23% productivity gains from the breeding herd during the period with 156,282 calves branded, which represents 74% productivity from our joined breeding herd.

AAco remains at the forefront of breeding innovation, developing genetically superior composites which will be successful in local conditions.

“Improving the performance of the breeding herd has already delivered for the company this year, but our approach will continue to benefit AAco into the future,” said Mr Farley.

Property portfolio

The Company continues to realign its property portfolio to reflect its ongoing strategy to reduce the capital intensity of the business.

AAco remains focused on securing a strategic northern flood plain property to ensure maximum kilogram growth of cattle before export, and will continue to examine agistment opportunities as they arise.

In line with this strategic approach, the Company sold the Meteor Downs property for \$21.6 million during the period. This represented an excellent sale price at 37.6% greater than book value. Capital released from the sale of Meteor Downs will be redeployed to increase the grazing herd in order to support the Company’s northern trading operation and the beef processing facility planned for Darwin.

Live exports

Notwithstanding the disruptions caused by the live export suspension to Indonesia, trading numbers materially improved following the lifting of the ban.

During the affected period, AAco sold 80,085 head of live cattle, compared with 76,755 over the same period in 2010.

AAco had completed slightly less than 50% of its 2011 live export program before the suspension and as at 31 December 2011, 44,311 head of cattle have left AAco stations for Indonesian markets since the lifting of the ban.

Forward sales set at pre-ban prices which were awaiting shipment following the lifting of the suspension assisted in containing the financial impact on the Company. The impacts were also mitigated by AAco accelerating plans to export to alternative international markets.

Northern Territory Meat Processing Facility

AAco continues to make good progress in its plans to develop a state-of-the-art food processing facility in the Northern Territory.

A development application was lodged with the Northern Territory Government in September 2011, marking a critical milestone for this project. Pending government approvals and government infrastructure funding being secured, the Board will be in a position to consider the appropriate capital structure and ultimately, final project endorsement.

It is anticipated that the plant will cost approximately \$80-85 million, including land and infrastructure. AAco plans to seek co-investors for the plant during 2012 once the final development approvals have been received and AAco is satisfied that the appropriate level of government support for the infrastructure is in place.

It is anticipated that this process will be resolved in the first half of 2012.

“With no local beef processing facilities in northern Australia, this new facility will support the whole of northern Australia’s beef industry, allowing cattle to be processed locally and reducing transport and

freight costs for northern producers who currently need to truck live cattle across large distances to southern processing plants,” said Mr Farley.

“We have estimated that this project will produce savings of 6.5 million transport kilometres per annum, contributing to significant reductions in carbon emissions.

“The final approval by the Board is dependent on Federal and Northern Territory Government commitments to deliver vital project and public infrastructure,” said Mr Farley.

Dividend

The Board has determined that no dividend will be declared for the 2011 financial year. While pleased with the continued progress against our strategic plan, it is critical that capital is deployed over the next 12 months to ensure the long-term sustainability of the business. Over the coming period, the Board will maintain its focus on the importance of increasing shareholder returns.

The current outlook is that during 2012 AAco group will generate an operating cash surplus. Subject to the 2012 outcome generating an operating cash surplus the Board will consider recommending a return to distributions in 2013.

Outlook

AAco believes it will be well positioned to take advantage of the tightness of global beef supply and the extremely positive pricing environment to increase profitability, once a steady state herd has been achieved in line with our plans during 2012.

“The strength of Australian beef prices, despite the strong Australian Dollar, provides good reason for optimism,” said Mr Farley.

“In addition, global demand for all proteins points to continuing strength in beef prices and AAco is strongly aligned with these immediate global metrics of shrinking beef supply and increasing demand.

“We anticipate AAco will sell approximately 120,000 head of cattle during the first six months of 2012, realising cash and further profit value currently in the herd.

“This is indicative of the momentum we believe we will carry throughout 2012 and we look forward to another strong year of improved results and continued realignment of our business.”

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Issued by:

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AAco

Australian Agricultural Company Limited – AAco (ASX:AAC) – is the largest beef cattle company in Australia.

For media queries please contact:

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