Australian Agricultural Company Limited
ABN 15 010 892 270

(ASX Code: AAC)

2014 Half Year Financial Report

ASX Announcement No. 66/2013 **7 November 2013**

Manager
ASX Market Announcements
Australian Securities Exchange

Attached is the Australian Agricultural Company Limited's Half Year Financial Report for the half year ended 30 September 2013.

Issued by:
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General Counsel and Company Secretary

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Australian Agricultural Company Limited

ABN 15 010 892 270

Half-Year Financial Report

For the Half-Year ended 30 September 2013

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the three months ended 31 March 2013 and any public announcements made by Australian Agricultural Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Your Directors present their report on the Group consisting of Australian Agricultural Company Limited and the entities it controlled (AACo) at the end of, or during, the half-year ended 30 September 2013. This half-year financial report is the first 30 September half-year financial report to be presented following the change in the Company's financial year end from 31 December to 31 March. The change in financial year-end more closely aligns the Company's reporting period with its sales cycles, assisting with forecasting, cash flow management and investment decisions.

DIRECTORS

The following persons were Directors of Australian Agricultural Company Limited during the whole of the half-year and up to the date of this report. Directors were in office for this entire period unless otherwise stated.

Current
Donald McGauchie AO (Non-executive Chairman)
Stuart Black AM
David Crombie
Tom Keene
Dr Shehan Dissanayake
Dr Mohd Emir Mavani Abdullah (appointed casual vacancy director 10 April 2013, appointed 21 August 2013)
Denys Collin Munang (alternate Director for Dr Mohd Emir Mavani Abdullah, appointed 10 April 2013)
Adil Allana (appointed alternate director for Arunas Paliulis 14 May 2013, elected Director on 21 August 2013)

Former
Arunas Paliulis (resigned 21 August 2013)
David Farley (Managing Director/Chief Executive Officer, resigned 30 July 2013)
Irfan Allana (alternate Director for A. Paliulis, resigned 14 May 2013)

REVIEW AND RESULTS OF OPERATIONS

The Half Year in Review

The six months to September 2013 has seen AACo endure persistent dry conditions. Despite this, AACo continues to carry enough feed to retain its core breeder herd. A weak demand from re-stockers has continued to depress cattle prices. Furthermore, the low live export volumes have placed downward pressure on live export prices. However, recent easing of live export restrictions to Indonesia is anticipated to result in increased export volumes to this market.

Seasonal Conditions

Rainfall was well below average for AACo's properties during the period, particularly in Northern Australia. The drier conditions have given rise to increased feed and transport costs over the six months to 30 September 2013.

30 September 2013 Operations and Key Financial Results

- Cattle sales revenue down by $20.4 million (21% decrease compared to the 2012 comparative period).
- Gross operating margin down by $23.0 million (67% decrease compared to the 2012 comparative period).
- EBITDA decrease of $21.5 million (293% decrease compared to the 2012 comparative period).
- Negative EBIT from continuing operations of $33.8 million (181% decrease compared to the 2012 comparative period).
- Net loss after tax from continuing operations $31.6 million ($13.0 million downturn compared to the 2012 comparative period).
- Decrease in herd numbers by 94,429 head (15% decrease compared to the 2012 comparative period).
- Operating cash flow improvement by $4.5 million compared to the 2012 comparative period.

Financial results

	6 months to 30 September 2013 $'000	6 months to 30 September 2012 $'000	Favourable/ (Unfavourable) Movements $'000
Finished & store cattle			
Cattle sales (1)	78,542	98,894	(20,352)
Cattle growth (2)	18,878	35,512	(16,634)
Cattle fair value adjustments (3)	25,265	26,648	(1,383)
Deemed cost of cattle sold (4)	(78,542)	(98,894)	20,352
Cattle expenses (5)	(26,074)	(19,846)	(6,228)
Feedlot cattle expenses (6)	(16,576)	(14,551)	(2,025)
Finished & store cattle gross margin	**1,493**	**27,763**	**(26,270)**
Branded Beef			
Sales(7)	83,925	76,168	7,757
Cost of meat sold	(76,735)	(74,430)	(2,305)
Branded Beef gross margin	**7,190**	**1,738**	**5,452**
Farming			
Sales(7)	15,237	18,280	(3,043)
Crop costs less changes in fair value(9)	(12,498)	(13,403)	905
Farming gross margin	**2,739**	**4,877**	**(2,138)**
Gross operating margin	**11,422**	**34,378**	**(22,956)**
Other revenue and other income	5,181	2,121	3,060
Expenses			
Administration and other non-station operating costs	(8,136)	(8,577)	441
Employees	(21,447)	(18,551)	(2,896)
Lease and property related costs	(3,998)	(3,390)	(608)
Other station operating costs	(11,809)	(13,310)	1,501
Operating expenses	**(45,390)**	**(43,828)**	**(1,562)**
Earnings from operations – EBITDA(10)	**(28,787)**	**(7,329)**	**(21,458)**
Depreciation	(5,007)	(4,693)	(314)
Earnings from operations – EBIT(10)	**(33,794)**	**(12,022)**	**(21,772)**
Net finance costs	(12,337)	(13,609)	1,272
Loss before income tax	**(46,131)**	**(26,631)**	**(20,500)**
Income tax benefit	14,512	6,973	7,539
Net loss after tax	**(31,619)**	**(18,658)**	**(12,961)**

(1) Cattle sales are sales from cattle physically delivered to market.
(2) Cattle growth is the value change in the herd arising from increased weight as the cattle grow.
(3) Cattle fair value adjustments arise from market value changes in the herd, natural increase (8), attrition and rations. These fair value adjustments are non-cash.
(4) In accordance with the Agriculture accounting standard the value changes that determine gross margin occur prior to the point of sale and these are reflected in 2 & 3 above. As the asset is always biologically changing no sales margin emerges under the accounting standard.
(5) Direct costs associated with managing non-feedlot cattle.
(6) Direct costs associated with managing feedlot cattle.
(7) Sales are recognised when the product has been delivered and invoiced.
(8) Natural increase is the value change from calves and brandings.
(9) Crops are valued at spot market prices at the time of harvest and this value is applied against the cropping costs to date and a margin recognised. As the crop is delivered against forward or spot contracts the revenue is recognised when the crop risk is transferred to a third party.
(10) EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation) are non-IFRS financial information and have been reviewed by the Company's auditors.

Revenue and gross margin

Continuing drought conditions in Queensland and Northern Australia and the uncertainty in the live export trade have resulted in an accelerated sales programme with 172,517 head sold to 30 September 2013 (six months to 30 September 2012 - 147,693 head). The dry conditions have brought about destocking across the cattle industry forcing prices lower than prior years. Prices achieved to 30 September 2013 averaged $731 per head (six months to 30 September 2012 - $919). Cattle purchases have also been reduced to 14,453 head for the six months to 30 September 2013 (six months to 30 September 2012 – 61,181 head) with the bulk of the cattle purchased to support feedlot operations.

Live cattle sales to exporters supplying the Indonesian live cattle market remained challenging during the period due to inconsistencies in communication and action in relation to permits and permit conditions. Feeder cattle prices to Indonesia declined in mid-2013 as Indonesia would not issue permits. However recent positive developments now suggest Indonesia recognises that its beef requirements include feeder cattle from Australia and with new markets such as Vietnam competing for cattle, export market prices are rising.

The table below reconciles the cattle fair value adjustments through profit and loss:

	6 months to 30 September 2013	3 months to 31 March 2013	6 months to 30 September 2012
Unrealised cattle market price movements on the trading herds	5,562	(43,179)	(8,697)
Other cattle fair value adjustments including natural increase and other fair market value adjustments	19,703	5,513	35,345
Cattle fair value adjustments	25,265	(37,666)	26,648

Market value adjustments arising from market price changes to the herd values over the period resulted in an unrealised cattle price gain of $5.6 million compared to $8.7 million loss for the same period in 2012.
The unrealised gain in the current period is largely attributable to increased live export prices in the market for the quarter to September 2013. The value of natural increase has fallen due to lower cattle prices, despite an increase in head numbers through natural increase compared to the same period in 2012. As a result, other cattle fair value adjustments have declined to $19.7 million (six months to 30 September 2012 - $35.3 million).

Branded Beef

	6 months to 30 September 2013	3 months to 31 March 2013	6 months to 30 September 2012
Kilograms sold – '000	8,998	4,351	9,506
Revenue - $'000	83,925	38,134	76,168
Margin - $'000	7,190	602	1,738

Kilograms of meat sold are down due to the reduction in 1824 numbers as production was contracted to supply only the highest value customers to establish sustainable and positive margin business. Average price per kg has improved providing a 10.2% increase in revenue on lower volumes compared to the prior corresponding period in 2012. Margins in 1824 and Wagyu have shown significant improvement on the back of the increased revenue, improved yields and cost controls.

The favourable movement of the currency has assisted the increase in price per kg.

Cattle Production

	6 months to 30 September 2013	3 months to 31 March 2013	6 months to 30 September 2012
Opening balance (head)	**676,217**	**681,740**	**696,788**
Natural increase (including calf accrual)	41,105	34,389	45,364
Purchases	14,453	5,673	61,181
Cattle attrition and rations	(7,695)	(4,399)	(9,648)
Cattle sales	(172,517)	(41,186)	(147,693)
Closing balance (head)	**551,563**	**676,217**	**645,992**
Closing balance consists of:			
Breeding (head)	336,144	439,360	408,092
Non breeding (head)	215,419	236,857	237,900
Cattle valuation ($'000)	**388,971**	**437,068**	**469,713**
Kilograms produced ('000 kgs)	**44,694**	**8,494**	**57,729**
Average price of cattle sold ($ per head)	731	985	919
Average price of cattle purchased ($ per head)	969	1,002	625
Average cattle inventory value ($ per head)	705	646	727

Expenses

Total operating expenses increased over the same period in 2012 due to the impact of dry weather conditions. Custom feeding, mustering and dry weather agistment have increased in the six months to 30 September 2013. Ongoing investment in people and information technology has had an impact on expenses during the period but will provide significant productivity benefits going forward.

Depreciation/amortisation and impairment

Total depreciation and amortisation of $5.0 million is $0.3 million higher than the same period in 2012. There were no impairment costs for the period.

Interest and finance costs

Total finance costs decreased to $12.3 million from $13.6 million in the prior comparative period, reflecting lower financing costs.

Capital raising

On 12 September 2013 the Company announced a fully underwritten 7 for 10 accelerated non-renounceable pro-rata entitlement offer conducted at an issue price of $1.00 per share to raise approximately $219.2 million and the issue of $80 million subordinated convertible notes. The institutional component of the offer was completed on 27 September 2013. The institutional offer raised $100.8 million from eligible institutional shareholders, other institutional investors and sophisticated investors. The retail component of the offer and convertible note placement were completed subsequent to 30 September 2013.

On 16 October 2013 the Company issued the following ordinary shares and convertible notes:

(a) 88,799,540 ordinary shares were issued in terms of the retail component of the Company's accelerated non-renounceable pro-rata entitlement offer and raised $88.8 million.

(b) 29,584,990 ordinary shares were issued in terms of the pre-committed entitlement under the institutional component of the Company's accelerated non-renounceable pro-rata entitlement offer and raised $29.6 million.

(c) 160 subordinated convertible notes were issued to an existing shareholder of the Company for $80 million. The notes are unsecured and subordinated to the Company's senior bank debt. The notes expire on 30 September 2023 and the note holder may elect to cause redemption at the fifth anniversary of the issue date and annually thereafter. The coupon rate is the 6 month BBSW rate plus 0.15% subject to a floor of 3.0% per annum, payable semi-annually in arrears. The note holder is entitled to convert the notes into ordinary shares in the Company during the period 1 September 2014 until 15 business days prior to maturity at $1.15 per AACo share.

Given settlement of the capital raising occurred on both sides of the 30 September 2013 balance date, it is important to note the cash flows both prior to and post 30 September 2013. Proceeds received from the capital raising and subsequent repayment of debt is summarised below.

Proceeds received as follows:

$ 97,614,765.75 on 26 September 2013 - Institutional component of entitlement offer (net of transaction costs).
$ 114,356,144.03 on 15 October 2013 - Retail component and AA Trust entitlement of entitlement offer.
$80,000,000.00 on 16 October 2013 - Convertible notes.

AACo repaid drawn bank loan facilities from the above proceeds as follows:

$ 10,000,000.00 on 30 September 2013 - Facility B
$ 90,000,000.00 on 30 September 2013 – Facility A
$ 110,000,000.00 on 18 October 2013 – Facility A

As set out in the initial offer document, the Company applied the proceeds from the capital raising to reduce debt and will use the balance to fund the capital requirements associated with the Darwin Beef Processing Facility, vertical integration and market development strategy.

Debt

The debt leverage of the Group (as measured by Net Debt / (Net Debt + Equity)) of 31.5% as at 30 September 2013 (30 September 2012: 38.0%) is lower than the prior corresponding period. Assuming all of the capital raising proceeds had settled prior to 30 September 2013, the debt leverage of the Group would have been 19.4%.

Net tangible assets

The Group's net tangible assets per share was $1.58 at 30 September 2013, compared to $2.07 at 30 September 2012. Assuming all of the capital raising proceeds had settled prior to 30 September 2013, the Group's net tangible assets per share would have been $1.44 at 30 September 2013. Assuming no capital raising occurred prior to 30 September 2013, the Group's net tangible assets per share would have been $1.77 at 30 September 2013. Net tangible assets of the Company include leased land assets.

Dividend

The Company is committed to the reinstatement of dividends and has previously foreshadowed that on a return to sustainable and significant positive operational cashflows the Directors will review dividend policy and payments.

CONTINUING OPERATIONS

The Group continues to operate 19 owned cattle stations, 2 owned and 5 external feedlots and 2 owned and 2 external farms located in Queensland and the Northern Territory. In addition, the Group also operates Tipperary station and other properties via agistment agreements.

STRATEGIC DIRECTION

The Board has reiterated its commitment to increasing shareholder value through incremental improvements to Return on Capital Employed (ROCE). The goal is to improve the quantity and quality of the Group's earnings by reducing its exposure to volatile domestic cattle markets, which are largely driven by variable climatic conditions, and increasing the Group's exposure to generally higher and less volatile global beef prices which are underpinned by rising incomes in the developing world.

Essentially, AACo is seeking to transform itself from a production led company into a vertically integrated beef company which is responsive to the demands of its global customers. A first step of this transformation is the development of the Darwin Beef Processing Facility which will allow AACo to capture more value for the animals it processes as well as improving the overall productivity of its herds.

A significant amount of time is being invested into developing AACo's marketing and branding strategies to maximise returns from the global beef marketplace.

AACo continues to consider strategies to improve its capital efficiency and is focussed on models which minimise the capital required to implement its vertical integration strategy. In the period, AACo sold two properties, Brighton Downs Station and part of the Goonoo Aggregation, for at or close to book value. These properties were deemed not to be core to the company's strategy. Since the balance sheet date, the Company has exchanged conditional contracts for the purchase of La Belle Downs and Welltree Stations in the Northern Territory. AACo will continue to monitor its existing property portfolio and buy or sell property, only when such a move is deemed to be core to its strategy.

Update on Darwin Beef Processing Facility

Work on the Darwin Beef Processing Facility continues. A Project Manager and Managing Contractor are engaged on the project, contracts have now been executed with the major plant and equipment providers and construction of the facility is underway. The plant is expected to be operational during the second half of calendar year 2014.

Work continues to be carried out to mitigate operation risks around the project and management is focused on ensuring optimal labour, supply and off-take and logistics arrangements are in place prior to operations.

Risk Management

The Company is committed to identification, measurement and management of material business risks. The Company's breeding and sales programs to date have produced a herd with the right genetic and age profile to deal with the current and future geographic, weather and market conditions. Day-to-day Production risks are managed by front line staff on station and overseen by the Chief Operating Officer and appropriate insurance coverage is maintained in respect of the business, properties and assets where it is practical and profitable to do so.

The Company seeks to further reduce risk through vertical supply chain integration, through the Darwin Beef Processing Facility, and diversification of revenue streams, through cropping. Price risks are managed, where possible, through forward sales of boxed beef, Over the Counter foreign exchange derivatives and Exchange Traded grain and cotton derivatives. Work is continuing to strengthen relationships with existing clients and expand the markets and clients that our beef is sold to.

EVENTS AFTER THE BALANCE SHEET DATE

On 16 October 2013 the Company issued the following ordinary shares and convertible notes:

(a) 88,799,540 ordinary shares were issued in terms of the retail component of the Company's accelerated non-renounceable pro-rata entitlement offer and raised $88.8 million.

(b) 29,584,990 ordinary shares were issued in terms of the pre-committed entitlement under the institutional component of the Company's accelerated non-renounceable pro-rata entitlement offer and raised $29.6 million.

(c) 160 subordinated convertible notes were issued to an existing shareholder of the Company for $80 million. The notes are unsecured and subordinated to the Company's senior bank debt. The notes expire on 30 September 2023 and the note holder may elect to cause redemption at the fifth anniversary of the issue date and annually thereafter. The coupon rate is the 6 month BBSW rate plus 0.15% subject to a floor of 3.0% per annum, payable semi-annually in arrears. The note holder is entitled to convert the notes into ordinary shares in the Company during the period 1 September 2014 until 15 business days prior to maturity at $1.15 per AACo share.

On 23 October 2013, the Company announced that it had agreed to terms and exchanged conditional contracts to purchase two of the former RM Williams Agricultural Holdings properties, La Belle Downs and Welltree Stations in the Northern Territory. The Company will pay $27.1 million for the properties, which were sold bare of cattle but inclusive of plant and equipment.

On 28 October 2013, the Company permanently cancelled the $50 million Facility B in full. This facility related to the development of AACo's Darwin Beef Processing Facility and was undrawn.

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Auditor's Independence Declaration to the Directors of Australian Agricultural Company Limited

In relation to our review of the financial report of Australian Agricultural Company Limited for the half-year ended 30 September 2013, 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

Mike Reid
Partner
7 November 2013

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (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.

Signed in accordance with a resolution of the Directors.

Donald McGauchie AO
Chairman

Brisbane
7 November 2013

Consolidated Income Statement
For the half-year ended 30 September 2013

	6 months to 30 Sept 2013 $'000	3 months to 31 Mar 2013 $000	6 months to 30 Sept 2012 $'000
Revenue			
Cattle sales	78,542	22,114	98,894
Meat sales	83,925	38,134	76,168
Crop income	15,237	899	18,280
	177,704	61,147	193,342
Cattle growth	18,878	9,556	35,512
Cattle fair value adjustments	25,265	(37,666)	26,648
	221,847	33,037	255,502
Deemed cost of cattle sold	(78,542)	(22,114)	(98,894)
Cattle expenses	(26,074)	(6,881)	(19,846)
Feedlot cattle expenses	(16,576)	(7,535)	(14,551)
Cost of meat sold	(76,735)	(37,532)	(74,430)
Crop costs	(12,498)	613	(13,403)
Gross operating margin	11,422	(40,412)	34,379
Other revenue	5,181	1,037	2,121
Other income	-	114	-
Expenses			
Administration and other non-station operating costs	(8,136)	(5,994)	(8,577)
Business development	(690)	(405)	(1,027)
Depreciation	(5,007)	(2,728)	(4,693)
Employee expenses	(21,447)	(10,291)	(18,551)
Lease and property related costs	(3,998)	(2,595)	(3,390)
Other station operating costs	(11,119)	(6,004)	(12,284)
Loss before finance costs and income tax expense	(33,794)	(67,278)	(12,022)
Net finance costs	(12,337)	(6,711)	(13,609)
Loss before income tax	(46,131)	(73,989)	(25,631)
Income tax benefit	14,512	27,512	6,973
Net loss after tax	(31,619)	(46,477)	(18,658)
	Cents	**Cents**	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the parent			
Basic loss per share	(0.07)	(14.3)	(0.06)
Diluted loss per share	(0.07)	(14.3)	(0.06)

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

Consolidated Statement of Comprehensive Income
For the half-year ended 30 September 2013

	6 months to 30 Sept 2013 $'000	3 months to 31 Mar 2013 $000	6 months to 30 Sept 2012 $'000
Loss for the period	(31,619)	(46,477)	(18,658)
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss:			
Tax adjustment relating to revalued assets	(8,716)	-	-
Items that may be reclassified subsequently to profit and loss:			
Changes in the fair value of cash flow hedges	131	2,826	(5,203)
Other comprehensive income for the period, net of tax	(8,585)	2,826	(5,203)
Total comprehensive income for the period, net of tax	(40,204)	(43,651)	(23,861)

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

Consolidated Statement of Financial Position

As at 30 September 2013

	Note	30 Sept 2013 $'000	31 Mar 2013 $'000	30 Sept 2012 $'000
Current assets				
Cash and cash equivalents		27,206	11,248	13,141
Trade and other receivables		17,868	16,829	21,845
Inventories and consumables		28,622	30,729	24,888
Biological assets - livestock		158,024	166,772	167,309
Derivative financial instruments		4	544	898
Other assets		4,877	545	762
Total current assets		236,601	226,667	228,843
Non-current assets				
Biological assets - livestock		230,947	270,296	302,404
Property, plant and equipment	2	584,881	603,157	635,399
Total non-current assets		815,828	873,453	937,803
Total assets		1,052,429	1,100,120	1,166,646
Current liabilities				
Trade and other payables		25,037	26,055	19,132
Provisions		3,562	3,633	3,013
Interest bearing loans and borrowings	3	8,441	15,316	1,791
Derivative financial instruments	4	4,942	5,442	7,292
Total current liabilities		41,982	50,446	31,228
Non-current liabilities				
Provisions		579	546	463
Interest bearing loans and borrowings	3	318,240	407,464	407,779
Deferred tax liabilities		39,176	46,246	80,399
Total non-current liabilities		357,995	454,256	488,641
Total liabilities		399,977	504,702	519,869
Net assets		652,452	595,418	646,777
Equity				
Contributed equity	6	337,003	239,473	239,604
Reserves		319,262	328,139	347,625
(Accumulated losses)/Retained earnings		(3,813)	27,806	59,548
Total equity		652,452	595,418	646,777

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

Consolidated Statement of Changes in Equity

For the half-year ended 30 September 2013

	Note	Contributed equity $000	Reserves $000	Retained Earnings/ (Accumulated losses) $000	Total equity $000
At 1 April 2012		238,296	353,076	78,206	669,578
Loss for the period		-	-	(18,658)	(18,658)
Other comprehensive loss		-	(5,203)	-	(5,203)
Total comprehensive loss for the period		-	(5,203)	(18,658)	(23,861)
Transactions with owners in their capacity as owners:					
Shares issued	6	1,308	-	-	1,308
Cost of share-based payment		-	(248)	-	(248)
At 30 September 2012		239,604	347,625	59,548	646,777
At 1 January 2013		239,473	324,883	74,283	638,639
Loss for the period		-	-	(46,477)	(46,477)
Other comprehensive income		-	2,826	-	2,826
Total comprehensive income/(loss) for the period		-	2,826	(46,477)	(43,651)
Transactions with owners in their capacity as owners:					
Tax adjustment relating to prior period revaluations		-	300	-	300
Cost of share-based payment		-	130	-	130
At 31 March 2013		239,473	328,139	27,806	595,418
At 1 April 2013		239,473	328,139	27,806	595,418
Loss for the period		-	-	(31,619)	(31,619)
Other comprehensive income		-	(8,585)	-	(8,585)
Total comprehensive income/(loss) for the period		-	(8,585)	(31,619)	(40,204)
Transactions with owners in their capacity as owners:					
Shares issued	6	100,797	-	-	100,797
Transaction costs on share issue	6	(3,267)	-	-	(3,267)
Cost of share-based payment		-	(292)	-	(292)
At 30 September 2013		337,003	319,262	(3,813)	652,452

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the half-year ended 30 September 2013

	Note	6 months to 30 Sept 2013 $'000	3 months to 31 Mar 2013 $000	6 months to 30 Sept 2012 $'000
Cash flows from operating activities				
Receipts from customers		165,209	60,664	170,625
Payments to suppliers, employees and others		(158,212)	(76,189)	(170,328)
Interest received		316	31	223
Net GST received from ATO		5,180	3,719	7,670
Net operating cash flows before interest and finance costs		12,493	(11,775)	8,190
Payment of interest and finance costs		(13,496)	(6,828)	(13,674)
Net cash flows used in operating activities	8	(1,003)	(18,603)	(5,484)
Cash flows from investing activities				
Payments for property, plant and equipment and other assets		(15,716)	(4,735)	(25,200)
Proceeds from sale of property, plant and equipment		32,599	37	683
Net cash flows from/(used) in investing activities		16,883	(4,698)	(24,517)
Cash flows from financing activities				
Proceeds from issue of shares net of transaction costs	6	100,796	-	1,308
Transaction costs on issue of shares		(3,182)	-	-
Proceeds from borrowings		10,000	13,839	27,101
Repayment of borrowings		(107,536)	(1,652)	-
Net cash flows from financing activities		78	12,187	28,409
Net (decrease)/increase in cash and cash equivalents		15,958	(11,114)	(1,592)
Cash and cash equivalents at the beginning of the period		11,248	22,362	14,733
Cash and cash equivalents at the end of the period		27,206	11,248	13,141

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

1. Basis of preparation and accounting policies

(a) Corporate Information

Australian Agricultural Company Limited is a company limited by shares, incorporated and domiciled in Australia. The Company's shares are publicly traded on the Australian Securities Exchange (ASX).

This half-year financial report is the first 30 September half-year financial report to be presented following the change in the Company's financial year end from 31 December to 31 March. The change in financial year-end more closely aligns the Company's reporting period with its sales cycles, assisting with forecasting, cash flow management and investment decisions.

(b) Basis of preparation

This general purpose condensed financial report for the half-year ended 30 September 2013 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

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 Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the financial report for the three month period ended 31 March 2013 and considered together with any public announcements made by Australian Agricultural Company Limited during the half-year ended 30 September 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

(c) New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the three month period ended 31 March 2013.

There were no new or amended Australian Accounting Standards and Interpretations that were required to be adopted by the Group during the reporting period.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Non-current assets

Property, plant and equipment

Acquisitions and disposals

During the six months ended 30 September 2013, the Group acquired assets with a cost of $9.6 million (three months ended 31 March 2013: $4.8 million; six months ended 30 September 2012: $17.8 million).

Assets with a net book value of $30.9 million were disposed of by the Group during the six months ended 30 September 2013 (three months ended 31 March 2013: $0.1 million; six months ended 30 September 2012: $0.3 million). Included in the disposals was the part sale of Goonoo Farm and Goonoo Station known as Adelong, Marilla and Rhudanna (profit of $2.2 million) and Brighton Downs (loss of $0.6 million). The result is an overall profit on disposals of $1.6 million (three months ended 31 March 2013: $0.1 million gain; six months ended 30 September 2012: $0.1 million loss).

During the six-month period ended 30 September 2013, the Directors reviewed the valuation of freehold land, pastoral leases, buildings and improvements recorded at 30 September 2013 and were of the opinion that there was no impairment to the property values disclosed in the financial statements (three months ended 31 March 2013: Nil; six months ended 30 September 2012: Nil).

3. Interest-bearing loans and borrowings

$450 million (31 March 2013: $450 million; 30 September 2012: $450 million) bank loan facility
The loans are repayable on 9 March 2015. It is intended that only Facility A be renewed at maturity date.

The facility comprises two facilities:

Facility A - $400,000,000	This facility was drawn down by $310,000,000 as at 30 September 2013 (31 March 2013: $400,000,000; 30 September 2012: $400,000,000) and is offset in the statement of financial position by a prepaid facility participation fee of $1,727,000 (31 March 2013: $1,465,000; 30 September 2012: $1,840,000).
Facility B - $50,000,000	This facility relates to the development of AACo's Darwin Beef Processing Facility and is undrawn. On 28 October 2013, the Company permanently cancelled the $50 million Facility B in full.

4. Derivative financial instruments

Forward currency exchange traded contracts
The Group has entered into forward currency exchange traded contracts which are economic hedges but do not satisfy the requirements for hedge accounting. Currencies forward contracted have maturities between 0 to 12 months. These contracts are in US dollars. The total notional value of these contracts at 30 September 2013 was AUD 20,807,000 (31 March 2013: AUD 26,173,000; 30 September 2012: AUD 19,317,000).

These contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value gain on foreign currency derivatives during the six months to 30 September 2013 was $157,000 (three months to 31 March 2013: $243,000 gain; six months to 30 September 2012: $728,000 gain).

Interest rate swaps
The Group has entered into interest rate swaps which are economic hedges. The swaps have been designated as effective interest rate swaps and therefore satisfy the accounting standard requirements for hedge accounting. The net fair value profit on interest rate swaps during the six months to 30 September 2013 was $4,781,000 (three months to 31 March 2013: $4,650,000; six months to 30 September 2012: $6,249,000).

As at 30 September 2013, 31 March 2013 and 30 September 2012, the notional principal amounts and period of expiry of the interest rate swaps are as follows:

	30 Sept 2013 $'000	31 Mar 2013 $'000	30 Sept 2012 $'000
0-1 years	-	-	80,000
1-3 years	200,000	200,000	200,000

5. Related party disclosures

The following table provides the total amount of transactions that were entered into with related parties for the six months to 30 September 2013 and 30 September 2012, and the three months to 31 March 2013.

	6 months to 30 Sept 2013 $	3 months to 31 Mar 2013 $	6 months to 30 Sept 2012 $
The following transactions occurred with GrainCorp Limited:			
Sales to GrainCorp Limited and related entities	301,670	1,710,476	-
Purchases from GrainCorp Limited and related entities	3,837,105	3,869,604	226,808
The following balances were outstanding at the end of the reporting period in relation to transactions with GrainCorp Limited:			
Current receivable	-	-	-
Current payable	124,567	1,121,929	51,621

Mr D. McGauchie, Chairman of AACo, is a Director of GrainCorp Limited. GrainCorp Limited has entered into sale and purchase transactions with the Group with respect to grain on commercial terms and conditions no more favourable than those available to other suppliers and customers.

6. Equity securities issued

	6 months to 30 Sept 2013 Number of shares	3 months to 31 Mar 2013 Number of shares	6 months to 30 Sept 2012 Number of shares	6 months to 30 Sept 2013 $'000	3 months to 31 Mar 2013 $'000	6 months to 30 Sept 2012 $'000
Issue of ordinary shares during the period						
Share issue to institutional investors	100,796,516	-	924,000	100,797	-	1,308
Shares issued on exercise of performance rights	208,273	-	43,950	-	-	-
	101,004,789	-	967,950	100,797	-	1,308

30 September 2013
On 12 September 2013 the Company announced a fully underwritten 7 for 10 accelerated non-renounceable pro-rata entitlement offer conducted at an issue price of $1.00 per share to raise approximately $219.2 million and the issue of $80.0 million subordinated convertible notes. The institutional component of the offer was completed on 27 September 2013. The institutional offer raised $100.8 million from eligible institutional shareholders, other institutional investors and sophisticated investors. The retail component of the offer and convertible note placement were completed subsequent to 30 September 2013 (refer note 10).

Gross transaction costs of $4.7 million were incurred in relation to the accelerated non-renounceable pro-rata entitlement offer. These costs were deducted from contributed equity.

During the half-year the Company issued 208,273 shares under the AACo performance rights plan for nil consideration.

30 September 2012
On 2 April 2012 the Company issued 43,950 shares under the AACo performance rights plan for nil consideration.

7. Segment reporting

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the product produced and the reporting structure within the Group. Discrete financial information for each of the operating segments is reported to the Chief Executive Officer on at least a monthly basis.

Types of products

Finished & Store Cattle
The Finished & Store Cattle group operates an integrated cattle production system across 19 owned cattle stations, 5 agisted properties, 2 owned feedlots, 5 external feedlots, and 2 owned and 2 external farms located throughout Queensland and the Northern Territory. The Finished & Store Cattle group produces beef cattle that are either exported or sold for meat. As the only significant product produced for external sale is beef cattle, the operation of the Finished & Store Cattle group is considered to be one reportable segment. It is seasonable in nature with a distinct wet season.

Farming
Selected properties carry out farming operations including the growing and harvesting of cotton, wheat, sorghum and other crops. Farming is a developing area of the Group.

Branded Beef
The Branded Beef group markets and distributes branded beef both internationally and domestically. The Branded Beef group operates from our offices at Newstead in Brisbane. As the only significant product sold is branded beef, we consider the operations of the Branded Beef group to be one reportable segment.

Beef Processing
Beef Processing operations are based in Darwin. Beef is to be processed and packaged for local consumption and for export. The beef processing operations are currently not operational and no revenue has been derived from the operations.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments are the same as those contained in Note 1 to the financial statements and in the prior period.

The following table presents the revenue and profit information regarding operating segments for the six months to 30 September 2013 and 30 September 2012, and the three months to 31 March 2013.

	Finished & Store Cattle $'000	Branded Beef $'000	Farming $'000	Beef Processing $'000	Adjustments and eliminations $'000	Total $'000
30 September 2013						
Segment revenue	126,520	83,821	14,993	-	(47,630)	177,704
Segment gross margin	1,000	7,190	3,232	-	-	11,422
Segment result (EBIT) (1)	(37,552)	4,998	(165)	(1,075)	-	(33,794)
Net finance costs						(12,337)
Income tax benefit						14,512
						(31,619)

	Finished & Store Cattle $'000	Branded Beef $'000	Farming $'000	Beef Processing $'000	Adjustments and eliminations $'000	Total $'000
31 March 2013						
Segment revenue	40,569	38,134	899	-	(18,455)	61,147
Segment gross margin	(42,526)	602	1,512	-	-	(40,412)
Segment result (EBIT) (1)	(63,221)	(328)	(2,983)	(746)	-	(67,278)
Net finance costs						(6,711)
Income tax benefit						27,512
						(46,477)
30 September 2012						
Segment revenue	135,852	76,124	18,148	-	(36,782)	193,342
Segment gross margin	25,990	1,738	6,651	-	-	34,379
Segment result (EBIT) (1)	(15,677)	685	2,592	378	-	(12,022)
Net finance costs						(13,609)
Income tax benefit						6,973
						(18,658)
Total segment assets						
30 September 2013	981,926	21,302	17,644	31,557	-	1,052,429
31 March 2013	1,046,198	15,438	12,478	26,006	-	1,100,120
30 September 2012	1,114,974	10,602	22,531	18,539	-	1,166,646

(1) EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation) are non-IFRS financial information and have been reviewed by the Company's auditors.

8. Cash flow statement reconciliation

Reconciliation of net loss after tax to net cash flows from operations

	6 months to 30 Sept 2013 $'000	3 months to 31 Mar 2013 $000	6 months to 30 Sept 2012 $'000
Net loss after income tax	(31,619)	(46,477)	(18,658)
Adjustments for:			
Depreciation	5,007	2,728	4,693
Impairment	-	-	-
(Gain)/loss on sale of property, plant and equipment	(1,755)	(18)	477
(Increment)/decrement in net market value of livestock	48,097	59,426	18,118
Changes in assets and liabilities:			
(Increase)/decrease in inventories	2,107	(5,084)	286
(Increase)/decrease in trade and other receivables	(1,923)	720	(12,621)
(Increase)/decrease in prepayments and other assets	(2,577)	1,399	416
(Decrease)/increase in deferred tax asset	-	-	(726)
(Decrease)/increase in deferred tax liabilities	(10,149)	(22,124)	(2,401)
(Decrease)/increase in current tax liability	(4,363)	(5,388)	(3,846)
(Decrease)/increase in trade and other payables	(3,288)	(4,250)	7,625
(Decrease)/increase in interest rate swaps	(1,344)	230	(2,454)
(Decrease)/increase in provisions	804	235	3,607
Net cash used in operating activities	(1,003)	(18,603)	(5,484)

9. Commitments

Capital commitments
At 30 September 2013 the group had contractual commitments of $25.4 million (31 March 2013: Nil; 30 September 2012: Nil) for the construction of a beef processing plant at Darwin, Northern Territory. Completion of construction is expected in July 2014.

Other commitments
At 30 September 2013 the Group had contracted to sell $13.5 million (31 March 2013: $25.7 million; 30 September 2012: $21.6 million) head of cattle. These cattle will be sold by December 2013. Forward sales contracts for $2.9 million worth of commodities have been entered into at 30 September 2013 (31 March 2013: $7.3 million; 30 September 2012: $2.1 million). These contracts are expected to settle by August 2014.

At 30 September 2013 the Group had no contractual obligations to purchase cattle (31 March 2013: $7.6 million; 30 September 2012: $0.9 million head of cattle). Forward purchase contracts for $13.9 million worth of commodities were entered into at 30 September 2013 (31 March 2013: $15.4 million; 30 September 2012: $8.2 million). These contracts are expected to settle by June 2014.

10. Events after the balance sheet date

On 16 October 2013 the Company issued the following ordinary shares and convertible notes:

(a) 88,799,540 ordinary shares were issued in terms of the retail component of the Company's accelerated non-renounceable pro-rata entitlement offer (refer note 6) and raised $88.8 million.

(b) 29,584,990 ordinary shares were issued in terms of the pre-committed entitlement under the institutional component of the Company's accelerated non-renounceable pro-rata entitlement offer (refer note 6) and raised $29.6 million.

(c) 160 subordinated convertible notes were issued to an existing shareholder of the Company for $80 million. The notes are unsecured and subordinated to the Company's senior bank debt. The notes expire on 30 September 2023 and the note holder may elect to cause redemption at the fifth anniversary of the issue date and annually thereafter. The coupon rate is the 6 month BBSW rate plus 0.15% subject to a floor of 3.0% per annum, payable semi-annually in arrears. The note holder is entitled to convert the notes into ordinary shares in the Company during the period 1 September 2014 until 15 business days prior to maturity at $1.15 per AACo share.

On 23 October 2013, the Company announced that it had agreed to terms and exchanged conditional contracts to purchase two of the former RM Williams Agricultural Holdings properties, La Belle Downs and Welltree Stations in the Northern Territory. The Company will pay $27.1 million for the properties, which were sold bare of cattle but inclusive of plant and equipment.

On 28 October 2013, the Company permanently cancelled the $50 million Facility B in full. This facility related to the development of AACo's Darwin Beef Processing Facility and was undrawn.

Directors' declaration

In accordance with a resolution of the Directors of Australian Agricultural Company Limited, I state that:

In the opinion of the Directors:

(a) The financial statements and notes of Australian Agricultural Company Limited are in accordance with the *Corporations Act 2001*, including:

  (i) Giving a true and fair view of the financial position as at 30 September 2013 and the performance for the half-year ended on that date;

  (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 become due and payable.

On behalf of the Board

D. McGauchie AO
Chairman

Brisbane
7 November 2013

Building a better working world

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To the members of Australian Agricultural Company Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Agricultural Company Limited, which comprises the consolidated statement of financial position as at 30 September 2013, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 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 of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 30 September 2013 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*. As the auditor of Australian Agricultural Company Limited and the entities it controlled during the period, 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, a copy of which is included in the Directors' Report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Agricultural Company Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Mike Reid
Partner
Brisbane
7 November 2013

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Company Secretary
Bruce Bennett

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