



Australian Agricultural Company Limited
ABN 15 010 892 270

FINANCIAL REPORT

**For the year ended
31 March 2014**

Directors' Report (continued)

Your Directors submit their report for the year ended 31 March 2014.

DIRECTORS

The names and details of the Company's Directors in office during the financial period and until the date of this report are set out in the following section. All of the Directors were in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Donald McGauchie AO, FAICD (Non-executive Chairman)

Mr. McGauchie was appointed a Director on 19 May 2010 and subsequently Chairman on 24 August 2010. Mr. McGauchie is the Chairman of the Nomination Committee, a member of the Audit Committee and the Staff and Remuneration Committee.

Mr. McGauchie is currently a Director of James Hardie SE, Chairman of Nufarm Limited and a Director of GrainCorp Limited. His previous roles with public companies include Chairman of Telstra Corporation Limited, Deputy Chairman of Ridley Corporation Limited, Director of National Foods Limited, Chairman of Woolstock, Chairman of the Victorian Rural Finance Corporation (statutory corporation) and also President of the National Farmers Federation. During 2011 he retired as a member of the Reserve Bank Board. In 2001 Mr. McGauchie was named the Rabobank Agribusiness Leader of the Year, was later awarded the Centenary Medal for services to Australian society through agriculture and business and in 2004 was appointed an Officer of the Order of Australia.

During the past three years, Mr. McGauchie has served as a Director of the following listed companies:

- James Hardie SE* - Appointed August 2003;
- Nufarm Limited* - Appointed December 2003; and
- GrainCorp Limited* - Appointed December 2009.

*Denotes current Directorship

Jason Strong (appointed Managing Director/Chief Executive Officer on 24 January 2014)

Mr. Strong was appointed Managing Director/Chief Executive Officer on 24 January 2014. Mr. Strong attends all Board Committee meetings by invitation. Prior to his appointment, Mr. Strong held the position of AACo's General Manager Marketing.

Mr. Strong has more than 25 years' experience across the beef supply chain, and brings significant industry knowledge, commercial experience and strategic marketing capabilities to AACo. He joined AACo in 2012 from Meat & Livestock Australia where he was Regional Manager Europe with responsibility for European and Russian markets.

Prior to the MLA stint in Europe he was Head of New Market Development for Pfizer Animal Genetics and Manager of the Meat Standards Australia Grading Services.

Mr. Strong has been actively involved in broader industry activities as a past Chairman and Director of the Australian Beef Industry Foundation and one of the drivers behind the Intercollegiate Meat Judging program.

During the past three years, Mr. Strong has not served as a Director of any other listed company.

Stuart Black AM, FCA, FAICD, BA (Accounting)

Mr. Black was appointed a Director on 5 October 2011. Mr. Black is Chairman of the Audit Committee and is a member of the Risk and Compliance Committee and the Nomination Committee.

Mr. Black has extensive experience in agribusiness. He is a current non-executive director of Coffey International Limited, NetComm Wireless Limited and a Past President of the Institute of Chartered Accountants of Australia. He was the inaugural Chair and is a current Board Member of the Australian Accounting Professional and Ethical Standards Board. Mr. Black is the representative of the Australian accounting bodies on the International Federation of Accountants Small Medium Practice Committee, Chairman of the Chartered Accountants Benevolent Fund Limited and a director of Country Education Foundation of Australia Limited.

In 2012 he was appointed a member of the Order of Australia for services to the profession of accounting, to ethical standards, as a contributor to professional organisations, and to the community.

During the past three years Mr. Black has served as a Director of the following listed company:

- Coffey International Limited* - Appointed March 2002
- NetComm Wireless Limited* - Appointed March 2013

*Denotes current Directorship

Directors' Report (continued)

DIRECTORS (continued)

David Crombie BEcon (UQ)

Mr. Crombie was appointed a Director on 5 October 2011. Mr. Crombie is Chairman of the Staff and Remuneration Committee and is a member of the Audit Committee and the Nomination Committee.

Mr. Crombie is a Director of Alliance Aviation Services Limited and Foodbank Queensland Limited. He was a founding Partner and is currently a non-Executive Director of GRM International and he is also a Commissioner of the Australian Centre for International Agricultural Research (ACIAR). Mr. Crombie is the former President of the National Farmers Federation, former Chairman of MLA and a former Director of Grainco Australia, the Meat Industry Council and Export Finance Insurance Corporation.

Mr. Crombie operates family properties, breeding cattle and farming in southern Queensland.

During the past three years Mr. Crombie has served as a Director of the following listed company:

- Alliance Aviation Services Limited* – appointed 26 October 2011.

*Denotes current Directorship

Tom Keene B Ec, FAICD

Mr. Keene was appointed a Director on 5 October 2011. Mr. Keene is Chairman of the Risk and Compliance Committee a member of the Nomination Committee and a member of the Staff and Remuneration Committee.

Mr. Keene has an extensive career in agriculture and is the former Managing Director of Graincorp Limited, where he established the company as a listed entity. He is currently a director of Cotton Seed Distributors Limited* and Midway Limited*.

During the past three years Mr. Keene has not served as a Director of any other listed company.

*Denotes current Directorship

Dr. Shehan Dissanayake Ph.D.

Dr. Shehan Dissanayake was appointed a Director on 27 April 2012. Dr. Shehan Dissanayake is a member of the Nomination Committee and became a member of the Risk and Compliance Committee on 6 November 2013. Dr. Shehan Dissanayake is a senior Managing Director and member of the Board of Directors of the Tavistock Group, a privately held investment company. He has responsibility for portfolio strategy across 200 companies in 15 countries, and is CEO of Tavistock Life Sciences, an operating unit of the Tavistock Group.

Before joining Tavistock Group in 2002, Dr. Shehan Dissanayake was a Managing Partner of Arthur Andersen with responsibility for strategy and business planning for the global legal, tax and HR Consulting Divisions of the firm, encompassing 1,600 partners and 15,000 professionals. Earlier in his career, Dr. Shehan Dissanayake was involved in the medical research and technology industries. He holds a Ph.D. in Pharmacological and Physiological Sciences from the University of Chicago.

During the past three years Dr. Shehan Dissanayake has not served as a Director of any other listed company.

Adil Allana (appointed 16 May 2013)

Mr. Adil Allana was appointed a Director on 21 August 2013. He is a member of the Nomination Committee. Mr. Adil Allana is a member of the Supervisory Board of IFFCO, a United Arab Emirates (UAE) based business house which manufactures and markets a well-integrated range of mass market consumer products.

Mr. Adil Allana is also the Executive Director of IFFCO's Packaging businesses, comprising companies manufacturing and marketing plastics and corrugated boxes with state-of-the-art production facilities in the UAE. In addition Mr. Adil Allana is also the promoter of Allanasons Limited, India. The Allana Group is India's leading Agribusiness group with leadership positions in proteins, coffee, spices and edible oils.

During the past three years Mr. Adil Allana has not served as a Director of any other listed company.

Directors' Report (continued)

DIRECTORS (continued)

Dr. Mohd Emir Mavani Abdullah (appointed 10 April 2013)

Dr. Mohd Emir is the Chief Executive Officer of Felda Global Ventures Holdings Bhd (FGV).

Prior to joining FGV, he was the Director of Economic Transformation in the Prime Minister's Department of the Malaysian Government.

During the past three years Dr. Emir has not served as a Director on any other listed company.

Denys Collin Munang (alternate Director for Dr. Mohd Emir Mavani Abdullah)

Mr. Denys Collin Munang is the Group CEO of Pontian United Plantations Bhd for Felda Global Ventures Holdings Bhd (FGV). He is a graduate in Economics from the University of Sydney, Australia.

Prior to FGV, Mr. Denys Munang was attached to Omya, a Swiss multinational company for 15 years. He has held various senior positions in Omya, including as the CEO of Omya's West Asia operations based in Mumbai, India. His last position there was as the Director for Strategic Projects, heading the Mergers & Acquisitions and Business Planning for Omya's Asia Pacific Region. Mr. Denys Collin Munang joined the Board to act as an alternate Director for Dato' Sabri Ahmad on 13 March 2012. Following the resignation of Dato' Sabri Ahmad on 15 March 2013, Mr. Denys Collin Munang now acts as an alternate Director for Dr. Mohd Emir Mavani Abdullah.

During the past three years Mr. Munang has not served as a Director of any other listed company.

David Farley (former Managing Director/Chief Executive Officer) (resigned 31 July 2013)

Mr. Farley was appointed Managing Director/Chief Executive Officer on 1 December 2009 and retired on 31 July 2013.

Mr. Farley has held a number of senior leadership and Board roles at high profile Australian and international agribusinesses, across a variety of agricultural commodities with a career spanning more than 35 years.

Mr. Farley was formerly Managing Director and CEO of Colly Cotton Limited, Australia's then largest cotton producer, a position he held for more than 16 years. Mr. Farley's executive leadership roles also include President/CEO of Calcot, a US cotton warehousing and marketing co-operative and Farms and Development Manager at F S Falkiner & Sons. Mr. Farley was previously a director of Tandou Limited, Wool International and Rural Industries Research and Development. Mr. Farley commenced his career as a Jackeroo on sheep and cattle stations in Queensland and the NSW Riverina.

During the past three years, Mr. Farley has not served as a Director of any other listed company:

Arunas Paliulis BA (retired 21 August 2013)

Mr. Paliulis was appointed a Director on 12 June 2009 and retired at the conclusion of the annual general meeting on 21 August 2013. Mr. Paliulis is the CEO and board member of Felda IFFCO LLC in Cincinnati, Ohio, United States of America. He was a member of the Staff and Remuneration Committee, the Nomination Committee and the Risk and Compliance Committee.

Mr. Paliulis is a graduate of Harvard College, Cambridge, Massachusetts. He has over 35 years of experience in the global trading of grains, oilseeds and feedstuffs and in devising risk management strategies for several organisations, including Cargill Inc. (USA), Louis Dreyfus Corporation (USA and France), Woodhouse, Drake & Carey (UK) and Emirates Grain Products Co LLC (UAE). Mr. Paliulis is a member of the Board and CEO of F.I.N.A. based in Cincinnati, Ohio, United States of America.

During the past three years Mr. Paliulis has not served as a Director on any other listed company.

Irfan Allana (alternate Director for A. Paliulis) (resigned on 14 May 2013)

Mr. Irfan Allana is the major shareholder and promoter of Allanasons Limited, India. Mr. Irfan Allana pioneered processing and export of frozen buffalo meat from India.

The Allana Group is the world's largest processor of frozen buffalo meat, exporting to over 70 countries. Mr. Irfan Allana also pioneered processing of various fruits and vegetables in several parts of India resulting in Allanasons Limited being the leading exporter of processed and frozen mango and guava from India. Mr. Irfan Allana joined the Board to act as an alternate Director for Arunas Paliulis from 22 November 2010 and resigned on 14 May 2013.

Directors' Report (continued)

COMPANY SECRETARY

Bruce Bennett BCom, LLB, ACIS, MAICD

Mr. Bennett was appointed Company Secretary and General Counsel in November 2006. Before joining the Company, he had held positions including partner and special counsel in leading law firms, where he specialised in company and property law, mergers and acquisitions and other commercial contracts. He has over 23 years' experience in legal practice, having practised in both Queensland and New South Wales. Mr. Bennett is a Chartered Secretary and a member of the Australian Institute of Company Directors.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares, options and performance rights of Australian Agricultural Company Limited were:

	Ordinary Shares	Options over Ordinary Shares	Performance Rights
<i>Current Directors</i>			
D. McGauchie	820,774	Nil	Nil
J. Strong	Nil	Nil	Nil
S. Black	17,000	Nil	Nil
D. Crombie	Nil	Nil	Nil
T. Keene	50,000	Nil	Nil
Dr. S. Dissanayake	Nil	Nil	Nil
Dr. Mohd Emir	Nil	Nil	Nil
A. Allana	Nil	Nil	Nil
D. Munang	Nil	Nil	Nil

DIVIDENDS AND EARNINGS PER SHARE

Earnings Per Share	12 months to 31 Mar 2014 Cents	3 months to 31 Mar 2013 Cents
Basic loss per share	(9.3)	(14.0)
Diluted loss per share	(9.3)	(14.0)

No final or interim dividends were declared or paid during the current and prior financial periods.

CORPORATE INFORMATION

Nature of Operations and Principal Activities

The principal activities of entities within the Group during the period were:

- Developing a vertically integrated beef business;
- Branded Beef marketing;
- Beef cattle breeding, growing, feedlotting and trading; and
- Ownership and operation of grazing and farming properties.

The Group operates an integrated cattle production system across 18 owned cattle stations, 2 leased stations, 11 agisted properties, 2 owned feedlots, 4 external feedlots, and 2 owned and 1 external farms located throughout Queensland and the Northern Territory, covering approximately 6.4 million hectares.

Employees

The Group employed 499 employees calculated on a full time equivalent basis as at 31 March 2014 (31 March 2013: 438).

OPERATING AND FINANCIAL REVIEW

The Company has modified its year end from 31 December to 31 March, effective from the three months to 31 March 2013. This change more closely aligns the Company's reporting period with its sales cycles, assisting with forecasting, cash flow management and investment decisions. Generally, the majority of profit and cash flow is generated outside the three months to 31 March. Where required, the financial figures for the twelve months ended 31 March 2014 are therefore shown compared to the financial figures for the twelve months ended 31 March 2013 as well as the three months ended 31 March 2013.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

The Year in Review

The trading results for the financial year ended 31 March 2014 principally reflect:

- The business continuing its transition from a pastoral-style business, to a vertically integrated beef business in line with the Group's strategy. This was evidenced by:
 - strong growth from the Branded Beef division with gross margins rising 329% to \$17.0 million.
 - a 67% increase (25 thousand head) in internal cattle transfers to Branded Beef to be sold as boxed beef.
- The impact of drought conditions for much of FY14 which led to a difficult pastoral operating environment, resulting in an accelerated sales program and a significant 86 thousand head reduction in the herd (excluding the calf accrual) during the financial year.
- The herd reduction took place in an environment of weak domestic cattle prices, albeit prices recovered to some extent in the last quarter of the financial year, especially in the live export market.
- In contrast to domestic cattle market conditions, global beef markets remained buoyant during the financial year, underpinned by increasing global demand.
- A reduction of \$6.3 million in operating expenses compared to the prior corresponding period driven by a reduction in administration and other non-station operating costs.
- While the overall statutory EBITDA result was a loss of \$19.9 million (loss of \$31.2 million in the prior corresponding period), in Cash EBITDA terms the Group recorded a positive result of \$31.1 million, being significantly higher than the prior corresponding period of \$19.0 million.

During the financial year the balance sheet was significantly strengthened with a \$299 million capital raising completed in October 2013, with gearing reducing considerably to 23.2% at 31 March 2014 (41.0% at 31 March 2013).

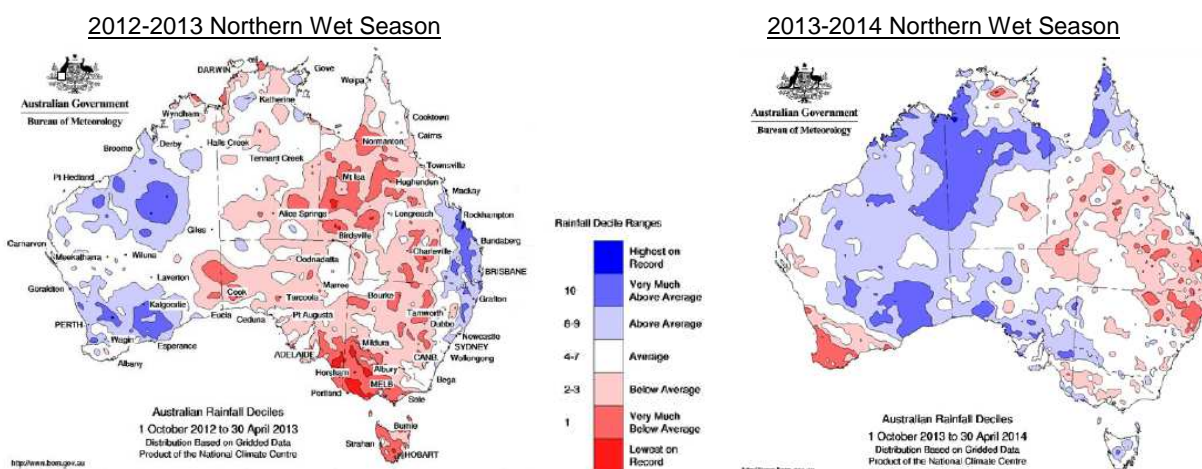
The properties within AACo's portfolio were revalued at 31 March 2014. The result was an overall decrease in the valuation of these properties by \$37.1 million, which has been reflected through a decrease in the asset revaluation reserve of \$33.5 million and a decrease in fair value in the income statement of \$3.6 million. The decrease in the valuations reflects current weak pastoral property market conditions.

A financial highlight of the year ended 31 March 2014 was the considerable improvement in net operating cash flows to \$18.5 million, up \$21.2 million from negative net operating cash flows in the prior corresponding period of \$2.7 million.

Seasonal Conditions

As noted above, the twelve months to 31 March 2014 saw AACo endure persistent dry conditions for much of the year, although reasonable rainfall was recorded across the majority of AACo's properties by the end of the final quarter of the financial year, especially on AACo's northern properties. The drier conditions saw increased cattle sales activity and gave rise to increased feed and transport costs over the twelve months to 31 March 2014.

AACo Historical Rainfall Chart



Source: Australian Bureau of Meteorology

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

31 March 2014 Operations and Key Financial Results

- Beef sales revenue up by \$33.4 million to \$188.2 million (22% increase compared to the prior corresponding period*).
- Cattle sales revenue down by \$43.7 million to \$120.5 million (27% decrease compared to the prior corresponding period*).
- Gross operating margin up by \$1.3 million to \$54.0 million (3% increase compared to the prior corresponding period*).
- EBITDA increase of \$11.3 million to negative \$19.9 million (36% improvement compared to the prior corresponding period*).
- Negative EBIT from continuing operations of \$34.7 million (30% improvement compared to the prior corresponding period*).
- Net loss after tax from continuing operations of \$39.9 million (20% improvement compared to the prior corresponding period*).
- Operating cash flow improvement by \$21.2 million to \$18.5 million compared to the prior corresponding period*).

* The prior corresponding period refers to the twelve month period to 31 March 2013, which has been reviewed (but not audited) by the Group's auditor.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Financial Results

	12 months to 31 Mar 2014	12 months to 31 Mar 2013 (reviewed) ⁽¹⁰⁾	Favourable/ (Unfavourable) Movements
	\$'000	\$'000	\$'000
Finished & store cattle			
Cattle sales ⁽¹⁾	120,469	164,161	(43,692)
Cattle fair value adjustments ⁽²⁾	114,158	108,815	5,343
Deemed cost of cattle sold ⁽³⁾	(120,469)	(164,161)	43,692
Cattle expenses ⁽⁴⁾	(41,623)	(40,087)	(1,536)
Feedlot cattle expenses ⁽⁵⁾	(40,477)	(31,245)	(9,232)
Finished & store cattle gross margin	32,058	37,483	(5,425)
Branded beef			
Sales ⁽⁶⁾	188,213	154,801	33,412
Cost of meat sold	(171,205)	(150,841)	(20,364)
Branded beef gross margin	17,008	3,960	13,048
Farming			
Sales ⁽⁶⁾	8,160	18,541	(10,381)
Crop costs less changes in fair value ⁽⁸⁾	(3,210)	(7,287)	4,077
Farming gross margin	4,950	11,254	(6,304)
Gross operating margin	54,016	52,697	1,319
Other revenue and other income	9,007	5,349	3,658
Expenses			
Administration and other non-station operating costs	(15,940)	(19,869)	3,929
Employees	(38,008)	(37,359)	(649)
Lease and property related costs	(8,525)	(8,006)	(519)
Other station operating costs	(20,465)	(24,028)	3,563
Operating expenses	(82,938)	(89,262)	6,324
Earnings from operations – EBITDA⁽⁹⁾	(19,915)	(31,216)	11,301
Depreciation	(11,210)	(9,930)	(1,280)
Change in fair value of property	(3,560)	(8,085)	4,525
Earnings from operations – EBIT⁽⁹⁾	(34,685)	(49,231)	14,546
Net finance costs	(23,292)	(27,533)	4,241
Loss before income tax	(57,977)	(76,764)	18,787
Income tax benefit	18,079	26,951	(8,872)
Net loss after tax	(39,898)	(49,813)	9,915

(1) Cattle sales are sales from cattle physically delivered to market.

(2) Cattle fair value adjustments arise from increased weight as the cattle grow, market value changes in the herd, natural increase (refer 7 below), attrition and rations. These fair value adjustments are non-cash.

(3) 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 1 & 2 above. As the asset is always biologically changing no sales margin emerges under the accounting standard.

(4) Direct costs associated with managing non-feedlot cattle.

(5) Direct costs associated with managing feedlot cattle.

(6) Sales are recognised when the product has been delivered and the risks of ownership transferred.

(7) Natural increase is the value change from calves and brandings.

(8) 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. Sales revenue is recognised when the crop risk is transferred to a third party.

(9) 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.

(10) The Company's auditor has performed a review (but not an audit) of the 31 March 2013 prior corresponding period.

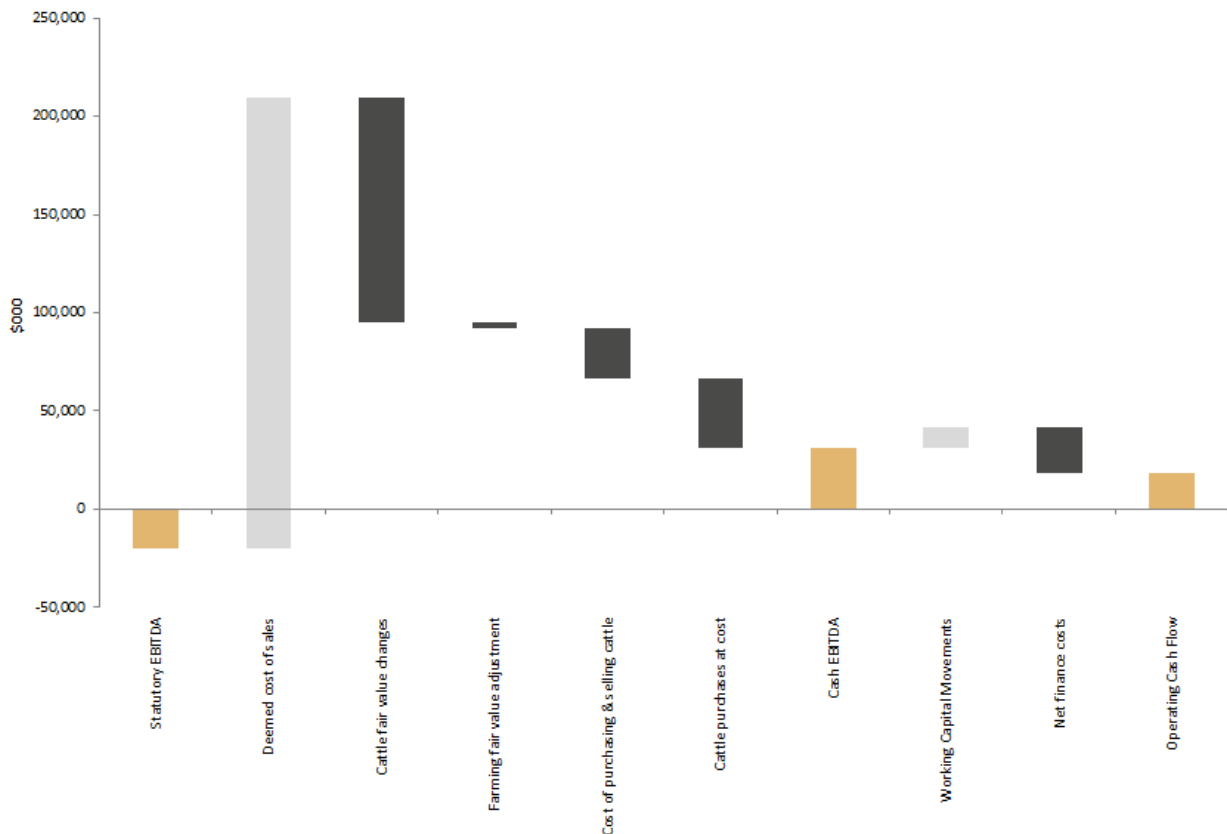
Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Financial Results (continued)

The chart below demonstrates the reconciliation of the underlying performance measures of the Group from Statutory EBITDA to Cash EBITDA and Operating Cash Flow. The measures are defined as:

1. Statutory EBITDA per the statutory accounts (refer page 8 for definition).
2. A measure called Cash EBITDA. This is a measure of the trading performance of AACo's businesses by removing the impact of the Cattle Fair Value Adjustments (Note 15 – Biological Assets - Livestock) which are non-cash items.
3. Operating Cash Flow per the statutory accounts (refer page 54 for Consolidated Statement of Cash Flows).



Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Financial Results (continued)

Cash EBITDA reconciliation	12 months to 31 Mar 2014 \$'000	3 months to 31 Mar 2013 \$'000	12 months to 31 Mar 2013 \$'000 (reviewed)
Cattle sales ⁽¹⁾	229,223	40,569	239,918
Cattle purchases at cost	(35,323)	(5,683)	(56,966)
Cost of purchasing & selling cattle	(25,721)	(3,569)	(23,959)
Cattle expenses & feedlot cattle expenses	(78,490)	(14,416)	(70,326)
Finished & store cattle gross margin⁽²⁾	89,689	16,901	88,667
Branded beef gross margin	17,008	602	3,960
Farming gross margin ⁽³⁾	(1,632)	1,512	10,248
Group gross margin	105,065	19,015	102,875
Other revenue	9,007	1,151	5,349
Operating expenses	(82,938)	(25,289)	(89,262)
Cash EBITDA⁽⁴⁾	31,134	(5,123)	18,962
Reconciliation to net loss after tax:			
Cash EBITDA	31,134	(5,123)	18,962
Deemed cost of cattle sales ⁽⁵⁾	(229,223)	(40,569)	(239,918)
Cattle purchases at cost ⁽⁵⁾	35,323	5,683	56,966
Cost of purchasing & selling cattle ⁽⁵⁾	25,721	3,569	23,959
Farming fair value adjustment	2,972	-	-
Cattle fair value changes ⁽⁵⁾	114,158	(28,110)	108,815
Statutory EBITDA	(19,915)	(64,550)	(31,216)
Depreciation	(11,210)	(2,728)	(9,930)
Change in fair value of property	(3,560)	-	(8,085)
Net finance costs	(23,292)	(6,711)	(27,533)
Income tax benefit	18,079	27,512	26,951
Net loss after tax	(39,898)	(46,477)	(49,813)

(1) Cattles sales and deemed cost of cattle sales include both internal and external sales

(2) Excludes cattle fair value adjustments, which can be reconciled to Note 15 – Biological Assets - Livestock.

(3) Excludes farming fair value adjustments.

(4) Cash EBITDA is non IFRS financial information and has been reviewed by the Company's auditors.

(5) The cattle adjustments in the reconciliation to the net loss after tax can be obtained from Note 15 – Biological Assets - Livestock.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Revenue and Gross Margin

Branded Beef Operations

	12 months to 31 March 2014	3 months to 31 March 2013	12 months to 31 March 2013
Kilograms sold – '000	20,463	4,351	18,662
Revenue - \$'000	188,213	38,134	154,801
Margin - \$'000	17,008	602	3,960

Average price per kg has improved representing a 10.9% increase compared to the prior corresponding period in 2013. 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 average price per kg.

Cattle Operations

Continuing drought conditions in Queensland and Northern Australia and the uncertainty in the live export trade for much of the financial year resulted in an accelerated sales programme as part of a drought management plan with 172,517 head sold (153,101 sold externally and 19,416 transferred internally to Branded Beef) in the six months to 30 September 2013 (six months to 30 September 2012 - 147,693 head, 130,427 sold externally and 17,266 transferred internally to Branded Beef).

The dry conditions brought about destocking across the cattle industry forcing prices lower than prior years.

Cattle purchases were also reduced to 42,593 head for the twelve months to 31 March 2014 (twelve months to 31 March 2013 – 87,996 head) with the bulk of the cattle purchased to support feedlot operations.

Cattle Production

	12 months to 31 March 2014	3 months to 31 March 2013	12 months to 31 March 2013
Opening balance (head)	676,217	681,740	691,684
Natural increase (including movement in calf accrual)	110,612	34,389	171,426
Purchases	42,593	5,673	87,996
Cattle attrition and rations	(13,716)	(4,399)	(14,649)
Cattle sales			
- External sales	(201,117)	(32,946)	(222,769)
- Internal transfers to Branded Beef	<u>(62,524)</u>	<u>(8,240)</u>	<u>(37,471)</u>
- Total cattle sales	(263,641)	(41,186)	(260,240)
Closing balance (head)	552,065	676,217	676,217
Closing balance consists of:			
Breeding (head)	283,499	315,668	315,668
Calf accrual (head)	<u>85,050</u>	<u>123,692</u>	<u>123,692</u>
	368,549	439,360	439,360
Trading and feedlot cattle (head)	183,516	236,857	236,857

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Cattle Operations (continued)

Live cattle sales to exporters supplying the Indonesian live cattle market remained challenging during much of the financial year due to inconsistencies in communication and action in relation to permits and permit conditions. As a consequence, feeder cattle prices to Indonesia declined around mid-2013. However, the last six months of the financial year saw an increase in demand from Indonesia which, together with new markets such as Vietnam competing for cattle, resulted in live export market prices rising significantly in the last quarter of the financial year.

The table below reconciles the cattle fair value adjustments through the income statement:

	12 months to 31 March 2014	3 months to 31 March 2013	12 months to 31 March 2013 (reviewed)
Unrealised cattle market price movements	11,925	(43,179)	(49,401)
Other cattle fair value adjustments	102,233	15,069	158,216
Total cattle fair value adjustments	114,158	(28,110)	108,815

Market value adjustments arising from market price changes to the herd values over the period resulted in an unrealised cattle price gain of \$11.9 million, driven largely by a significant increase in live export prices at 31 March 2014, compared to a \$49.4 million loss in the prior corresponding period.

Other cattle fair value adjustments have decreased due to a reduction in the size of the herd, and therefore cattle growth, due to the dry conditions and a related reduction in natural increase (brandings). As a result, other cattle fair value adjustments have decreased to \$102.2 million (twelve months to 31 March 2013: \$158.2 million).

Farming

The financial year ended 31 March 2014 includes only the 2013/14 season cotton harvest at each of Goonoo and Lynora Downs farms and the 2012/13 season harvest at Woodbine Farm. The prior corresponding period recognises two cotton harvests each at Goonoo and Lynora (2011/12 and 2012/13 seasons), following a late 2011/12 harvest due to flooding. Additionally, extremely dry weather conditions in the financial year ended 31 March 2014 severely impacted yields on winter crops.

Expenses

As a result of a focus on reducing costs across the business, total operating expenses of \$82.9 million decreased by \$6.3 million compared to the prior corresponding period (\$89.3 million), despite the impact of dry weather conditions resulting in increased custom feeding, mustering and dry weather agistment costs incurred during the financial year.

Depreciation/Amortisation and Change in Fair Value of Property

Total depreciation and amortisation of \$11.2 million is \$1.3 million higher compared to the prior corresponding period.

The profit and loss impact due to the change in fair value of property, plant and equipment relating to the decrease in property values amounts to \$3.6 million, compared with \$8.1 million in the prior corresponding period.

Interest and Finance Costs

Total interest and finance costs decreased to \$23.3 million from \$27.5 million in the prior corresponding period, principally due to the capital raising undertaken during the financial year.

Income Tax Benefit

The income tax benefit has decreased to \$18.1 million from \$27.0 million in the prior corresponding period.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Capital Raising and Debt Facility Refinancing

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:

- 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.
- 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.
- 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.

Proceeds were 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.

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.

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.

On 23 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.

On 12 March 2014 the Group entered into a new club financing facility of \$400 million that expires on 30 June 2018. This new facility replaced the previous syndicated financing facility. The new facility was drawn down by \$200 million as at 31 March 2014.

Capital Structure

The Group's gearing ratio has decreased significantly to 23.2% as at 31 March 2014 compared to 41.0% as at 31 March 2013, which is an absolute decrease of 17.8% or percentage decrease of 43.4%. The Group's gearing ratio is based on the requirements under the Group's financing facility entered into on 12 March 2014.

	31 Mar 2014 \$000	31 Mar 2013 \$000
Debt:		
Current interest-bearing loans and borrowings	4,332	15,316
Non-current interest-bearing loans and borrowings		
Obligations under finance leases	7,850	8,929
Bank loan facility ⁽¹⁾	200,000	400,000
Convertibles notes ⁽¹⁾	80,000	-
Bank guarantees	2,492	215
Cash:	(69,194)	(11,248)
Net debt	225,480	413,212
Total equity	747,780	595,418
Total capital employed	973,260	1,008,630
Gearing (net debt / net debt + equity)	23.2%	41.0%

⁽¹⁾ The gearing ratio is calculated utilizing the drawn-down balance of the bank loan facility and convertible notes with no offset for borrowing costs.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Net Tangible Assets

The Group's net tangible assets per share was \$1.40 as at 31 March 2014, compared to \$1.90 as at 31 March 2013, reflecting to a significant extent the impact of the capital raising. Net tangible assets of the Company include leasehold land assets.

Dividends

There were no dividends declared or paid during the twelve months to 31 March 2014 and therefore the Company's Dividend Reinvestment Plan (DRP) was inactive throughout the period.

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.

Update on Darwin Beef Processing Facility

Work on the Darwin Beef Processing Facility continues according to schedule. A Project Manager and Managing Contractor are engaged on the project, contracts have been executed with the plant and equipment providers and construction of the facility is well progressed. The plant is expected to be commissioned during September 2014.

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

Business Strategies, Likely Developments and Expected Results

The Board has reiterated its commitment to increasing shareholder value through incremental improvements to Return on Capital Employed (ROCE) over time. 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 both the developed and developing world.

Essentially, AACo is seeking to transform itself from a production led pastoral company into a vertically integrated branded 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 northern 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. Also in the period, the Company purchased 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.

Any other information on likely developments and expected future results is commercially sensitive in nature and therefore has not been disclosed.

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 relevant General Managers and appropriate insurance coverage is maintained in respect of the business, properties and assets where it is practical 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 to which the Company's beef is sold.

Directors' Report (continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year ended 31 March 2014, the Group undertook a significant capital raising followed by the refinancing of its debt facilities, the result of which was a significant reduction in the gearing ratio of the Group to 23.2% at 31 March 2014, being an absolute decrease of 17.8% or percentage decrease of 43.4% compared with the gearing ratio at 31 March 2013 (41.0%). For further details of these activities, please refer to the Capital Raising and Debt Facility Refinancing and Capital Structure sections above.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no other significant events after the balance date which require disclosure in the financial report.

Directors' Report (continued)

ENVIRONMENTAL REGULATION AND PERFORMANCE

Some regulated areas of operation are:

- The operations of Goonoo and Aronui Feedlots are regulated by licences issued under the Environmental Protection Act 1994 and administered by the Queensland Department Agriculture, Fisheries and Forestry (DAFF). Each feedlot is required to report to the National Pollution Inventory each year with respect to water, air and soil quality. DAFF conducts audits of compliance with licence requirements at regular intervals. The Company recorded no breaches of licence requirements in the year to 31 March 2014.
- The pumping of water from the Comet River for irrigation and feedlot use at Goonoo Station is subject to licensing under the Sustainable Planning Act 1997 and the Water Act 2000. Regulations specify minimum water flows and heights in the river to allow sufficient environmental flows. Wylarah has a licence to harvest water from the Balonne River for irrigation purposes.
- The pumping of underground water for the prescribed purpose of 'Livestock Intensive' requires licensing and regular reporting and monitoring. The Company has several licences allowing this pumping subject to these regulations and conditions being met.
- Stock watering facilities, which utilise bores, require licensing in Queensland, and registration in the Northern Territory.
- Stock water facilities shared with Queensland Stock Routes are administered by local governments, guided by legislation and framework developed by the Queensland Government. Shared water facilities need to comply with registered Stock Route water agreement requirements. A Permit to Occupy is also required if this facility is unfenced within a station grazing area.
- Vegetation Clearing Permits are sought under the Vegetation Management Act 1999 (Queensland) for any clearing required for ongoing operations including but not limited to the development of areas for land use change and the installation of infrastructure such as fence lines and water development.
- The Company continues to be involved in consultation processes for example in the areas of Water Resource Planning, Wild Rivers legislation, and the conversion of land titles in relevant areas.
- The Company must abide by environmental and other obligations contained in Queensland's State Rural Leasehold Land Strategy in respect of the Company's pastoral leasehold interests in Queensland. The State Rural Leasehold Land Strategy is a framework of legislation, policies and guidelines supporting the environmentally sustainable, productive use of rural leasehold land for agribusiness.
- Northern Australian Beef Limited (NABL), a wholly owned subsidiary of the Group has been issued with an Exceptional Development Permit (EDP) to build an abattoir on land owned by NABL at Livingstone Farm, Noonamah, Stuart Highway, NT. That EDP contains stringent and detailed environmental monitoring requirements overseen and administered by Department of Lands, Planning and Environment (NT). NABL is not aware of any breaches of the EDP requirements to date, and strives to comply in all respects with the terms of the EDP.

Directors' Report (continued)

ENVIRONMENTAL REGULATION AND PERFORMANCE (continued)

The Board considers the Company has adequate systems in place for the management of its environmental requirements and is not aware of any material breach of environmental requirements of licence conditions as they apply to the Group.

The Company is aware of the reporting requirements under the *National Greenhouse and Energy Reporting Act 2007 (the Act)*. The Company conducted an assessment, which complies with the framework provided by the Department of Climate Change and Energy Efficiency. This assessment concluded the Company's energy consumption and greenhouse gas emissions are below thresholds set for mandatory registration and reporting under the Act. Previously, the Company reported voluntarily under the 'Greenhouse Challenge Plus' (GHC) Program. This program ceased in June 2009, but the Company continues to collect greenhouse emissions and energy consumption data using the GHC reporting structure.

With respect to the Australian Federal Government's carbon schemes certain emissions from agriculture have been exempted. However the Company continues to monitor and assess carbon reduction schemes for risks and opportunities.

SHARE OPTIONS

Unissued Shares

As at the date of this report, there were 1,177,881 unissued ordinary shares under options and performance rights (1,505,815 at reporting date).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

Shares Issued as a Result of the Exercise of Options

During the financial period, there were no options to acquire shares in the Company exercised. Since the end of the financial period, no options have been exercised.

At the Company's Annual General Meeting on 21 August 2013, shareholders approved once again the Company's Performance Rights Plan which has been in place since 2011 and which has taken the place of the option plan for future incentive awards comprising performance rights. There will be no further grants of options under the option plan in the future. The rights of the existing option holders will remain until such time as the options are either exercised or the rights lapse.

There were 208,273 Performance Rights exercised under the AACo Performance Rights Plan during the year to 31 March 2014.

INDEMNIFICATION AND INSURANCE OF DIRECTORS' AND OFFICERS

Under the Company's Constitution, each of the Company's Directors, the Company Secretary and every other person who is an officer is indemnified for any liability to the full extent permitted by law.

The Company's Constitution also provides for the Company to indemnify each of the Company's Directors, the Company Secretary and every other person who is an officer to the maximum extent permitted by law, for legal costs and expenses incurred in defending civil or criminal proceedings.

Each Director has entered into a Deed of Access, Insurance and Indemnity, which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The Deed also entitles the Director to access Company documents and records, subject to confidentiality undertakings.

The Company maintains Director's and Officer's insurance policies, to insure the Company's Directors, Company Secretary and those Directors and others of its subsidiaries. The Company has paid or has agreed to pay the premium for these policies.

The terms of the insurance contracts prohibit the Company from disclosing the level of premium paid and the nature of the liabilities insured.

INDEMNIFICATION OF AUDITORS'

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year end. The indemnity does not apply to any loss in respect of any matters which are finally determined to have resulted from Ernst & Young's negligent, wrongful or wilful acts or omissions.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 31 March 2014 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) of the Group, who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent Company.

For the purposes of this report, the term 'executive' encompasses the Managing Director/Chief Executive Officer, senior executives, general managers and Company Secretary of the Company and the Group.

The remuneration report is presented under the following sections:

1. Individual Key Management Personnel (KMP) disclosures.
2. Remuneration at a glance.
3. Board oversight of remuneration.
4. Non-executive Director (NED) remuneration arrangements.
5. Executive remuneration arrangements.
6. Company performance and link to remuneration.
7. Executive contractual arrangements.
8. Equity instruments disclosures.

1. Individual Key Management Personnel disclosures

Details of KMP of the Group are set out in the following sections.

(i) Directors

Mr. D. McGauchie	Chairman (non-executive)
Mr. J. Strong (appointed 24 January 2014)	Managing Director and Chief Executive Officer
Mr. S. Black	Director (non-executive)
Mr. D. Crombie	Director (non-executive)
Mr. T. Keene	Director (non-executive)
Dr. S. Dissanayake	Director (non-executive)
Dr. Emir (appointed 10 April 2013)	Director (non-executive)
Mr. A. Allana (appointed 16 May 2013 as alternate director and appointed 21 August 2013 as full director)	Director (non-executive)
Mr. D. Munang	Alternate Director

(ii) Directors who resigned or retired during the period

Mr. D. Farley (resigned 31 July 2013)	Managing Director and Chief Executive Officer
Mr. A. Paliulis (retired 21 August 2013)	Director (non-executive)
Mr. I. Allana (resigned 14 May 2013)	Alternate Director

(iii) Executives

Mr. C. White	Chief Financial Officer
Mr. B. Bennett	Company Secretary/General Counsel
Mr. S. Cruden	General Manager – Northern Australian Beef
Mr. G. Dober	General Manager – People and Culture

(iv) Executives who resigned, retired or otherwise ceased employment during the period

Mr. T. Setter (resigned 3 March 2014)	Chief Operating Officer
Mr. P. Beale (resigned 25 January 2013)	Chief Financial Officer
Mr. P. Dempsey (deceased 8 February 2014)	General Manager – Branded Beef

On 25 January 2013, Mr. P. Beale (Chief Financial Officer) tendered his resignation and ceased employment with the Company during the month of April 2013. Mr. C White was appointed Chief Financial Officer on 15 April 2013.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

1. Individual Key Management Personnel disclosures (continued)

Mr. D. Farley ceased employment on 31 July 2013. Mr. C. White served as both Chief Financial Officer and interim Chief Executive Officer from 31 July 2013 to 23 January 2014.

Mr. J. Strong was appointed as Managing Director and Chief Executive Officer on 24 January 2014.

On 3 March 2014, AACo announced the resignation of Mr. T Setter whose employment ceased on 2 May 2014. AACo has determined that the role of Chief Operating Officer will no longer exist and that former role will be re-allocated internally amongst other executives.

Mr. A. Paliulis retired as a non-executive director at the conclusion of the annual general meeting on 21 August 2013. Mr. A. Allana replaced Mr. I. Allana as an alternate director for Mr. A. Paliulis on 16 May 2013. Mr. A. Allana was subsequently elected as a non-executive director at the annual general meeting on 21 August 2013.

Mr. P. Dempsey, former General Manager – Beef Group, passed away on 8 February 2014.

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

2. Remuneration at a glance

Remuneration strategy and policy

CEO and Key Management Personnel (KMP)

Consistent with contemporary Corporate Governance standards the Company's remuneration strategy and policies aim to set employee and executive remuneration that is fair, competitive and appropriate for the markets in which it operates and is mindful of internal relativities. The Company aims to ensure that the mix and balance of remuneration is appropriate to reward fairly, attract, motivate and retain senior executives and other key employees.

Appropriate remuneration policy settings will be achieved by consistently applying a clear remuneration strategy directed at supporting the Board approved business strategy with appropriate and flexible processes, policies and procedures established by the Board from time to time.

Specific objectives of the company's remuneration policies include the following:

- Provide competitive total rewards to attract and retain high calibre employees and executives;
- Provide fair and competitive fixed remuneration for all positions under transparent policies and review procedures. This is tested on a regular basis by independent benchmark assessment. The Company aims to position fixed remuneration in the 3rd quartile of selected comparators;
- Have a meaningful portion of remuneration "at risk", dependent upon meeting pre-determined performance benchmarks;
- Link CEO and senior executive rewards to achieving short and medium term key performance criteria;
- Establish appropriate, demanding performance hurdles for any executive incentive remuneration.
- Payment of cash bonuses which in the case of the MD/CEO are determined at the discretion of the Board after assessing the performance of the company and the MD/CEO against agreed performance hurdles;
- Provide Deferred Equity Awards (DEA), in the form of grants of performance rights to the MD/CEO and other senior executives with deferred vesting of two years (50%) and three years (50%) (for 2012 and earlier years DEA vesting was one year (50%) and two years (50%));
- The actual DEA awarded to an executive is generally set at 50% of the amount of any cash bonus actually paid to the executive.

Discontinuation of the long term incentive

Since its inception in 2010, only the MD/CEO has participated in the company's long term incentive (LTI) plan which has taken the form of a grant of performance rights under the company's performance rights plan. LTI awards were granted and approved by shareholders in 2011 and 2012. In 2013, the Company advised that the Board would review its LTI plan to ensure this incentive reflects business needs, shareholder views and contemporary market practice. In 2014, the Board determined that an LTI would no longer be offered to the MD/CEO, or any other executive. Previously awarded LTIs are not affected by this decision. The rationale for discontinuing the MD/CEO LTI is provided in section 7 below.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

The current executive remuneration strategy can be represented broadly, as follows:

	Total Fixed Remuneration (TFR) %	Short Term Incentives % ¹	DEA Incentive % ²	Long Term Incentive (LTI) %	Total Targeted Reward (TTR) %
MD/CEO	58	28	14	No longer applicable	100
Key Management	40 - 80	15 - 50	10 - 25	0	100

¹ taking the form of a cash bonus and for the financial year ended 31 March 2014 only actual cash bonuses are increased by a multiplier of 1.25 for eligible executives employed as at 1 January 2013 (refer below)

² 50% of cash bonus actually paid

Board remuneration

The Board seeks to set aggregate remuneration at a level for the non-executive directors that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to the shareholders. Board remuneration is tested on a regular basis by independent benchmark assessment. The Company aims to position Board remuneration at or about the 75th percentile of comparable positions.

Use of Remuneration Consultants

The Staff & Remuneration Committee has engaged external consultants to ensure it is fully informed when making remuneration decisions. The Board has appointed CRA Plan Managers Pty Limited (CRA) as remuneration advisor to the Company.

The engagement of CRA is based on an agreed set of protocols to ensure that the Staff & Remuneration Committee is provided with formal advice and recommendations, free from undue influence by members of the KMP to whom the recommendations may relate. The Board is satisfied the advice received from CRA is free from undue influence from the KMP to whom the remuneration recommendations apply as CRA were engaged by, and reported directly to, the Chair of the Staff & Remuneration Committee. CRA also confirms in writing to the Chair that any remuneration recommendations are made free from undue influence by the Group's KMP.

In recent years, CRA have provided advice to the Company covering a range of remuneration matters, including the following:

- Remuneration Strategy Review;
- Chief Executive Officer, Chairman, and non-Executive Director Remuneration;
- Senior Executive remuneration;
- Long term incentives (LTI) and Deferred Equity Award (DEA) benefit recommendations for the CEO (LTI) and senior executives (DEA); and
- Valuation of Share Based Payments.

This independent review confirmed that Board and Executive remuneration at the Company were within market expectations and were reasonable at that time. No material variations were noted and no material changes have been made arising from this review.

The fees paid to CRA in the year ended 31 March 2014 for all remuneration consulting services was \$16,664 (excluding GST and out-of-pocket expenses). Other services provided by CRA included employee share scheme (ESS) administration and share based payment valuation services. Fees paid to CRA in the year ended 31 March 2014 for all other services totalled \$14,323 (excluding GST and out-of-pocket expenses).

3. Board oversight of remuneration

Staff and Remuneration Committee

The Staff and Remuneration Committee currently comprises three independent non-executive Directors (Mr. D. Crombie (Committee Chairman), Mr. D. McGauchie, and Mr. T Keene).

The Staff and Remuneration Committee is responsible for making recommendations to the Board on the remuneration arrangements of non-executive directors (NEDs) and executives. The Staff and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Director and executive team. In determining the level and composition of executive remuneration, the Staff and Remuneration Committee may also seek external advice as set out above.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

3. Board oversight of remuneration (continued)

Mr. J. Strong, Managing Director/Chief Executive Officer, attends certain Staff and Remuneration Committee meetings by invitation but is not present during any discussions relating to his own remuneration arrangements.

Remuneration approval process

The Board is responsible for determining the remuneration of the Managing Director/Chief Executive Officer on the advice of the Staff and Remuneration Committee, which obtains independent remuneration advice as necessary. The Board approves the remuneration arrangements for the Managing Director/Chief Executive Officer and executives and all awards made under any deferred equity award (DEA) plan, which are then subject to shareholder approval in the case of the MD/CEO, following recommendations from the Staff and Remuneration Committee.

The Board also sets the aggregate remuneration of NEDs, which is then subject to shareholder approval.

The Chairman oversees the Managing Director/Chief Executive Officer's recommendations for remuneration of senior executives with the assistance of the Staff and Remuneration Committee and independent remuneration advice, where necessary.

The Staff and Remuneration Committee approves, having regard to the recommendations made by the Managing Director/Chief Executive Officer, the level of any Company short-term incentive (STI) payments to employees, including KMP's and therefore the amount of any Deferred Equity Award entitlement. The level of STI payments to the Managing Director/CEO are determined separately by the Board. Any DEA entitlement resulting in an issue of securities for the Managing Director/CEO must be approved by shareholders.

Voting and comments made at the company's 21 August 2013 Annual General Meeting ('AGM')

The company received 97.7% of 'for' votes in relation to its remuneration report for the 3 months ended 31 March 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

4. Non-executive Director (NED) remuneration arrangements

Remuneration policy

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies. The Board considers advice from external consultants when undertaking the annual review process.

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of NEDs shall be determined, from time to time, by general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the Annual General Meeting held on 24 May 2007, when shareholders approved an aggregate remuneration of \$875,000 per year.

Structure

The remuneration of NEDs consists of Directors' fees and committee fees. NED's do not receive retirement benefits other than superannuation, nor do they participate in any incentive programs.

Each NED receives a base fee for being a Director of the Company. An additional fee is also paid for each Board committee on which a Director sits, with a higher fee paid if the Director is a Chairman of a Board committee. The payment of additional fees for serving on a committee recognises the additional time commitment required by NEDs who serve on one or more committees.

The Board may also establish specialist subcommittees from time to time, comprised of directors, to oversee and report back to the Board on any identified large or otherwise important projects. In 2014, subcommittees were established for the Northern Beef Processing Facility Project, a major IT upgrade project and for aspects of the capital raising undertaken in 2013. Generally directors are not separately remunerated for membership of such subcommittees, however in the case of the subcommittee for the Northern Beef Processing Facility Project, the Board determined during the year that it was appropriate the Subcommittee Chair, Mr T. Keene receive an additional fee for that role given the size and importance of the project and the time demands involved.

NED's are encouraged to hold shares in the Company. Any shares purchased by the Directors are purchased on market, which is in line with the Group's overall remuneration philosophy and aligns NEDs with shareholder interests.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

4. Non-executive Director (NED) remuneration arrangements (continued)

Structure (continued)

The remuneration of NEDs for the year ended 31 March 2014 and for the 3 months ended 31 March 2013 is detailed in table 1 on page 32 of this report.

5. Executive remuneration arrangements

Structure

Remuneration is determined as part of an annual performance review process, having regard to market factors, relevant comparative data, a performance evaluation process and independent remuneration advice, where necessary.

In the year ended 31 March 2014, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable or 'at risk' remuneration comprising:
 - STI including the Deferred Equity Award (DEA); and
 - LTI for the Managing Director/CEO only, however no LTI award was made during the year ended 31 March 2014.

In March 2014, the Board determined that an LTI would no longer be offered to the MD/CEO, or any other executive.

The last LTI award made to a Managing Director and Chief Executive Officer of AACo was in 2012, being an LTI award that was approved by shareholders at the annual general meeting held in 2012.

Deferred Equity Awards are provided to the Managing Director and Chief Executive Officer and Senior Executives based on the level of STI earned each year. The last offer under this plan was made on 27 April 2012 and was subject to one (50%) and two (50%) year service vesting conditions. The Board has determined that future DEA grants will be subject to two (50%) and three (50%) year service vesting conditions.

There is also a tax exempt share plan that may be utilised at the discretion of the Board for general employee equity participation. An Executive Option Plan, for which no further grants will be made, has a series of grants outstanding, the last of which expires on 1 January 2019.

The Board reviewed the incentive arrangements for executives and the Managing Director/CEO in the current period.

The Company encourages its executives to own the Company's shares, to further align their interests with the interests of other shareholders.

The following table illustrates the structure of the Company's executive remuneration arrangements in 2014:

Remuneration Component	Vehicle	Purpose	Link to performance
Total fixed remuneration (TFR)	Comprises base salary, superannuation contributions and any 'packaged' benefits including FBT grossed-up on a Total Employment Cost (TEC) basis	To reward executives market competitive remuneration with reference to role, market and experience and internal relativities.	No link to Company performance although it is reviewed annually and consideration is given to the performance of the Company and business unit in the remuneration review.
Short term incentive (STI) component	Paid in cash	Rewards executives for their contribution to achievement of Company and business unit outcomes, as well as individual key performance indicators (KPIs).	STI for executives is generally calculated based on 80% Company financial performance metrics and 20% individual performance metrics.
Deferred Equity Award (DEA) component	Deferred Equity (Performance rights)	Rewards executives for their contribution to achievement of Company and business unit outcomes, as well as individual key performance indicators (KPIs).	Generally 50% of the actual amount of the STI cash bonus earned and subject to two-year (50%) and three-year (50%) service vesting conditions.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

5. Executive remuneration arrangements (continued)

Total fixed remuneration and short term incentives

Executive contracts of employment do not include any guaranteed base pay increases. Total fixed remuneration comprises cash and other benefits and entitlements to provide a base level of remuneration which is both appropriate to the role and responsibilities, reflects current market conditions, the individual's seniority and internal relativities.

Total fixed remuneration is reviewed annually, as part of a review that takes into account the individual's performance, the overall performance of the Company, the relevant business unit's performance, and current comparative remuneration data.

Senior executives are given the opportunity to receive a portion of their fixed remuneration in forms other than cash, such as motor vehicles, under a framework that ensures the Company does not incur additional cost.

The fixed component of executives' base fixed remuneration is detailed in the tables 1 and 2 (refer pages 32 to 34).

The Company operates an annual STI program that is available to executives and employees and awards a cash bonus subject to the attainment of Company, business unit and individual measures which are set at the commencement of the performance period.

The aim of the STI is to link the achievement of the Company's annual and/or immediate financial and broader operational targets with the remuneration received by the executives and senior employees responsible for achieving those targets.

The total potential STI is set at a level so as to provide sufficient incentive to executives to achieve the operational targets and at a cost to the Company that is reasonable in the circumstances.

Actual STI payments awarded to each executive depend on the extent to which specific targets prescribed in the performance agreement for a financial year are met. The targets consist of a number of key performance indicators covering financial and non-financial, corporate and individual measures of performance.

These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long-term value.

Under the arrangements approved by the Board the general principles that will apply are that the executive will receive a Short Term Incentive in the form of a cash bonus that is generally set at 25 to 50% of the executive's total fixed remuneration. The Short Term Incentive will be paid within three months of the financial year end on which the executive's performance is being measured. For financial year ended 31 March 2014 only, all STI benefits which are awarded in respect of the year ended 31 March 2014 will be increased by a factor of 1.25 for those eligible executives who were employed at 1 January 2013. The factored increase of 1.25 is a feature of the STI arrangements for the financial year ended 31 March 2014 to reflect the fact that no STI program was operating for the three-month period from 1 January 2013 to 31 March 2013. That 3 month period was a transitional financial year brought about by the Company's year-end change from 31 December to 31 March.

Executives who are paid a cash bonus will in addition receive a Deferred Equity Award (DEA) which is generally equal to 50% of the amount of the STI cash bonus actually earned. The DEA is in the form of a grant of performance rights under the performance rights plan and is subject to two-year (50%) and three-year (50%) service vesting conditions i.e., vesting of the DEA is subject to the executive still being employed by the Group at the relevant vesting date.

The Company has a Good Leaver and a Bad Leaver Policy. If the executive was a Bad Leaver, then any unvested Deferred Equity Awards will be automatically forfeited. If the executive was a Good Leaver, then the Board will consider the circumstances of the cessation of employment and may exercise its discretion to allow some or all of the unvested Deferred Equity Awards to vest (and be exercised).

The Board assesses the performance of the Managing Director/Chief Executive Officer against his targets and determines his actual STI payment based upon the recommendation of the Staff and Remuneration Committee. The senior executives have a maximum STI set as a percentage of their respective TFR.

The Managing Director/Chief Executive Officer assesses the performance of other senior executives against their targets and determines the actual short term incentive payments with oversight by the Board through the Chairman and the Staff and Remuneration Committee.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

5. Executive remuneration arrangements (continued)

Total fixed remuneration

The STI cash bonus for the Managing Director/ CEO or any other executive in respect of performance during the year to 31 March 2014 amounts to \$724,397. The STI cash bonus will be paid in the first quarter of the 2015 financial year. There were no DEA awarded to the Managing Director / CEO or any other executives in respect of performance during the year to 31 March 2014. There was no STI cash bonus nor DEA awarded to executives during the 3 month period to 31 March 2013.

For each cash bonus and grant of rights to deferred shares included in the tables 1 and 2 (refer pages 32 to 34), the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The minimum value of the rights yet to vest is nil, as the rights will be forfeited if the key management persons fail to satisfy the vesting condition. The maximum value of the rights yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed.

	Current year STI entitlement		Rights to deferred shares							
	Awarded %	Forfeited %	Year of grant	No. Granted	Value per share	Vested %	Vested Number	Forfeited %	Financial years in which shares may vest	Max. value yet to vest
Directors										
J. Strong	70%	30%	-	-	-	-	-	-	-	-
Executives										
C. White	65%	35%	-	-	-	-	-	-	-	-
T. Setter	12%	88%	2011	14,447	\$1.41	100%	14,447	-	31/3/2014	-
			2012	35,780	\$1.29	100%	35,780	-	31/3/2014	-
			2012	35,780	\$1.29	-	-	-	31/3/2015	1,519
B. Bennett	68%	32%	2011	10,422	\$1.41	100%	10,442	-	31/3/2014	-
			2012	11,881	\$1.29	100%	11,881	-	31/3/2014	-
			2012	11,880	\$1.29	-	-	-	31/3/2015	504
G. Dober	67%	33%	2011	3,119	\$1.41	100%	3,119	-	31/3/2014	-
			2012	7,811	\$1.29	100%	7,811	-	31/3/2014	-
			2012	7,810	\$1.29	-	-	-	31/3/2015	331
S. Cruden ¹	98%	2%	2012	9,490	\$1.29	100%	9,490	-	31/3/2014	-
			2012	9,490	\$1.29	-	-	-	31/3/2015	403
Former Executives										
D. Farley	0%	100%	2011	105,271	\$0.85	-	-	100%	31/3/2014	-
			2011	105,270	\$1.41	-	-	100%	31/3/2014	-
			2011	99,741	\$1.06	52%	51,865	48%	31/3/2014	-
			2011	99,741	\$1.41	-	-	100%	31/3/2014	-
			2012	32,353	\$1.29	100%	32,353	-	31/3/2014	-
			2012	32,353	\$1.29	-	-	-	31/3/2015	2,502
			2012	118,628	\$0.91	-	-	-	31/3/2015	36,934
			2012	118,628	\$1.29	-	-	-	31/3/2015	52,129
P. Beale	0%	100%	2012	22,213	\$1.29	100%	22,213	-	31/3/2014	-
			2012	22,213	\$1.29	-	-	100%	31/3/2015	-
P. Dempsey	0%	100%	2011	6,240	\$1.41	100%	6,240	-	31/3/2014	-
			2012	3,690	\$1.29	100%	3,690	-	31/3/2014	-
			2012	3,689	\$1.29	-	-	-	31/3/2015	157

¹ Of the cash bonus paid to Mr. S. Cruden, \$45,767 related to a bonus for the prior financial year but paid in the 31 March 2014 financial year.

Variable remuneration - long term incentive (LTI)

The Managing Director/Chief Executive Officer

The Board has determined that the Managing Director/CEO will no longer be offered an LTI.

The last LTI awards to the former Managing Director/CEO were made in 2011 and 2012 and were approved by shareholders in general meeting. The 2011 LTI will be tested for vesting as at 31 March 2013. The 2012 LTI will be tested for vesting as at 31 March 2015.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

5. Executive remuneration arrangements (continued)

Variable remuneration - long term incentive (LTI) (continued)

The 2011 LTI and 2012 LTI were based on an LTI entitlement equal to 50% of current total fixed remuneration for the then Managing Director/Chief Executive Officer and took the form of performance rights granted under the performance rights plan.

Under the discontinued LTI there were both internal (EPS) and external (TSR) performance benchmarks which were required to be achieved over a three year service vesting period for the Managing Director/Chief Executive Officer to receive any benefit. No LTI performance rights were awarded during the year to 31 March 2014, nor in the three months to 31 March 2013.

The performance conditions of the 2011 LTI and the 2012 LTI were as follows:

1. External Performance Condition (TSR outperformance) 50% of the Performance Rights are subject to an external Performance Condition, namely, AACo's Total Shareholder Return (TSR) performance relative to the S&P/ASX Small Ordinaries Accumulation Index (ASX Code: XSOAI) measured over a three year Vesting Period. Vesting of the Performance Rights subject to the TSR outperformance condition will be calculated based on the following percentile results in the table below:	
AACo TSR Ranking versus S&P/ASX Small Ords Accumulation Index (XSOAI)	% of Performance Rights to vest
Below the 50th percentile	0% vest
At the 50th percentile	50% vest
Between the 50th and 75th percentile	2% vesting on a straight line interpolation for each percentile ranking
At or above the 75th percentile	100% vest
The Company's TSR will be measured by an independent third party over the Vesting Period. The testing of the TSR outperformance condition will occur at the end of the Vesting Period.	
2. Internal Performance Condition (EPS) 50% of the Performance Rights are subject to an internal Performance Condition based on the Company's earnings per share (EPS). EPS is defined as Adjusted Net after Tax Profit per Ordinary Share, where Adjusted Net after Tax Profit is calculated as follows: <ul style="list-style-type: none"> • Annual reported Net Profit after Tax • Less: Valuation adjustments. • Less: Any adjustment deemed fair and appropriate by the Board, in the Board's absolute discretion. The Board in its absolute discretion may vary this formula from year to year to reflect the changing nature of the Group's operations and its operating environment.	
Vesting of the Performance Rights subject to the EPS condition will be calculated based on the following compound % growth rates over the three financial years following the base year the Performance Rights are established.	
EPS Compound Growth Rate	% of Performance Rights to vest
Compound growth rate of less than 7.5% p.a.	0% vest
Compound growth rate of at least 7.5% p.a.	50% vest
Compound growth rate between 7.5% p.a. and 10% p.a.	2% vesting on a straight line interpolation for each 0.1% increment in EPS
Compound growth rate of 10% p.a. or more	100% vest

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

5. Executive remuneration arrangements (continued)

Variable remuneration - long term incentive (LTI) (continued)

Termination and change in control provisions

Under the terms of the LTI if the Managing Director/Chief Executive Officer ceases employment with the Company and holds Performance Rights, the ability of the Managing Director/Chief Executive Officer to retain his Performance Rights will depend on the circumstances in which the employment ceases. The Plan Rules define Bad Leavers and Good Leavers.

If the executive was a Bad Leaver, then the Performance Rights will be automatically forfeited. If the executive was a Good Leaver, then the Board will consider the circumstances of the cessation of employment and may exercise its discretion to allow some or all of the Performance Rights to vest (and be exercised).

As part of the separation arrangements agreed with Mr D. Farley in respect of his cessation of employment on 31 July 2013, the Board determined that all unvested performance rights held by Mr D. Farley would not lapse and would remain subject to the rules of the performance rights plan and applicable vesting conditions (except any continuous employment condition).

A change of control event occurs when any person, either alone or together with any "associate" (as defined in the Australian Corporations Act) who does not hold a relevant interest in more than 50% of the issued shares of the Company acquires a relevant interest in more than 50% of the issued shares, or the Board concludes that there has been a change in control of the Company then one of the following will occur in respect of all unvested Performance Rights or Deferred Equity Awards. The Performance Rights or Deferred Equity Awards will vest on a pro-rata basis or at the discretion of the Board in certain circumstances.

Executive Option Plan – LTI plan used by AACo up to 30 June 2009

The Company previously utilised an Executive Option Plan (EOP) for the granting of non-transferable options to executives and middle management with more than twelve months' service at the grant date.

The existing options under the EOP have all vested, other than 940,625 options.

There were no options granted in the year ended 31 March 2014 under the EOP and the Board does not intend to make further grants under this scheme (three months to 31 March 2013: Nil).

Tax exempt share plan

All Company and Group employees paid under \$50,000 are eligible to be issued fully paid shares to the value of \$1,000 p.a. under the Tax-exempt Employee Share Plan (TESP). An employee must have been employed by the Group for 12 months to be eligible in the following year.

There were no shares issued under the TESP in the year ended 31 March 2014 (three months to 31 March 2013: Nil).

Hedging of equity rewards

The Company prohibits employees from entering into arrangements to protect the value of unvested LTI awards. The prohibition includes entering into any scheme, arrangement or agreement (including options and derivatives) under which the employee may alter the economic benefit/risk derived from security holdings in the Company under unvested entitlements (e.g. unvested equity-based incentive or award grant).

No Director or officer or employee may deal in Company shares at any time for short term gain, including buying and selling shares in a three month period or using forward contracts, without approval of the Chairman, or in the case of the Chairman, a Director chosen by the Board for that purpose.

6. Company performance and link to remuneration

Company performance and its link to long term incentives

CEO LTI Performance Testing:

	Testing Date	TSR % Vesting	EPS % Vesting
2010 LTI	31 March 2013	0	0
2011 LTI	31 March 2014	52%	0%
2012 LTI	31 March 2015	N/A	N/A

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

6. Company performance and link to remuneration (continued)

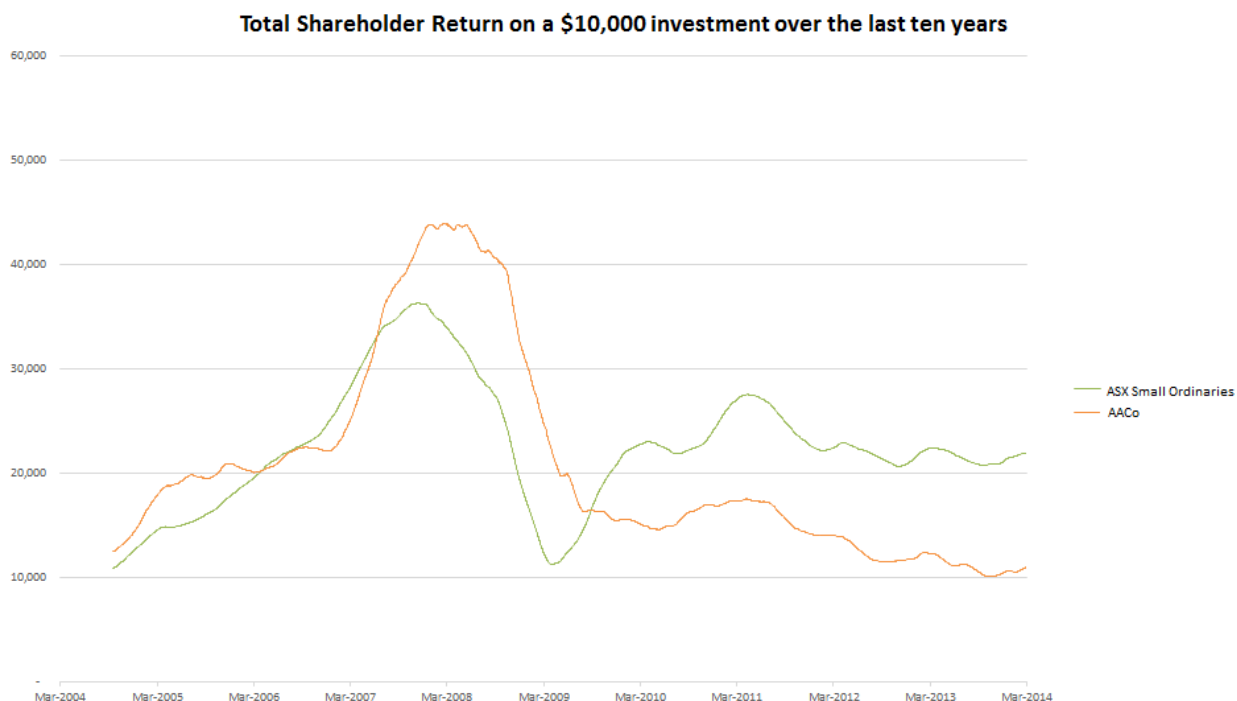
Company performance and its link to long term incentives (continued)

Earnings per share (EPS) for each financial period are noted in the table below:

PER SHARE STATISTICS	12 months to 31 Mar 2014	3 months to 31 Mar 2013	12 months to 31 Dec 2012	12 months to 31 Dec 2011	12 months to 31 Dec 2010
Basic EPS (to the nearest 1/10 cent adjusted for rights issue in 12 months to 31 March 2014)	(9.3) cents	(14.0) cents	(2.5) cents	3.4 cents	0.3 cents

The financial performance measure driving LTI payment outcomes is total shareholder return (TSR). TSR for the Company is defined as share price growth plus dividends, assuming the dividends are reinvested into the Company's ordinary shares.

As a guide to TSR, the graph below demonstrates the shareholder wealth created since April 2004, as compared with the benchmark ASX small ordinaries.



Series 1 = The Company total shareholder return.

Series 2 = S&P ASX small ordinaries.

7. Executive contractual arrangements

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below.

Group employees are employed by the subsidiary company A.A. Company Pty Ltd.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

7. Executive contractual arrangements (continued)

Managing Director/Chief Executive Officer Generally

The Managing Director/Chief Executive Officer is employed under an executive employment agreement. The agreement has no fixed term and provides that:

- The Managing Director/Chief Executive Officer may terminate his employment by giving six months written notice.
- The Company may terminate the Managing Director/Chief Executive Officer's employment by six months written notice or provide payment in lieu of the notice period based on the Managing Director/Chief Executive Officer's fixed remuneration component.
- The Company may summarily terminate the Managing Director/Chief Executive Officer's employment if serious misconduct has occurred.
- Upon termination, the Managing Director/Chief Executive Officer is subject to 12 months' restrictions for competition, employee inducement and client solicitation.
- Under the AACo Performance Rights Plan Rules, and subject to the terms of any grant or other agreement, any unvested performance rights held by the Managing Director/Chief Executive Officer at termination will normally lapse unless the Board determines in their sole and absolute discretion that the 'Good Leaver' provisions apply and that some or all performance rights should vest.

Managing Director/Chief Executive Officer - Mr. J. Strong

Mr. J. Strong was appointed Managing Director/Chief Executive Officer on 24 January 2014.

As announced via ASX on 17 April 2014, Mr. Strong's executive employment agreement dated 24 January 2014 was subsequently amended on 17 April 2014.

Position as at 31 March 2014

Under the terms of the original executive employment agreement entered into on 24 January 2014, and as announced via ASX that day, and in effect as at 31 March 2014:

- The Managing Director/Chief Executive Officer received fixed remuneration of \$550,000 per annum (including superannuation), subject to annual review by the Board.
- With effect from 1 April 2014, the Managing Director/Chief Executive Officer was eligible to earn STI benefits, DEA benefits and LTI benefits each year.
- STI benefits were in the form of a potential cash bonus up to a maximum of \$200,000 per annum. The actual cash bonus earned by Mr. Strong (if any) would be determined at the discretion of the Board after assessing the performance of AACo and the performance of Mr. Strong against agreed performance hurdles. With respect to the year up to 31 March 2014, Mr. Strong's entitlement to any STI benefits continue as per his contract of employment that applied prior to his appointment as Managing Director/Chief Executive Officer, i.e., when he held the position of General Manager Marketing.
- DEA benefits each year were in the form of performance rights. The actual DEA earned by Mr. Strong (if any) would generally be set at 50% of the actual amount of the STI cash bonus actually earned. The performance rights granted to reflect this value are generally subject to two-year (50%) and three-year (50%) service vesting conditions. The minimum possible DEA outcome is zero and the maximum possible DEA outcome is \$100,000 per annum. Any DEA outcome resulting in an issue of securities to Mr. Strong will be subject to shareholder approval.
- LTI benefits each year comprised performance rights equal in value to up to 50% of his fixed remuneration. The actual LTI earned will be at the discretion of the Board and may be subject to internal and external performance hurdles which are required to be achieved over a three-year service vesting period. The minimum possible LTI outcome is zero and the maximum LTI outcome is \$275,000 per annum. Any LTI outcome resulting in an issue of securities to Mr. Strong will be subject to shareholder approval.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

7. Executive contractual arrangements (continued)

- Upon termination of employment, Mr. Strong will receive all payments in lieu of notice, accrued leave or redundancy in accordance with applicable laws. The Company has a good leaver and Bad Leaver Policy and if Mr. Strong is determined to be a Good Leaver then the Board will consider the circumstances and may exercise its discretion to allow some or all of unvested performance conditions to vest (and be exercised).
- Mr. Strong is subject to 12 months' restrictions for competition, employee inducement and client solicitation, following termination of his employment.

Position as from 17 April 2014

The amendment to Mr. Strong's executive employment agreement which took effect on 17 April 2014 provided for the following changes:

- With effect from 1 April 2014, the Managing Director/Chief Executive Officer receives fixed remuneration of \$600,000 per annum (including superannuation), subject to annual review by the Board.
- With effect from 1 April 2014, the Managing Director/Chief Executive Officer remains eligible to earn STI benefits and DEA benefits, however, Mr. Strong is no longer entitled to receive LTI benefits each year.
- STI benefits are in the form of a potential cash bonus up to a maximum of \$300,000 per annum. The actual cash bonus earned by Mr. Strong (if any) will be determined at the discretion of the Board after assessing the performance of AACo and the performance of Mr. Strong against agreed performance hurdles. With respect to the year up to 31 March 2014, Mr. Strong's entitlement to any STI benefits continue as per his contract of employment that applied prior to his appointment as Managing Director/Chief Executive Officer, i.e., when he held the position of General Manager Marketing.
- DEA benefits each year are in the form of performance rights. The actual DEA earned by Mr. Strong (if any) will generally be set at 50% of the actual amount of the STI cash bonus actually earned. The performance rights granted to reflect this value are generally subject to two-year (50%) and three-year (50%) service vesting conditions. The minimum possible DEA outcome is zero and the maximum possible DEA outcome is \$150,000 per annum. Any DEA outcome resulting in an issue of securities to Mr. Strong will be subject to shareholder approval.
- There have been no STI benefits, DEA benefits nor LTI benefits paid to Mr. Strong since his appointment on 24 January 2014.

The above changes are set out in more detail in the table below:

Component of remuneration	Previous remuneration as at 24 January 2014	Restructured remuneration from 1 April 2014
Total fixed remuneration (TFR) inclusive of superannuation	\$550,000	\$600,000
Short Term Incentive (STI) cash bonus	\$200,000 max	\$300,000 max (50% of TFR)
Deferred Equity Award (DEA) performance rights	\$100,000 max (50% of STI actually paid)	\$150,000 max (50% of STI actually paid)
Long Term Incentive (LTI) performance rights	\$275,000	Nil
Maximum total	\$1,125,000	\$1,050,000

Rationale for amendment

Following Mr. Strong's appointment on 24 January 2014, the Board gave consideration to its remuneration practices for the role of Managing Director/CEO. The Board determined that the remuneration structure for the Managing Director/CEO role should be rebalanced to better align with the Company's strategic goals, Managing Director/CEO remuneration opportunity and market expectations.

As outlined above, the restructured remuneration resulted in a decrease to the aggregate potential total remuneration which Mr. Strong is eligible to receive. Under the revised structure, the value of Mr. Strong's total fixed remuneration (TFR), STI benefit and DEA benefit increase, however he will no longer be invited to participate in any long term incentive (LTI) plan. Mr. Strong has not received any LTI offers.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

7. Executive contractual arrangements (continued)

Rationale for amendment (continued)

Given the inherently cyclical and often volatile nature of AACo's business, the Board formed the view that the award of an LTI benefit does not operate as an appropriate incentive to drive shareholder value growth, and that the 'at risk' components of the MD/CEO's remuneration are more effectively delivered via the Company's STI and DEA programs. A material feature of any DEA grant is the deferral of any benefit until vesting at 2 years (50%) and 3 years (50%) which is comparable to the 3 year vesting date of the discontinued LTI benefit.

As part of its review and consideration of this issue, the Board received independent external advice from CRA, the Company's remuneration advisers, who confirmed that the restructured remuneration, while differing from common market practice was both 'fair and reasonable' in the circumstances and more appropriate for a volatile agricultural sector.

Former Managing Director/Chief Executive Officer - Mr. D Farley

Mr. D. Farley ceased employment as Managing Director/Chief Executive Officer on 31 July 2013, as announced via ASX that day.

Under the terms of his contract and at the time of his termination:

- Mr. D. Farley received fixed remuneration of \$633,600 per annum (excluding superannuation).
- Mr. D. Farley was also eligible to earn STI benefits, DEA benefits and LTI benefits each year.
- STI benefits were in the form of a potential cash bonus up to a maximum of \$200,000 per annum. The actual cash bonus earned by Mr. Farley (if any) would be determined at the discretion of the Board after assessing the performance of AACo and the performance of Mr. D. Farley against agreed performance hurdles. Mr. Farley was not paid any STI benefit during the financial year to 31 March 2014 (3 months to 31 March 2013: \$nil).
- DEA benefits each year were in the form of performance rights. The actual DEA earned by Mr. Farley (if any) would generally be set at 50% of the actual amount of the STI cash bonus actually earned. The performance rights granted to reflect this value are generally subject to two-year (50%) and three-year (50%) service vesting conditions. The minimum possible DEA outcome was zero and the maximum possible DEA outcome was \$100,000 per annum. Any DEA outcome resulting in an issue of securities to Mr. D. Farley would be subject to shareholder approval. Mr. D. Farley was not offered nor awarded any DEA benefit during the financial year to 31 March 2014 (3 months to 31 March 2013: Mr. D. Farley was not offered nor awarded any DEA benefit).
- LTI benefits each year comprised performance rights equal in value to up to 50% of Mr. D. Farley's fixed remuneration. The actual LTI earned would be at the discretion of the Board and may be subject to internal and external performance hurdles which were required to be achieved over a three-year service vesting period. The minimum possible LTI outcome was zero and the maximum LTI outcome was \$316,800 per annum. Any LTI outcome resulting in an issue of securities to Mr. D. Farley would be subject to shareholder approval. Mr. D. Farley was not offered nor awarded any LTI benefit during the financial year to 31 March 2014 (3 months to 31 March 2013: Mr. D. Farley was not offered nor awarded any LTI benefit).
- Upon termination of employment, Mr. D. Farley received all payments in lieu of notice, accrued leave or redundancy in accordance with applicable laws and his contract. In addition Mr. D. Farley received additional payments representing outplacement and relocation expenses.
- Upon termination, the Board agreed to Mr. D. Farley having 6 months' restrictions for competition, employee inducement and client solicitation.
- The Company's Good Leaver and Bad Leaver Policy was applied and Mr. D. Farley was determined to be a 'Good Leaver'. As a result the Board considered the circumstances of Mr. D. Farley's employment and exercised its discretion to determine that Mr. D. Farley's unvested performance rights would not lapse upon his termination but would remain on foot subject to their vesting conditions, excepting any continuous employment condition. None of these performance rights vested in the 2014 year. Subsequent to 31 March 2014, the following vesting events have occurred in respect of Mr. D. Farley's performance rights:
 - As notified to ASX on 30 April 2014, 51,865 performance rights vested, and 147,617 performance rights lapsed, in respect of Mr. Farley's 2011 LTI.
 - As notified to ASX on 26 May 2014, 32,353 performance rights, being the second and final tranche of Mr. Farley's 2012 DEA, vested on 15 May 2014.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

7. Executive contractual arrangements (continued)

The Managing Director/Chief Executive Officer's termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of Performance Rights on termination
Employer-initiated termination	6 months	Part or all of 6 months	Not eligible	Unvested performance rights lapse unless Good Leaver and Board exercises discretion to allow
Termination for serious misconduct	Nil	Nil	Not eligible	Unvested performance rights lapse
Employee-initiated termination	6 months	Part or all of 6 months	Not eligible	Unvested performance rights lapse unless Good Leaver and Board exercises discretion to allow

Other Key Management Personnel

The executive service agreements for other senior executives generally reflect that of the Managing Director/Chief Executive Officer.

Standard Key Management Personnel termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of performance rights upon termination
Employer-initiated termination	3 to 6 months	Part or all of 3 to 6 months	Not eligible	Unvested performance rights lapse unless Good Leaver and Board exercises discretion to allow
Termination for serious misconduct	Nil	Nil	Not eligible	Unvested performance rights lapse
Employee-initiated termination	3 to 6 months	Part or all of 3 to 6 months	Not eligible	Unvested performance rights lapse unless Good Leaver and Board exercises discretion to allow

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Management Personnel

Table 1: Directors

Directors Financial period to (number of months in the period)	Short Term			Post-Employment	Long-term Benefits	Termination	Share based payment		Total	Performance Related
	Salary & Fees	Cash Bonus (under STI)	Non-Monetary Benefits	Super-annuation	Long service leave	Termination Benefits	Short Term Incentive Shares	Performance Rights (under LTI)		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<i>Non-executive Directors</i>										
D. McGauchie										
31/03/2014 (12)	189,280	-	-	17,473	-	-	-	-	206,753	-
31/03/2013 (3)	46,672	-	-	4,117	-	-	-	-	50,789	-
S. Black										
31/03/2014 (12)	110,304	-	-	10,134	-	-	-	-	120,438	-
31/03/2013 (3)	25,965	-	-	2,337	-	-	-	-	28,302	-
D. Crombie										
31/03/2014 (12)	110,304	-	-	10,134	-	-	-	-	120,438	-
31/03/2013 (3)	27,198	-	-	2,448	-	-	-	-	29,646	-
T. Keene										
31/03/2014 (12)	129,551	-	-	11,915	-	-	-	-	141,466	-
31/03/2013 (3)	27,198	-	-	2,448	-	-	-	-	29,646	-
Dr. S. Dissanayake¹										
31/03/2014 (12)	76,304	-	-	-	-	-	-	-	76,304	-
31/03/2013 (3)	17,335	-	-	-	-	-	-	-	17,335	-
Dr. Emir²										
31/03/2014 (12)	68,570	-	-	6,343	-	-	-	-	74,913	-
31/03/2013 (3)	-	-	-	-	-	-	-	-	-	-
A. Allana³										
31/03/2014 (12)	42,760	-	-	3,955	-	-	-	-	46,715	-
31/03/2013 (3)	-	-	-	-	-	-	-	-	-	-
D. Munang (alternate)										
31/03/2014 (12)	-	-	-	-	-	-	-	-	-	-
31/03/2013 (3)	-	-	-	-	-	-	-	-	-	-
<i>Executive Directors</i>										
J. Strong⁴										
31/03/2014 (12)	349,771	147,518	-	22,889	7,787	-	-	-	527,965	27.94
31/03/2013 (3)	75,000	-	-	6,750	-	-	-	-	81,750	-

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Management Personnel

Table 1: Directors (continued)

Directors Financial period to (number of months in the period)	Short Term			Post-Employment	Long-term Benefits	Termination	Share based payment		Total	Performance Related
	Salary & Fees	Cash Bonus (under STI)	Non-Monetary Benefits	Super-annuation	Long service leave	Termination Benefits	Short Term Incentive Shares	Performance Rights (under LTI)		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<i>Former Directors</i>										
A.P. Paliulis⁵										
31/03/2014 (12)	39,297	-	-	3,572	-	-	-	-	42,869	-
31/03/2013 (3)	24,732	-	-	2,226	-	-	-	-	26,958	-
I. Allana⁶ (alternate)										
31/03/2014 (12)	-	-	-	-	-	-	-	-	-	-
31/03/2013 (3)	-	-	-	-	-	-	-	-	-	-
Dato' Sabri Ahmad⁷										
31/03/2014 (12)	-	-	-	-	-	-	-	-	-	-
31/03/2013 (3)	14,253	-	-	1,283	-	-	-	-	15,536	-
<i>Former Executive Directors</i>										
D. Farley⁸										
31/03/2014 (12)	305,324	-	-	17,449	-	442,413	25,184	45,786	836,156	8.49
31/03/2013 (3)	160,883	-	-	4,118	-	-	-	77,030	242,031	31.83
Total Remuneration: Directors										
31/03/2014 (12)	1,421,465	147,518	-	103,864	7,787	442,413	25,184	45,786	2,194,017	9.96
31/03/2013 (3)	419,236	-	-	25,727	-	-	-	77,030	521,993	14.76

¹ Dr. S. Dissanayake was appointed on 27 April 2012. As a condition of his employment with the Tavistock Group, all Directors fees payable to Dr. Dissanayake are paid to the Tavistock Foundation.

² Dr. Emir was appointed as a Director on 10 April 2013.

³ Mr. A Allana was appointed as an alternate director for Mr. A. Paliulis on 16 May 2013 and a full Director on 21 August 2013. The salary & fees component for Mr. A. Allana has not been paid during the 2014 year but accrued for future payment.

⁴ Mr. J. Strong was appointed as Chief Executive Officer and Managing Director on 24 January 2014.

⁵ Mr. A Paliulis retired on 21 August 2013.

⁶ Mr. I. Allana resigned on 14 May 2013.

⁷ Dato Sabri Ahmad retired on 15 March 2013.

⁸ Mr D. Farley resigned on 31 July 2013.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Management Personnel (continued)

Table 2: Other Key Management Personnel (KMP)

Other Key Management Personnel Financial period to (number of months in the period)	Short Term			Post- Employment	Long-term Benefits	Termination	Share- based payment	Total	Performance Related
	Salary & Fees	Cash Bonus (under STI) ⁵	Non- Monetary Benefits	Super- annuation	Long service leave	Termination Benefits	Performance Rights (under STI)		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<i>Current KMP</i>									
C. White¹									
31/03/2014 (12)	451,938	199,095	12,482	17,449	7,975	-	-	688,939	28.90
31/03/2013 (3)	-	-	-	-	-	-	-	-	-
T. Setter²									
31/03/2014 (12)	313,263	50,000	-	17,449	6,626	-	67,722	455,060	25.87
31/03/2013 (3)	73,793	-	4,200	4,543	-	-	14,447	96,983	14.90
B. Bennett									
31/03/2014 (12)	278,744	128,778	-	19,377	7,227	-	7,634	441,760	30.88
31/03/2013 (3)	67,179	-	-	6,046	-	-	5,425	78,650	6.90
G. Dober									
31/03/2014 (12)	223,009	62,645	-	19,625	4,975	-	5,019	315,273	21.46
31/03/2013 (3)	54,474	-	-	4,902	-	-	3,150	62,526	5.04
S. Cruden⁶									
31/03/2014 (12)	258,038	136,361	-	24,459	15,463	-	6,098	440,419	32.35
31/03/2013 (3)	51,929	-	5,000	4,674	-	-	3,404	65,007	5.24
<i>Former KMP</i>									
P. Dempsey³									
31/03/2014 (12)	190,489	-	-	5,153	44,093	74,718	2,371	316,824	0.75
31/03/2013 (3)	59,071	-	-	5,316	-	-	2,020	66,407	3.04
P. Beale⁴									
31/03/2014 (12)	55,316	-	-	3,030	-	-	-	58,346	-
31/03/2013 (3)	105,973	-	-	4,118	-	-	7,967	118,058	6.75
Total Remuneration: Other KMP									
31/03/2014 (12)	1,770,797	576,879	12,482	106,542	86,359	74,718	88,844	2,716,621	24.51
31/03/2013 (3)	412,419	-	9,200	29,599	-	-	36,413	487,631	7.47

¹ Mr. C. White acted as interim CEO after the resignation of Mr. D Farley and before the appointment of Mr. J. Strong between 31 July 2013 and 23 January 2014.

² Mr. T. Setter resigned on 3 March 2014 and ceased employment with the Company on 2 May 2014.

³ Mr. P. Dempsey passed away on 8th February 2014 after an extended illness. Mr. Dempsey was the General Manager of the Branded Beef Group.

⁴ Mr. P. Beale (Chief Financial Officer) tendered his resignation on 25 January 2013 and ceased employment with the Company during the month of April 2013.

⁵ The cash bonuses paid during 2014 and 2013 relate to performance during the 2014 and 2013 financial years respectively.

⁶ Of the cash bonus paid to Mr. S. Cruden, \$45,767 related to a bonus for the prior financial year but paid in the 31 March 2014 financial year.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

8. Equity instrument disclosures

There were no performance rights and options granted during the twelve months to 31 March 2014. During the three months to 31 March 2013, no performance rights were granted.

The number of shares issued to key management personnel in relation to performance rights was 43,944 which vested on 31 March 2013, 131,976 which vested on 24 April 2013 and 32,353 which vested on 15 May 2013. No shares were issued on the exercise of options during the twelve months to 31 March 2014 to key management personnel.

DIRECTORS' MEETINGS (UNAUDITED)

The number of Meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director is as follows:

	Directors' meetings		Audit Committee		Staff and Remuneration Committee		Risk Management Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Mr. D McGauchie	12	12	7	7	5	5	5	5	2	2
Mr. J Strong [¥]	2	2								
Mr. T Keene	12	12	*	7	5	5	5	5	2	2
Mr. D Crombie	12	11	7	5	5	5	*	4	2	2
Mr. S Black	12	12	7	7	*	5	5	5	2	2
Dr. S Dissanayake	12	10	*	2	*	-	2	2	2	-
Mr. A Allana ³	12	10	*	2	*	1	*	1	2	1
Dr. Mohd Emir Mavani Abdullah	12	5	*	2	*	-	*	-	2	-
<i>Alternate Directors</i>										
Mr. D Munang	12	3	*	3	*	-	*	-	-	1
<i>Retired Directors</i>										
Mr. D Farley ¹	6	5	*	4	*	2	*	1	-	-
Mr. A Paliulis ²	6	5	*	2	3	2	2	2	1	1

A = Number of meetings held during the time the Director held office or was a member of the committee during the year

B = Number of meetings attended

* Not a member of the relevant committee

¥ Mr. Strong is invited to all Committee meetings but as an executive is not a member of those Committees

¹ Mr. D Farley retired 31 July 2013.

² Mr. A Paliulis retired 21 August 2013.

³ Mr. A Allana was elected a director on 21 August 2013, and was previously alternate director for Mr. A Paliulis.

Committee membership

As at the date of this report, the Company had an Audit Committee, Staff and Remuneration Committee, a Risk and Compliance Committee and a Nomination Committee.

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.

Directors' Report (continued)

AUDITOR INDEPENDENCE

We have obtained the following independence declaration from our auditors Ernst & Young.



Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

In relation to our audit of the financial report of Australian Agricultural Company Limited for the financial year ended 31 March 2014, 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
28 May 2014

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Directors' Report (continued)

NON AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	31 Mar 2014	31 Mar 2013	31 Dec 2012
	\$	\$	\$
Advisory services	210,279	-	12,251
Tax related advice	-	-	-
	<u>210,279</u>	<u>-</u>	<u>12,251</u>

Signed in accordance with a resolution of the Directors



Donald McGauchie
Chairman

Sydney
28 May 2014

Corporate Governance Statement

The Board is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the CGC's recommendations as at the date of this report.

Recommendation		Comply Yes / No	Reference / Explanation	ASX Listing Rule (LR) /CGC Recommendation
Principle 1 - Lay solid foundations for management and oversight				
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 41	ASX CGC 1.1
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Refer to remuneration report	ASX CGC 1.2
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	-	ASX CGC 1.3

Recommendation		Comply Yes / No	Reference / Explanation	ASX LR / Recommendation
Principle 2 - Structure the Board to add value				
2.1	A majority of the Board should be independent Directors.	No (50/50)	Page 43	ASX CGC 2.1
2.2	The chair should be an independent Director.	Yes	Page 42	ASX CGC 2.2
2.3	The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	Yes	Page 42	ASX CGC 2.3
2.4	The Board should establish a Nomination Committee.	Yes	Page 45	ASX CGC 2.4
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes	Page 43	ASX CGC 2.5
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	-	ASX CGC 2.6

Corporate Governance Statement

Recommendation		Comply Yes / No	Reference / Explanation	ASX LR /CGC Recommendation
Principle 3 - Promote ethical and responsible decision-making				
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> The practices necessary to maintain confidence in the Company's integrity; The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes	Website	ASX CGC 3.1
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measureable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	Page 44	ASX CGC 3.2
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Yes	Page 44	ASX CGC 3.3
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Page 44	ASX CGC 3.4
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	Page 44	ASX CGC 3.5
Recommendation		Comply Yes / No	Reference / Explanation	ASX LR /CGC Recommendation
Principle 4 - Safeguard integrity in financial reporting				
4.1	The Board should establish an Audit Committee.	Yes	Page 45	ASX CGC 4.1
4.2	The Audit Committee should be structured so that it: <ul style="list-style-type: none"> Consists only of non-executive Directors. Consists of a majority of independent Directors. Is chaired by an independent chair, who is not chair of the Board. Has at least three members. 	Yes	Page 45	ASX CGC 4.2 ASX LR 12.7
4.3	The Audit Committee should have a formal charter.	Yes	Page 45	ASX CGC 4.3
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Page 45 and Website	ASX CGC 4.4
Recommendation		Comply Yes / No	Reference / Explanation	ASX LR /CGC Recommendation
Principle 5 - Make timely and balanced disclosure				
5.1	Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website	ASX CGC 5.1
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	Page 48	ASX CGC 5.2

Corporate Governance Statement

Recommendation		Comply Yes / No	Reference / Explanation	ASX LR /CGC Recommendation
Principle 6 - Respect the rights of shareholders				
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 48	ASX CGC 6.1
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	-	ASX CGC 6.2
Recommendation		Comply Yes / No	Reference / Explanation	ASX LR /CGC Recommendation
Principle 7 - Recognise and manage risk				
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 46	ASX CGC 7.1
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 46	ASX CGC 7.2
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (CEO) [or equivalent] and the Chief Financial Officer (CFO) [or equivalent] that the declaration provided in accordance with section 295A of the <i>Corporations Act</i> is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 47	ASX CGC 7.3
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Page 46 and website	ASX CGC 7.4
Recommendation		Comply Yes / No	Reference / Explanation	ASX LR /CGC Recommendation
Principle 8 – Remunerate fairly and responsibly				
8.1	The Board should establish a Remuneration Committee.	Yes	Page 47	ASX CGC 8.1
8.2	The Remuneration Committee should be structured so that it: <ul style="list-style-type: none"> Consists of a majority of independent directors; Is chaired by an independent chair; and Has at least three members. 	Yes	Page 47	-
8.3	Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.	Yes	Refer to remuneration report	ASX CGC 8.2
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Page 47 and website	ASX CGC 8.3

Corporate Governance Statement

The Company's corporate governance practices were in place throughout the 12 months to 31 March 2014, except to the extent as may be noted in this statement.

Various corporate governance practices are discussed within this statement. For further information on the corporate governance policies adopted by the Company, refer to our website: www.aaco.com.au/investors-and-media/corporate-governance/.

Board Functions

The Board is responsible to the Company's shareholders for the overall governance and performance of the Company.

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operations of the Board.

The responsibility for the operation and administration of the Group is delegated, by the Board, to the Managing Director/CEO and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director/CEO and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship it makes use of Board committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board. The Chairman of each committee reports on any matters of substance at the next full Board meeting and all committee minutes are provided to the Board. There are currently four Board committees:

- Audit
- Staff and Remuneration
- Nomination
- Risk and Compliance

The roles and responsibilities of these committees are discussed throughout this corporate governance statement.

The Board also establishes specialist subcommittees from time to time, comprised of directors, to oversee and report back to the Board on any identified large or otherwise important projects. In 2014, subcommittees were established for the Northern Beef Processing Facility Project, a major IT upgrade project and for aspects of the capital raising undertaken in 2013.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk.
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity.
- Implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- Approval of the annual and half-yearly financial reports.
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures.
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored.
- Reporting to shareholders.
- Approval and appointment of the Managing Director/CEO.

The matters which are reserved for the Board are contained in the Board's Charter, which is available on the Company's website.

Corporate Governance Statement

Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report are included in the Directors' Report.

The Board is currently comprised of eight Directors, four of whom are determined by the Board to be independent. AACo's Chairman, Donald McGauchie, is an independent director.

It is the Board's responsibility to assess and monitor the independence of Directors, as required under the ASX Corporate Governance Principles and Recommendations ('CGPR') published by the ASX Corporate Governance Council.

Under the Company's Board Charter, the Board will determine whether or not a Director is independent. For the purposes of making a determination as to whether a Director is independent the Board will consider, amongst other things, whether or not the Director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- Within the last three years has been employed in an executive capacity by the Company or one of its subsidiary companies;
- Has been in the last three years, a principal of a material professional adviser or a material consultant to the Company or other member of the Group, or an employee materially associated with the service provided;
- Is affiliated with a material customer or supplier of the Company or other member of the Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

In accordance with the guidelines above, the following Directors of the Company during the period were determined to be independent.

Mr. D. McGauchie	Chairman, Non-executive Director	Appointed 19 May 2010
Mr. T. Keene	Non-executive Director	Appointed 5 October 2011
Mr. S. Black	Non-executive Director	Appointed 5 October 2011
Mr. D. Crombie	Non-executive Director	Appointed 5 October 2011

The following Directors of the Company during the period were determined to be non-independent:

Mr. J. Strong	Mr. J. Strong who was appointed 24 January 2014 is not considered independent by virtue of his executive office as Managing Director and Chief Executive Officer.
Mr. A. Allana	Mr. A. Allana who was elected on 21 August 2013, is not considered independent as he is an employee of a related entity of major (9.9%) shareholder IFFCO Poultry Co SDN BHD, a wholly owned subsidiary of FELDA IFFCO SDN BHD.
Dr. Mohd Emir Mavani Abdullah	Dr. Mohd Emir Mavani Abdullah who was appointed on 10 April 2013 is not considered independent as he is an officer of a related entity of major (9.9%) shareholder IFFCO Poultry Co SDN BHD, a wholly owned subsidiary of FELDA IFFCO SDN BHD
Dr. S. Dissanayake	Dr. Shehan Dissanayake is not considered independent as he is an officer of Tavistock Group which controls the AA Trust which is a major (22.9%) shareholder of the Company.
Mr. A. Paliulis	Mr. A. Paliulis who retired on 21 August 2013, was not considered independent as he is an employee of a related entity of major (9.9%) shareholder IFFCO Poultry Co SDN BHD, a wholly owned subsidiary of FELDA IFFCO SDN BHD
Mr. D. Farley	Mr. D. Farley who ceased employment on 31 July 2013 was not considered independent by virtue of his executive office as Managing Director and Chief Executive Officer.

For the period 1 April 2013 to 9 April 2013, the Board comprised a majority of independent directors (4:3).

For the period 10 April 2013 to 29 July 2013 the Board comprised an equal number of independent and non-independent directors (4:4).

Corporate Governance Statement

For the period 29 July 2013 to 24 January 2014, the Board comprised a majority of independent directors (4:3).

Following the appointment of Mr. J. Strong as Managing Director and Chief Executive Officer of the Company on 24 January 2014, the Board currently comprises an equal number of independent and non-independent directors (4:4).

The Board is of the view the Board's composition (4:4) serves the interests of shareholders for the following reasons:

- The Board has a majority of non-executive Directors and the Chairman, Mr. D. McGauchie, is an independent, non-executive Director. Mr. D. McGauchie has a casting vote ensuring the balance of power at Board level is retained by independent non-executive directors.
- Having regard to the size of AA Trust's investment and the absence of any other relationship between the Company and AA Trust or the Tavistock Group, the Board believes AA Trust's interests are independent of management and are aligned with those of all shareholders.
- Having regard to the size of IFFCO Poultry Co SDN BHD's investment and the absence of any other relationship between the Company and IFFCO Poultry Co SDN BHD, the Board believes IFFCO Poultry Co SDN BHD's interests are independent of management and are aligned with those of all shareholders.
- All Board committees are comprised only of non-executive Directors and each Chair of a committee is an independent Director.

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the Company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
<i>Directors</i>	
Mr. D. McGauchie	4 years 1 month
Mr. T. Keene	2 years 7 months
Mr. S. Black	2 years 7 months
Mr. D. Crombie	2 years 7 months
Dr. S. Dissanayake	2 years 1 month
Dr. Mohd Emir Mavani Abdullah (appointed 10 April 2013)	1 year 1 month
Mr. A. Allana	9 months
Mr. J. Strong	4 months
<i>Resigned Directors</i>	
Mr. D. Farley (resigned 31 July 2013)	3 years 3 months
Mr. A. Paliulis (resigned 21 August 2013)	4 years 3 months
<i>Alternate Directors</i>	
Mr. D. Munang (alternate for Dr Mohd Emir Mavani Abdullah	2 years 2 months
Mr. A. Allana (appointed 14 May 2010, retired 21 August 2013)	3 months
Mr. I. Allana (resigned 14 May 2013)	2 years 7 months

For further biographical details, refer to pages 2 to 4 inclusive.

For additional details regarding Board appointments, please refer to our website.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. Board succession planning is an important part of the governance process. During the period, the Board commenced an external performance evaluation of the Board and the Board committees. The review is to consider the overall focus and functioning of the Board and is intended to serve as a baseline against which progress can be measured each year. The review is currently ongoing and is expected to be completed in the first quarter of 2015.

A copy of the Company's Board Evaluation Process is available on the Company's website.

The Board ensures that new directors are inducted to the company appropriately, including visits to specific company operations and briefings by key executives.

Corporate Governance Statement

Trading Policy

Under the Company's Share Trading Policy, a Director, executive or employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities.

Before commencing to trade, key management personnel must first notify and obtain the approval of the Company Secretary to do so and a Director must first obtain the approval of the Chairman.

As required by the ASX Listing Rules, the Company notifies the ASX of any transactions completed by Directors in the securities of the Company.

A copy of the Company's Share Trading Policy is also available on the Company's website.

Code of Conduct

The Board has established a Code of Conduct with the objective of enhancing the Company's reputation for fair and responsible dealing and to help to maintain the high standards of corporate and individual behavior throughout the Company. The Company's Code of Conduct aims to protect the interests of shareholders, customers, employees and suppliers by promoting a culture of accountability and responsibility.

A copy of the Company's Code of Conduct is available on the Company's website.

Diversity Policy

AACo has a formal diversity policy, which was established in January 2012. The Company is committed to equal opportunity and diversity. Diversity of gender, sexual orientation, age, ethnicity, race, religion, culture and background, style, skills and experience all add to our capability to develop and maintain a high performing workforce with the ability to take advantage of the diverse challenges and opportunities we face in Australia and around the globe.

Broad diversity is encouraged and valued. While the Company is committed to fostering diversity at all levels, culture and gender diversity have been and continue to be a priority for the Group.

The table below outlines the diversity objectives established by the Board, the steps taken during the year to achieve these objectives, and the outcomes.

Objectives	Plan	Outcome
Enhance reporting capability of broad diversity factors (in addition to gender)	Implement a Human Resources Information System to capture and report on data	Implementation will be completed in 2014
Promote the hiring of females	Continue to develop the AACo website	New AACo website launched
Develop the AACo Graduate Program	Develop editorial features (internal and external promotion)	83% of AACo graduates are female in 2014 Female graduates featured widely in internal and external media

During the year no appointments were made which would alter the gender diversity within senior management. Whilst there are no female Directors on the AACo Board at the present time, the proportion of female employees to male employees within the AACo Group as at 31 March 2014 was 39% (31 March 2013: 37%) female and 61% (31 March 2013: 63%) male. There is strong female representation within the pastoral station workforce with 37% (31 March 2013: 37%) of employees at this level being female.

The Charter for the Nomination Committee has also been reviewed and a specific diversity criteria was identified and included to ensure diversity is considered in the Board renewal process.

The duties of the Staff and Remuneration Committee include:

- Reviewing and making recommendations to the Board on the diversity policy to ensure it is in line with applicable legislation and governance principles;
- In conjunction with the Nomination Committee ensuring the application of diversity policy to Board appointments and succession;
- Making recommendations to the Board regarding the diversity policy and strategies to address Board diversity;
- Monitoring the application of diversity policy to executive appointments and successions;
- Review and report on the relative proportion of women and men in the AACo workforce; and
- Reviewing remuneration by gender.

Nomination Committee

The Board has established a Nomination Committee, which is responsible for assessing the necessary and desirable competencies of Board members, reviewing Board succession plans and working with the Chairman in evaluating the Board's performance. The Nomination Committee comprises non-executive Directors and the following Directors were committee members during the year:

Mr. D. McGauchie (Chair)
Mr. T. Keene
Mr. S. Black
Mr. D. Crombie
Dr. S. Dissanayake
Dr. Mohd Emir Mavani Abdullah (appointed 10 April 2013)
Mr A. Allana
Mr. A. Paliulis (retired)

For details of Directors attendance at meetings of the Nomination Committee, refer to the Directors' Report.

For additional details regarding the role and responsibilities of the Nomination Committee including its charter, please refer to our website.

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

The members of the Audit Committee during the year were:

Mr. S. Black (Chair)
Mr. D. McGauchie
Mr. D. Crombie

The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are non-executive directors.

The Chair of the Audit Committee liaises with the Chair of the Risk and Compliance Committee on those matters where both Committees have common responsibilities which include risk management, compliance and internal control. The Chair of the Risk and Compliance Committee has a standing invitation to attend each Audit Committee meeting.

The members of the Audit Committee and their qualifications are shown in this annual report on pages 2 to 4 of the Directors' Report.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

For additional details regarding the Audit Committee including a copy of its charter, please refer to our website.

Corporate Governance Statement

Risk and Compliance Committee

The Board and Management have continued to demonstrate their focus and commitment to managing material business risks in meeting sustainability, profitability and stakeholder goals. A culture of transparency, analysis and proper action underpin the success of risk management at AACo.

Management have supported the Board Risk and Compliance Committee in helping the Board fulfil its commitment to oversee the Company's risk and compliance profile and respond quickly to changes in the risk and compliance landscape facing the Company. The Board Risk and Compliance Committee, made up of three Board members, met five (5) times during the year to 31 March 2014 and were attended by the Managing Director/CEO, and by other invited staff.

The members of the Board Risk and Compliance Committee during the year to 31 March 2014 were:

Mr. T. Keene (Chair)
Mr. S. Black
Dr S Dissanayake (appointed 6 November 2013)
Mr. A. Paliulis (retired 21 August 2013)

The Board is responsible for the overall corporate governance and risk management of AACo. It has responsibility for overseeing AACo's risk profile, for approving and overseeing the framework for managing risk and for setting appropriate tolerance levels for each risk group. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to Management through the Managing Director/CEO, including responsibility for design, day-to-day implementation, and management of the Company's risk management and internal control systems. Management reports to the Board Risk and Compliance Committee and then to the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed.

At least once a year, the Company carries out a formal risk review, including revision of insurance policies that the Company has in place. Summaries of the Company's material business risks are kept in the Enterprise Risk Register which was reviewed and approved by the Board during the period. The Company has a risk aware culture, and all members of the Management team have a responsibility for risk in their area.

Management carries out risk specific management activities in six broad families:

- **Strategic Risks** – the risks associated with determining the direction of the business
- **Production Risks** – the risks associated with producing the volume and quality of cattle, beef and crops
- **Financial Risks** – the risks associated with the volatility in commodity prices, availability of funding and counterparty credit
- **Commercial and Asset Continuity Risks** – the risks associated with on-going business operations
- **Legal and Compliance Risks** – the risks associated with breaches of the law and regulations
- **People and Culture Risks** – the risks associated with the employment of staff

To assist stakeholders in understanding the nature of the risks faced by the Company, the Board has prepared a list of key risks, taken from within the risk families identified above, as part of this Principle 7 disclosure. This list is not exhaustive, and is subject to change based on underlying market events. The key risks are:

- Workplace Health And Safety
- Weather
- Darwin Meat Processing Facility
- Representation & Reporting
- Accreditations, Industry Codes, Licences and Food Safety
- Animal Welfare
- Environmental
- Reputation & Brand
- Market Development and Access

The Board has a number of mechanisms in place to ensure that Management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

Risk and Compliance Committee (continued)

The Board approved Risk Management Framework includes the following elements:

- The Board approved Risk Management Policy (published on the Company's website);
- The consolidated Enterprise Risk Register, detailing key strategic, operational, financial, commercial and asset continuity, legal and compliance and people and culture risk factors;
- The Board Risk and Compliance Committee; and
- An internally managed Quality Management System including a detailed set of policies and procedures for Company activities.

The Chair of the Board Risk and Compliance Committee liaises with the Chair of the Audit Committee on those matters where both Committees have common responsibilities which include risk management, compliance and internal control. The Chair of the Audit Committee has a standing invitation to attend each Board Risk and Compliance Committee meeting. Currently the Chair of the Audit Committee, Mr S. Black, is also a member of the Board Risk & Compliance Committee.

CEO and CFO Certification

In accordance with section 295A of the *Corporations Act*, the Managing Director/CEO and CFO have provided a written statement to the Board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the Managing Director/CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgment, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not, and cannot be, designed to detect all weaknesses in control procedures.

In response to this, internal control questions are required to be completed by the key management personnel of all significant business units, including finance managers, in support of these written statements.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Staff and Remuneration Committee links the nature and amount of the Managing Director's/CEO's and key management personnel's remuneration to the Company's financial and operational performance. In relation to the payment of bonuses, incentives and the award of performance rights, discretion is exercised by the Board having regard to the overall performance of the Company and the performance of the individual during the period.

The expected outcomes of this remuneration structure are:

- Retention and motivation of key executives;
- Attraction of high quality management to the Company; and
- Performance incentives which allow executives to share in the success of the Company.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves. There is no scheme to provide retirement benefits to non-executive directors.

Staff and Remuneration Committee

The Board has a Staff and Remuneration Committee, comprising three non-executive Directors. The Committee is chaired by an independent director. Further information on the Committee's role, responsibilities and membership can be seen at www.aaco.com.au.

Corporate Governance Statement

Staff and Remuneration Committee (continued)

The members of the Staff and Remuneration Committee during the twelve months to 31 March 2014 were:

Mr. D. Crombie (Committee Chair)
Mr. D. McGauchie
Mr. T. Keene
Mr. A. Paliulis (retired 21 August 2013)

The members of the Staff and Remuneration Committee and their qualifications are shown in this annual report on pages 2 to 4 of the Directors' Report.

For details on the number of meetings of the Staff and Remuneration Committee held during the period and the attendees at those meetings, refer to the Directors' Report.

For additional details regarding the Staff and Remuneration Committee including a copy of its charter, please refer to our website.

When considered appropriate, the Board obtains independent advice regarding non-executive Directors' remuneration and the remuneration of key management personnel.

No Director or executive uses hedging instruments to limit their exposure to risk on either shares, performance rights or options in the Company. The Company's policy is that the use of such hedging instruments is prohibited.

For details of the amount of remuneration and all monetary and non-monetary components for all of the Directors and each of the key executives during the year, refer to the remuneration report.

There is no scheme to provide retirement benefits (other than superannuation) to non-executive Directors.

Continuous Disclosure and Shareholder Communication Policy

Pursuant to Principle 6, the Company's policy is to provide timely, open and accurate information to all stakeholders, including shareholders, regulators and the wider investment community. The Company has developed policies and procedures in relation to disclosure and compliance with the ASX Listing Rules disclosure requirements. The ASX liaison person is the Company Secretary/General Counsel.

A copy of the Company's Continuous Disclosure and Shareholder Communication Policy is available on the Company's website, www.aaco.com.au.

The Company is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way.
- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act*.
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through release of information to the market via ASX.
- Through the distribution of the annual report and notices of annual general meeting.
- Through shareholder meetings and investor relations presentations.
- Through letters and other forms of communications directly to shareholders.
- By posting relevant information on the Company's website www.aaco.com.au.

Shareholders can elect to receive all communications electronically, as hard copy or not to receive some communication materials by contacting the share registry.

All shareholders are encouraged to attend and/or participate in the Company's Annual General Meeting. Shareholders can attend in person or by proxy. Directors and senior executives attend the meeting.

The Company's website www.aaco.com.au has a dedicated investor relations and media section for the purpose of publishing all important company information and relevant announcements made to the market.

The external auditors are required to attend the annual general meetings and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

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Consolidated Income Statement

For the year ended 31 March 2014

		12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000
Revenue				*(reviewed)
Cattle sales		120,469	22,114	164,161
Meat sales		188,213	38,134	154,801
Crop income		8,160	15	18,541
		316,842	60,263	337,503
Cattle fair value adjustments	15	114,158	(28,110)	108,815
		431,000	32,153	446,318
Deemed cost of cattle sold		(120,469)	(22,114)	(164,161)
Cattle expenses		(41,623)	(6,881)	(40,087)
Feedlot cattle expenses		(40,477)	(8,495)	(31,245)
Cost of meat sold		(171,205)	(37,532)	(150,841)
Crop costs and fair value adjustments		(3,210)	2,457	(7,287)
Gross operating margin		54,016	(40,412)	52,697
Other revenue	7(a)	6,813	1,037	3,387
Other income	7(b)	2,194	114	1,962
Expenses				
Administration and other non-station operating costs	8(e)	(15,940)	(6,399)	(19,869)
Depreciation	8(a)	(11,210)	(2,728)	(9,930)
Employee expenses	8(d)	(38,008)	(10,291)	(37,359)
Change in fair value of property	16(a)	(3,560)	-	(8,085)
Lease and property related costs		(8,525)	(2,595)	(8,006)
Other station operating costs		(20,465)	(6,004)	(24,028)
(Loss)/Profit before finance costs and income tax expense		(34,685)	(67,278)	(49,231)
Net finance costs	8(b)	(23,292)	(6,711)	(27,533)
Loss before income tax		(57,977)	(73,989)	(76,764)
Income tax benefit	9	18,079	27,512	26,951
Net loss after tax		(39,898)	(46,477)	(49,813)
Earnings per share for profit attributable to the ordinary equity holders of the parent		cents	cents	cents
Basic loss per share	11	(9.3)	(14.0)	(15.0)
Diluted loss per share	11	(9.3)	(14.0)	(15.0)

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

* The Company's auditor has performed a review (which is not an audit) of the twelve months to 31 March 2013 comparatives.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

		12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000 *(reviewed)
	Note			
Loss for the period		(39,898)	(46,477)	(49,813)
Other comprehensive income				
Items that will not be reclassified to profit and loss:				
Fair value revaluation of land and buildings, net of tax	23	(29,989)	-	(22,654)
Items that may be reclassified subsequently to profit and loss:				
Changes in the fair value of cash flow hedges	23	1,089	2,826	(3,021)
Other comprehensive income/(loss) for the period, net of tax		(28,900)	2,826	(25,675)
Total comprehensive loss for the period, net of tax		(68,798)	(43,651)	(75,488)

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

** The Company's auditor has performed a review (which is not an audit) of the twelve months to 31 March 2013 comparatives.*

Consolidated Statement of Financial Position

As at 31 March 2014

	Note	31 Mar 2014 \$000	31 Mar 2013 \$000
Current Assets			
Cash and cash equivalents	12	69,194	11,248
Trade and other receivables	13	12,621	16,829
Inventories and consumables	14	26,411	30,729
Biological assets – livestock	15	144,765	166,772
Derivative financial instruments	20	929	544
Other assets		2,173	545
Total Current Assets		<u>256,093</u>	<u>226,667</u>
Non-Current Assets			
Biological assets – livestock	15	238,282	270,296
Property, plant and equipment	16	605,694	603,157
Total Non-Current Assets		<u>843,976</u>	<u>873,453</u>
Total Assets		<u>1,100,069</u>	<u>1,100,120</u>
Current Liabilities			
Trade and other payables	17	38,242	26,055
Provisions	18	3,059	3,633
Interest bearing loans and borrowings	21	4,332	15,316
Derivative financial instruments	20	4,009	5,442
Total Current Liabilities		<u>49,642</u>	<u>50,446</u>
Non-Current Liabilities			
Provisions	19	1,976	546
Interest bearing loans and borrowings	21	278,029	407,464
Deferred tax liabilities	9	22,642	46,246
Total Non-Current Liabilities		<u>302,647</u>	<u>454,256</u>
Total Liabilities		<u>352,289</u>	<u>504,702</u>
Net Assets		<u>747,780</u>	<u>595,418</u>
Equity			
Contributed equity	22	460,510	239,473
Reserves	23	299,362	328,139
Retained earnings/(losses)	23	(12,092)	27,806
Total Equity		<u>747,780</u>	<u>595,418</u>

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

* The Company's auditor has performed a review (which is not an audit) of the twelve months to 31 March 2013 comparatives.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Contributed Equity (note 22) \$000	Reserves (note 23) \$000	Retained Earnings / (Losses) (note 23) \$000	Total Equity \$000
At 1 April 2012 *(reviewed)	238,296	353,076	77,619	668,991
Loss for the period	-	-	(49,813)	(49,813)
Other comprehensive loss	-	(25,675)	-	(25,675)
Total comprehensive loss for the period	-	(25,675)	(49,813)	(75,488)
Transactions with owners in their capacity as owners:				
Issue of share capital	1,308	-	-	1,308
Share costs	(131)	-	-	(131)
Cost of share-based payments	-	438	-	438
Tax adjustment to prior period revaluations	-	300	-	300
At 31 March 2013	239,473	328,139	27,806	595,418
At 1 January 2013	239,473	324,883	74,283	638,639
Loss for the period	-	-	(46,477)	(46,477)
Other comprehensive loss	-	2,826	-	2,826
Total comprehensive 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	-	-	(39,898)	(39,898)
Other comprehensive income ./ (losses)	-	(28,900)	-	(28,900)
Total comprehensive loss for the period	-	(28,900)	(39,898)	(68,798)
Transactions with owners in their capacity as owners:				
Issue of share capital, net of transaction costs	214,092	-	-	214,092
Issue of rights	245	-	-	245
Other equity securities – value of conversion rights	6,700	-	-	6,700
Cost of share-based payment	-	123	-	123
At 31 March 2014	460,510	299,362	(12,092)	747,780

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

** The Company's auditor has performed a review (which is not an audit) of the twelve months to 31 March 2013 comparatives.*

Consolidated Statement of Cash Flows

For the twelve months to 31 March 2014

		12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000
	Note			*(reviewed)
Cash flows from operating activities				
Receipts from customers		328,695	60,664	303,388
Payments to suppliers, employees and others		(299,238)	(76,189)	(294,400)
Interest received		1,323	31	318
Net GST received from ATO		14,151	3,719	14,230
Net operating cash flows before interest and finance costs		44,931	(11,775)	23,536
Payment of interest and finance costs		(26,480)	(6,828)	(26,271)
Net cash inflow/(outflow) from operating activities	12(i)	18,451	(18,603)	(2,735)
Cash flows from investing activities				
Payments for property, plant and equipment and other assets		(71,281)	(4,735)	(41,034)
Proceeds from sale of property, plant and equipment		32,693	37	1,156
Net cash outflows from investing activities		(38,588)	(4,698)	(39,878)
Cash flows from financing activities				
Proceeds from issue of shares net of transaction costs		211,911	-	1,177
Proceeds from borrowings net of transaction costs		279,261	13,839	38,839
Repayment of borrowings net of transaction costs		(413,089)	(1,652)	(888)
Net cash inflow from financing activities		78,083	12,187	39,128
Net decrease in cash and cash equivalents		57,946	(11,114)	(3,485)
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	12	69,194	11,248	11,248

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

** The Company's auditor has performed a review (which is not an audit) of the 31 March 2013 comparatives.*

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

1. 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).

The consolidated financial statements of Australian Agricultural Company Limited (the Company or parent Company) for the year ended 31 March 2014 were authorised for issue in accordance with a resolution of the Directors on 28 May 2014.

In the previous financial year, the Australian Securities and Investments Commission (ASIC) acknowledged the Company's year-end change from 31 December to 31 March. This change more closely aligns the Company's reporting period with its sale cycles, assisting with forecasting, cash flow management and investment decisions. The Board determined this change was in the best interests of the Company. The results for the twelve months to 31 March 2014 are therefore not directly comparable with the results for the previous financial year, the three month to 31 March 2013. As a result we have also included comparative information for the twelve months to 31 March 2013, which has been reviewed (not audited) by the Company's auditor.

We recommend the financial statements be considered together with any public announcements made by the Company during the year ended 31 March 2014 in accordance with the Company's continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

The nature of the operations and principal activities of Australian Agricultural Company Limited are described in the Directors' Report.

2. BASIS OF PREPARATION

The financial statements are general purpose financial statements, prepared by a for-profit entity, in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

(a) Terminology used in the financial statements

In these financial statements, any references to we, us, our, AACo, the Group and consolidated, all refer to Australian Agricultural Company Limited and the entities it controlled at the financial year end or from time to time during the financial year. Any references to subsidiaries or controlled entities in these financial statements refer to those entities that are controlled and consolidated by Australian Agricultural Company Limited.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for land and buildings, livestock, crops and derivative financial instruments, which have been measured at fair value. Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances, at the amounts of cash and cash equivalents expected to be paid to satisfy the liability in the normal course of business.

(c) Compliance with IFRS

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(d) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

(e) Changes to presentation – classification of expenses and income

Throughout the period to 31 March 2014, prior period comparatives have been reclassified to conform with current year presentation.

(f) Rounding

The financial statements are presented in Australian dollars and all dollar amounts in the financial statements (except where indicated) have been rounded to the nearest thousand dollars (\$'000) for presentation. This has been done in accordance with Australian Securities and Investments Commission (ASIC) Class Order 98/100, dated 10 July 1998, issued under section 341(1) of the *Corporations Act 2001*. AACo is an entity to which this class order applies.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

We have adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 April 2013. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2011-9 Amendments to Australian Accounting Standards – *Presentation of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]
- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits
- AASB 2012-5 Annual Improvements 2009–2011 cycle
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- AASB 2012-9 Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments

(ii) Accounting Standards and Interpretations issued but not yet effective

There are a number of Standards and Interpretations that will be mandatory in future reporting periods. We have not elected to early adopt these Standards and Interpretations. We are yet to quantify the effect on the reported financial position or performance of the Group.

The Standards and Interpretations that are of most relevance to the Group are set out below:

- AASB 9 Financial Instruments
- AASB 2011-4 Amendments to Australian Accounting Standards – Remove Individual Key Management Personnel Disclosures
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- Interpretation 21 Levies
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and continuation of Hedge Accounting (AASB 139)
- 2010 – 2012 Annual Improvements Annual Improvements to IFRSs 2010 – 2012 cycle
- 2011 – 2013 Annual Improvements Annual Improvements to IFRSs 2011 – 2013 cycle
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Australian Agricultural Company Limited, and its subsidiaries (as outlined in note 25) as at 31 March each year. All intra-group balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are all those entities which we control as a result of us being exposed, or have rights, to variable returns from our involvement with the subsidiary and we have the ability to affect those returns through our power over the subsidiary. Such control generally accompanies a shareholding of more than one-half of the subsidiaries voting rights. We currently hold 100% of the voting rights of all our subsidiaries.

We consolidate subsidiaries from the date on which control commences and up until the date on which there is a loss of control.

We account for the acquisition of our subsidiaries using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. Any excess of the fair value of consideration over our interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of Australian Agricultural Company Limited and all its subsidiaries.

(ii) Transactions and balances

Transactions in foreign currencies are converted into Australian dollars by applying the exchange rates applicable at the date of the transactions.

Amounts payable and receivable in foreign currencies are converted into Australian dollars at the exchange rate ruling at the reporting date. All differences arising on settlement or translation of amounts payable and receivable in foreign currencies are taken to the statement of profit and loss.

(d) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(e) Trade and other receivables

Trade and other receivables are considered financial assets. They are recognised initially at the fair value of the amounts to be received and are subsequently measured at amortised cost using the effective interest method, less an allowance for doubtful debts. These financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and we have transferred substantially all the risks and rewards of ownership.

We review the collectability of trade receivables on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is recognised to reduce the carrying amount of trade receivables when there is objective evidence that we will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts significantly overdue are considered indicators that the trade receivable may not be recoverable. The amount of the allowance for doubtful debts is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The allowance for doubtful debts is recognised in the income statement within administration costs. When a trade receivable for which an allowance for doubtful debts had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administration costs.

(f) Inventories and consumables

Inventories and consumables held for use in our operations are valued at the lower of cost and net realisable value. Cost is determined on the average cost basis and comprises the cost of purchase including transport cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(g) Biological assets

Biological assets comprise cattle, other livestock, crops not yet harvested, and harvested crops. Biological assets are measured at fair value less costs to sell, with any change recognised in the income statement. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of a biological asset is based on its present location and condition. If an active or other effective market exists for a biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Where we have access to different markets then we use the most relevant one. The relevant one is defined as the market "that access is available to the entity" to be used at the time the fair value is established.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Biological assets (continued)

If an active market does not exist then we use one of the following, when available, in determining fair value:

- the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period; or
- market prices, in markets accessible to the entity, for similar assets with adjustments to reflect differences; or
- sector benchmarks.

In the event that market determined prices or values are not available for a biological asset in its present condition we may use the present value of the expected net cashflows from the asset discounted at a current market determined rate in determining fair value.

(i) Livestock

Broadly, for the most significant types of cattle we determine net market values as follows:

	Valuation method
Commercial breeding herd (comprising principally females and breeding bulls)	The value of these cattle is determined by independent valuation and with reference to prices received for representative sales of breeding cattle similar to the Group's herd. Prices for these cattle generally reflect a longer term view of the cattle market. Independent valuations were undertaken by Elders Limited.
Trading cattle (including feedlot cattle)	Relevant market indicators used include Roma store cattle prices, abattoir market prices, and cattle prices received/quoted for the Group's cattle at the reporting date. Prices for these cattle generally reflect the shorter term spot prices available in the market place and vary based on the weight and condition of the animal. AACo live export cattle (Victoria River Group, Anthony Lagoon & Darwin Group) are valued based on market quotes or contracts available at each reporting date. Short fed cattle in feedlots are valued based on market quotes for finished cattle. The value is based on the estimated exit price per kilogram and the value changes for the weight of each animal as it progresses through the feedlot program. Wagyu trading cattle are valued on the basis of independent valuation by Elders Limited.
Stud breeding herd	Independent valuation by Elders Limited.
Unbranded calves	The number of these calves is determined by applying the percentage of branding assessed each year to the number of productive cows and the results of pregnancy testing. The valuation of calves is derived from the valuations applied to the first year branded animals across all cattle market categories in AACo's herds.

(ii) Crops

Harvested crops at the reporting date are measured at their fair value less costs to sell with reference to the relevant market spot price. At harvest the fair value is determined on an estimated yield from cotton modules or grain weighed and stored in silos at the commodity's quoted spot price in the market place. At reporting date if the crop is not harvested then the carrying value is based on costs incurred on the crop to the reporting date subject to those costs being probable of recovery. Crops are only brought to account at fair value when yields can be reliably measured and it's probable that the future economic benefits will be received by us.

(h) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

We use derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge our foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative are recognised in the income statement in cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

For the purpose of hedge accounting, hedges are classified as:

- (a) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- (b) Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- (c) Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, we formally designate and document the hedge relationship to which we wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how we will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the income statement in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement in finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through the income statement over the remaining term of the hedge using the Effective Interest Rate (EIR) method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in the income statement. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement in other operating expenses.

We use forward currency contracts as hedges of our exposure to foreign currency risk in forecasted transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income. Refer to Note 20 for more details.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

We utilise interest rate swaps to hedge our exposure to cash flow movements in loan movements. See note 20 for more details.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment

(i) Recognition and measurement

Following initial recognition at cost, land and buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by external independent valuers and performed on an annual basis with reference to market-based evidence, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, unless it reverses a revaluation decrement of the same asset previously recognised in the statement of comprehensive income. Any revaluation decrement is recognised in the income statement unless it directly offsets a previous increment of the same asset in the asset revaluation reserve. In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal of land and buildings, any revaluation reserve relating to the particular asset being sold is transferred to the capital profits reserve.

All initial lump sum payments in respect of pastoral and perpetual property leases have been classified as land. The remaining lease payments are nominal and are therefore expensed to the income statement as incurred.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. Directly attributable costs for the acquisition and construction of an asset are capitalised if the relevant recognition criteria are met. All other repairs and maintenance are recognised in the income statement as incurred.

We review and adjust, if appropriate, the residual values, useful lives and amortisation methods of all property, plant and equipment at the end of each financial year.

(ii) Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Property, plant and equipment	Average useful life
Land (freehold, pastoral & perpetual property leases)	Not depreciated
Buildings	40 years
Fixed improvements	30 years
Owned plant and equipment	3-10 years
Plant and equipment under lease	2-5 years
Motorised equipment	5 years

(iii) Impairment

We review the carrying values of plant and equipment for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(iv) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is derecognised.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leases & Agistment

AACo as a lessee

We determine whether an arrangement is or contains a lease based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) Pastoral and perpetual property leases

Pastoral and perpetual property leases have been included in Property, Plant and Equipment (Refer note 16).

(ii) Agistment agreements

Agistment agreements give us the right to use land under a licence agreement to feed and pasture livestock for a fee. Agistment agreements are usually up to 12 months duration and may be renewed for further periods. Agistment rights are not capitalised by us and the costs are expensed as incurred.

(iii) Other leases

Finance leases, which transfer to us substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that we will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(k) Impairment

(i) Non-financial assets

Our tangible and intangible assets (excluding inventories, biological assets, land and buildings, current and deferred tax assets, and financial assets) are measured using the cost basis and are written down to their recoverable amount where their carrying value exceeds recoverable amount.

Assets with an indefinite useful life are not subject to amortisation and are tested on an annual basis for impairment, or earlier where an indication of impairment exists. Assets that are subject to amortisation are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable.

At each reporting date, we assess whether there is any indication that an asset may be impaired. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

In determining value in use, we apply management judgement in establishing forecasts of future operating performance, as well as the selection of growth rates, terminal rates and discount rates. These judgements are applied based on our understanding of historical information and expectations of future performance. The expected net cash flows included in determining recoverable amounts of our assets are discounted to present values using a market determined, risk adjusted, discount rate.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment (continued)

(ii) Financial assets

At each reporting date we assess whether there is objective evidence to suggest that any of our financial assets are impaired. For financial assets held at cost or amortised cost (trade and other receivables), we consider the financial asset to be impaired when there is objective evidence as a result of one or more events that the present value of estimated discounted future cash flows is lower than the carrying value. Any impairment losses are recognised immediately in the income statement.

(l) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to us prior to the end of the financial year that are unpaid and arise when we become obliged to make future payments in respect of the purchase of these goods and services. Trade payables are unsecured and are usually paid within 30 days of recognition. Other payables are unsecured and are usually paid within 90 days of recognition.

(m) Borrowings

Borrowings are included as non-current liabilities except for those with maturities less than 12 months from the reporting date, which are classified as current liabilities.

We recognise borrowings initially on the trade date, which is the date we become a party to the contractual provisions of the instrument. We derecognise borrowings when our contractual obligations are discharged or cancelled or expire.

All borrowings are initially recognised at fair value plus any transaction costs that are directly attributable to the issue of the instruments and are subsequently measured at amortised cost. Any difference between the final amount paid to discharge the borrowing and the initial borrowing proceeds (including transaction costs) is recognised in the income statement over the borrowing period using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that we incur in connection with the borrowing of funds.

(n) Provisions

We recognise provisions when:

- we have a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

When we expect some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Employee benefits

(i) Wages, salaries, annual leave and sick leave

We accrue liabilities for wages and salaries, including non-monetary benefits and annual leave in respect of employees' services up to the reporting date.

Annual leave liabilities expected to be settled within 12 months of the reporting date are measured using the remuneration rates that are expected to be paid when the obligation is settled and are accounted for as a short-term employee benefit. Where the liability is not expected to be settled within 12 months of the reporting date it is accounted for as a long-term employee benefit and the future liability is first estimated and then discounted to present value. We calculate present value using rates based on government bonds with similar due dates to the estimated future cash outflows.

Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Provisions (continued)

Employee benefits (continued)

(ii) Long service leave

We accrue and measure the liability for long service leave as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. We give consideration to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(o) Share-based payment transactions

Equity settled transactions

We provide benefits to our employees (including key management personnel) in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). We recognise an expense for all share based remuneration determined with reference to the fair value at the grant date of the equity instruments. We calculate the fair value using the Black Scholes model or other applicable models. The fair value is charged to the income statement over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Australian Agricultural Company Limited (market conditions).

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share based remuneration associated with our employee share plans are recognised as additional share capital.

(q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(i) Livestock and crops

Revenue from the sale of livestock and crops is recognised when:

- there has been a transfer of risks and rewards to the customer (through the execution of a sales agreement at the time of delivery of the goods to the customer);
- no further work or processing is required;
- the quantity and quality of the goods has been determined; and
- the price is fixed and generally title has passed (for shipped goods this is the bill of lading date).

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale.

We recognise revenue on cropping operations at the market value of the harvest.

Livestock growth and fair value adjustments

At the end of each quarter and at the end of each reporting date, we measure livestock at net market value (refer note (g)). The net market value is determined through price movements, natural increase and the weight of the herd.

We recognise the net increments or decrements in the market value of livestock as either revenue or expense in the income statement, determined as:

- The difference between the total net market value of livestock recognised at the beginning of the financial year and the total net market value of livestock recognised as at the reporting date; less
- Costs expected to be incurred in realising the market value (including freight and selling costs).

Crops in the ground at the reporting date

Crops in the ground at the reporting date are measured at their fair value less costs to sell or at cost if the value is not reliably measurable. Immediately prior to harvest the fair value is determined on an estimated yield per hectare basis at the commodity's quoted spot price in the market place. At the reporting date if the crop is immature (i.e. it is too early to reliably predict yield), then fair value equates to the costs incurred on the crop to the reporting date.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue recognition (continued)

(ii) Interest revenue

We record interest revenue on an accruals basis. For financial assets, interest revenue is determined by the effective yield on the instrument.

(r) Non-current assets held for sale and discontinued operations

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. We should be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the income statement, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when we retain a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(s) Income tax and other taxes

Our income tax expense represents the sum of current tax and deferred tax.

(i) Income tax

Current tax

Current tax is calculated on accounting profit after allowing for non-taxable and non-deductible items based on the amount expected to be paid to taxation authorities on taxable profit for the period. Our current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax and other taxes (continued)

Deferred tax (continued)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Australian Agricultural Company Limited and its wholly-owned Australian controlled entities have formed a tax consolidated group. Income tax is recognised on a group allocation basis under which current and deferred tax amounts for the tax consolidated group are allocated among each entity in the tax consolidated group. The head entity, Australian Agricultural Company Limited, is liable for the current income tax liabilities of the tax consolidated group. In addition to its own current and deferred tax amounts, Australian Agricultural Company Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in note 9. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(ii) Other taxes

We record revenue, expenses and assets net of the amount of Goods and Services Tax (GST) except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated as net profit attributable to ordinary shareholders, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares outstanding during the period.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares that have been recognised as expenses, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our principal financial instruments comprise receivables, payables, bank loans and overdrafts, finance leases, cash and short-term deposits and derivatives.

Risk exposures and responses

We manage our exposure to key financial risks, including interest rate, commodity and foreign currency risk in accordance with our financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. From time to time we enter into commodity and forward currency contract positions where it is perceived that market conditions are such that it is considered prudent to enter into these transactions. Limited delegations will be reviewed by the Risk and Compliance Committee and approved by the Board. These delegations are subject to tight profit/loss limits and reviews that are provided on a daily basis to senior management.

We enter into various derivative transactions that include interest rate swaps, commodity hedges and forward currency contracts. The purpose of these transactions is to manage the potential volatility of outcomes arising from our operations and our sources of finance. Derivatives relating to forward currency contracts and interest rate swaps provide economic hedges and may qualify for hedge accounting and are based on limits set by the Board. The main risks arising from our financial instruments are interest rate risk, commodity price risk, foreign currency risk, credit risk and liquidity risk.

We use different methods to measure and manage the different types of risks to which we are exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of rolling cash flow forecasts.

We have a policy whereby we will forward sell a significant proportion of our feedlot cattle sales for a period of up to six months.

The majority of our revenue is received in Australian dollars, although the prices received are influenced by movements in exchange rates, particularly that of the US dollar, Japanese yen, and Euro relative to the Australian dollar.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks during the year rested with the Risk and Compliance Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for hedging cover of commodity price risk, foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

(i) Interest rate risk

At the reporting date, we had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	31 Mar 2014 \$000	31 Mar 2013 \$000
Financial Assets		
Cash assets	69,194	11,248
	<u>69,194</u>	<u>11,248</u>
Financial Liabilities		
Bank loan	-	(200,000)
Convertible notes	(80,000)	-
Interest rate swaps	(3,369)	(4,650)
Embedded interest rate derivate (note 21)	(640)	-
	<u>(84,009)</u>	<u>(204,650)</u>
Net exposure	<u>(14,815)</u>	<u>(193,402)</u>

Interest rate swap contracts outlined in note 20, with a fair value of \$3,369,000 (31 March 2013: \$4,650,000) are exposed to fair value movements if interest rates change. Our policy is to manage our finance costs using a mix of fixed and variable rate debt. In accordance with our Treasury Policy we maintain at least 50% of our borrowings at fixed rates which are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of our attempt to manage our cash flow volatility arising from interest rate changes. To manage this mix in a cost-efficient manner, we enter into interest rate swaps, in which we agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 March 2014, after taking into account the effect of interest rate swaps, approximately 71% (31 March 2013: 50%) of our borrowings are at a fixed rate of interest. We regularly analyse our interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

(i) Interest rate risk (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

Judgements of reasonably possible movements:	Effect on profit before tax \$000	Effect on equity (excluding profit) \$000
31 March 2014		
+1% (100 basis points)	(1,842)	(10,000)
-1% (100 basis points)	1,842	10,000
31 March 2013		
+1% (100 basis points)	(485)	(4,000)
-1% (100 basis points)	485	4,000

The movements in profit are due to the movement in fair value of interest rate swaps, variable rate debt and cash balances, based on movements in interest rates only.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt in Australia, relationships with finance institutions, the level of debt that is expected to be renewed as well as a review of the last two year's historical movements and economic forecaster's expectations.
- A price sensitivity of derivatives based on a reasonably possible movement of interest rates at balance dates by applying the change as a parallel shift in the forward curve.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

In compliance with our Treasury Policy we have hedged our interest rate exposure arising out of the bank facility agreement. In the 2011 year we entered into three year interest rate swaps of \$200 million. In 2014 we entered into a second tranche of \$200 million of interest rate swaps. The first tranche of \$200 million in swaps expires on 4 January 2015, with the second tranche of \$200 million becoming effective after this date through to 30 June 2018 in line with the expiry date of the bank facility. The two tranches have been designated as effective interest rate swaps and therefore satisfy the accounting standard requirements for hedge accounting. This resulted in a \$1,280,985 movement in other comprehensive income in the twelve months to 31 March 2014 (three months to 31 March 2013: \$1,428,405; twelve months to 31 2013: \$3,240,471).

(ii) Commodity price risk

We have transactional commodity price risk primarily in the sale of cattle and beef. Other exposures include cropping (principally cotton), feed inputs for its feedlot operations, and diesel. Purchases of commodities may be for a period of up to 12 months and partial hedging of these inputs may be for periods of up to 24 months.

Our exposure to derivative commodity price risk is minimal. We do not currently apply hedge accounting to our beef and cotton commodity price exposures as the derivatives do not meet the accounting standard requirements for hedge accounting. However, we have a policy whereby we will forward sell a significant proportion of our feedlot cattle sales for a period of up to 6 months and a significant portion of our cotton production. These contracts are entered into and continue to be held for the purpose of delivery of feedlot cattle and cotton arising from our expected sale requirements; and are classified as non-derivative, and are not required to be fair valued.

We enter into forward purchase contracts for grain commodities. This practice mitigates the price risk for the Group. As at 31 March 2014 we had forward purchased approximately 53% (31 March 2013: 66%) of our expected grain usage for the coming 12 months. These contracts are entered into and continue to be held for the purpose of grain purchase requirements; and are classified as non-derivative, and are not required to be fair valued.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

(ii) Commodity price risk (continued)

At the reporting date we had the following commodity price exposures on forward sales and purchase contracts that are not designated as cash flow hedges:

Judgements of reasonably possible movements:	Effect on profit before tax \$000	Effect on equity (excluding profit) \$000
31 March 2014		
Commodity Price +10%	-	-
Commodity Price -10%	-	-
Judgements of reasonably possible movements:		
31 March 2013		
Commodity Price +10%	184	-
Commodity Price -10%	(422)	-

(iii) Foreign currency risk

We also have transactional currency exposures (refer note 20). Such exposure arises from sales by the branded beef segment in currencies other than in Australian dollars. We undertake forward sales in foreign currencies. All forward sales are covered with foreign exchange contracts to coincide with the expected receipt of foreign funds spread over the year.

Forward currency contracts must be in the same currency as the sold item. It is our policy not to enter into forward contracts or foreign exchange options until a firm commitment is in place.

At 31 March 2014 substantially all foreign currency receivables were covered by forward currency contracts or foreign exchange options. The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date.

At 31 March 2014, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, profit before tax and equity would have been affected as follows:

Judgements of reasonably possible movements:	Effect on profit before tax \$000	Effect on equity (excluding profit) \$000
31 March 2014		
AUD/USD +10%	3,492	-
AUD/USD -10%	(4,268)	-
31 March 2013		
AUD/USD +10%	2,903	-
AUD/USD -10%	(3,548)	-

The movements in profit are due to the movement in foreign exchange rates resulting in the movement in fair value of foreign exchange contracts and trade receivables. We believe the reporting date risk exposures are representative of the risk exposure inherent in the financial instruments.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years historical movements and economic forecaster's expectations.
- The reasonably possible movement was calculated by taking the foreign currency spot rate as at balance date, moving this spot rate by the reasonably possible movements and then re-converting the foreign currency into AUD with the "new spot rate". This methodology reflects the translation methodology undertaken by the Group.
- A price sensitivity of derivatives has been based on a reasonably possible movement of spot rates at reporting dates not on forward rates.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.
- The sensitivity does not include financial instruments that are non-monetary items as these are not considered to give rise to currency risk.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

(iv) Credit Risk

Credit risk arises from our financial assets, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. Our exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note). We do not hold any credit derivatives to offset our credit exposure.

With respect to receivables, the majority of our credit risk is in Australia and is generally concentrated in the meat processing industry. We manage our credit risk by maintaining strong relationships with a limited number of quality customers. The risk is mitigated by paying an annual premium to a third party to accept credit risk in relation to certain sales overseas. In addition, receivable balances are monitored on an ongoing basis with the result that our experience of bad debts has not been significant. We have no significant concentrations of credit risk.

(v) Liquidity risk

Liquidity risk arises from our financial liabilities and our subsequent ability to repay the financial liabilities as and when they fall due.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, convertible notes and finance leases.

We manage our liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis. We have established comprehensive risk reporting covering our business units that reflect expectations of management of the expected settlement of financial assets and liabilities.

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 31 March 2014. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which we can be required to pay. When we are committed to make amounts available in instalments, each instalment is allocated to the earliest period in which we are required to pay. The Company is exposed to counterparty credit risk from its operating activities (primarily from trade receivables) and from its financing activities. As at 31 March 2014, the mark-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of financial instruments. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investments in working capital (e.g., inventories and trade receivables). These assets are considered in the Group's overall liquidity risk.

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. We ensure that sufficient liquid assets are available to meet all the required short-term cash payments.

We monitor rolling forecasts of liquidity reserves on the basis of expected cash flow.

	Less than or equal to 6 months \$000	6-12 Months \$000	1-2 years \$000	2-5 years \$000	Total \$000
31 March 2014					
Liquid financial assets					
Cash and cash equivalents	69,194	-	-	-	69,194
Trade and other receivables	12,621	-	-	-	12,621
Derivatives	885	44	-	-	929
	<u>82,700</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>82,744</u>
Financial liabilities					
Trade and other payables	(38,242)	-	-	-	(38,242)
Interest bearing loans and borrowings	(7,430)	(9,048)	(17,115)	(315,748)	(349,341)
Derivatives	(1,598)	(1,639)	(2,231)	(5,442)	(10,910)
	<u>(47,270)</u>	<u>(10,687)</u>	<u>(19,346)</u>	<u>(321,190)</u>	<u>(398,493)</u>
Net maturity	<u>35,430</u>	<u>(10,643)</u>	<u>(19,346)</u>	<u>(321,190)</u>	<u>(315,749)</u>

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

(vi) *Liquidity risk (continued)*

31 March 2013	Less than or equal to 6 months \$000	6-12 Months \$000	1-2 years \$000	2-5 years \$000	Total \$000
Liquid financial assets					
Cash and cash equivalents	11,248	-	-	-	11,248
Trade and other receivables	16,829	-	-	-	16,829
Derivatives	544	-	-	-	544
	28,621	-	-	-	28,621
Financial liabilities					
Trade and other payables	(26,055)	-	-	-	(26,055)
Interest bearing loans and borrowings	(13,155)	(24,871)	(426,171)	(5,473)	(469,670)
Derivatives	(2,016)	(1,223)	(2,301)	-	(5,540)
	(41,226)	(26,094)	(428,472)	(5,473)	(501,265)
Net maturity	(12,605)	(26,094)	(428,472)	(5,473)	(472,644)

(vii) *Fair Values*

We use various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – The fair value is calculated using quoted prices in active markets.

Level 2 – The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

As at 31 March 2014 and 31 March 2013, the only financial instruments recognised at fair value were interest rate swaps, forward currency contracts and the embedded interest rate derivative. These are valued using a level 2 method (refer to note 20).

The fair value of the financial instruments summarised in the table below have been estimated by applying the level 2 method described above.

For financial assets and liabilities that are recognised in the financial statements at fair value, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest input that is significant to the fair value measurement as a whole) at the end of each reporting period.

	31 Mar 2014 \$000	31 Mar 2013 \$000
Financial assets		
Derivative instruments		
Commodity contracts	-	100
Foreign exchange contracts	929	444
	929	544
Financial liabilities		
Derivative instruments		
Commodity contracts	-	792
Interest rate swaps	3,369	4,650
Embedded interest rate derivative in convertible note	640	-
	4,009	5,442

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires us to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. We continually evaluate our judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. We base our judgements and estimates on historical experience and on other various factors we believe are reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

With respect to the Australian Federal Government's Carbon Pollution Reduction Scheme, agriculture has been initially exempted, however we will continue to monitor and assess this scheme for risks and opportunities.

We have identified the following accounting policies for which significant judgements, estimates and assumptions have been made:

- Fair value determination of land refer note 3 (i);
- Fair value determination of livestock and crops refer note 3 (g);
- Fair value determination of derivative financial instruments refer note 3 (h);
- Fair value determination of financial liability and embedded derivative component of the convertible note issued on 16 October 2013 refer note 21 and 20 respectively;
- Impairment of non-financial and financial assets refer note 3 (k); and
- Income tax and other taxes refer note 3 (s).

Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

6. OPERATING SEGMENTS

Identification of reportable segments

We have identified our 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

(i) *Finished & Store Cattle*

The Finished & Store Cattle group operates an integrated cattle production system across 18 owned cattle stations, 2 leased stations, 11 agisted properties, 2 owned feedlots, 4 external feedlots, and 2 owned and 1 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 seasonal in nature with a distinct wet season.

(ii) *Farming*

Selected properties carry out seasonal farming operations including the growing and harvesting of cotton, wheat, sorghum and other crops.

(iii) *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 meat, we consider the operations of the Branded Beef group to be one reportable segment.

(iv) *Meat Processing*

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

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

6. OPERATING SEGMENTS (continued)

Accounting policies and inter-segment transactions

The accounting policies we use in reporting segments are the same as those contained in note 3 to the financial statements and in the prior period, except as follows:

- *Inter-entity sales*
Inter-entity sales are recognised based on arm's length market prices.
- *Corporate charges*
It is our policy that items of revenue and expense that are not directly attributable to the Branded Beef group are allocated to the Finished & Store Cattle group. No reallocation of general corporate charges is performed between the segments, which is primarily due to the significantly greater asset base employed by the Finished & Store Cattle group.

The following table presents the revenue and profit information regarding operating segments for the twelve months to 31 March 2014 and 31 March 2014, and the three months to 31 March 2013. Segment liabilities are not reported to the Chief Executive Officer and therefore segment liabilities are not disclosed.

12 months to 31 March 2014	Finished & Store Cattle \$'000	Branded Beef \$'000	Farming \$'000	Meat Processing \$'000	Adjustments and eliminations \$'000	Total \$'000
Segment revenue	229,223	188,213	12,719	-	(113,313)	316,842
Segment gross margin	32,058	17,008	4,950	-	-	54,016
Segment result (EBIT)	(45,506)	13,471	(961)	(1,689)	-	(34,685)
Net finance costs						(23,292)
Income tax benefit						18,079
Loss from continuing operations after related income tax benefit						(39,898)
Total segment assets	1,008,308	22,956	8,907	59,898	-	1,100,069
Total segment assets includes: Additions to non-current assets (other than financial assets and deferred tax)	45,643	75	1,036	35,093	-	81,847
3 months to 31 March 2013	Finished & Store Cattle \$'000	Branded Beef \$'000	Farming \$'000	Meat Processing \$'000	Adjustments and eliminations \$'000	Total \$'000
Segment revenue	40,569	38,134	899	-	(19,339)	60,263
Segment gross margin	(43,486)	602	2,472	-	-	(40,412)
Segment result (EBIT)	(64,181)	(328)	(2,023)	(746)	-	(67,278)
Net finance costs						(6,711)
Income tax benefit						27,512
Loss from continuing operations after related income tax benefit						(46,477)
Total segment assets	1,046,198	15,438	12,478	26,006	-	1,100,120
Total segment assets includes: Additions to non-current assets (other than financial assets and deferred tax)	2,866	11	70	41	-	2,988

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

6. OPERATING SEGMENTS (continued)

Segment information (continued)

12 months to 31 March 2013 (reviewed)	Finished & Store Cattle \$'000	Branded Beef \$'000	Farming \$'000	Meat Processing \$'000	Adjustments and eliminations \$'000	Total \$'000
Segment revenue	239,918	154,801	25,002	-	(82,218)	337,503
Segment gross margin	37,483	3,960	11,254	-	-	52,697
Segment result (EBIT)	(49,673)	803	188	(549)	-	(49,231)
Net finance costs						(27,533)
Income tax benefit						26,951
Loss from continuing operations after related income tax benefit						(49,813)
Total segment assets	1,046,198	15,438	12,478	26,006	-	1,100,120
Total segment assets includes: Additions to non-current assets (other than financial assets and deferred tax)	22,396	76	645	22,237	-	45,354

Segment revenue and non-current assets

<i>Revenues from external customers</i>	12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000 (reviewed)
Australia	189,375	34,977	231,288
Korea	37,358	6,423	28,056
USA	21,732	3,858	17,758
Japan	14,444	3,789	18,775
Hong Kong	5,924	1,263	5,956
Other countries	48,009	9,953	35,670
Total revenue per income statement	316,842	60,263	337,503

The revenue information above is based on the location of the customer.

Revenues from one single external customer amounted to \$34,418,544 (3 months to 31 March 2013: \$7,393,436, 12 months to 31 March 2013: \$38,315,525) arising from sales by the Finished and Store Cattle segment. In the prior period, revenue from another customer contributed to more than 10% of the Group's revenue (3 months to 31 March 2013: \$7,393,436, 12 months to 31 March 2013: \$38,315,525).

No other single customer contributed 10% or more to the Group's revenue for the 12 months to 31 March 2014, 3 months to 31 March 2013 and twelve months to 31 March 2013.

All non-current assets are located in Australia.

7. OTHER REVENUE AND OTHER INCOME

	12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000 (reviewed)
(a) Other revenue			
Interest revenue	1,323	32	311
Other revenue	5,490	1,005	3,076
	6,813	1,037	3,387
(b) Other income			
Net gain on disposal of property, plant and equipment	1,755	18	530
Insurance recovery	158	22	1,304
Other	281	74	128
	2,194	114	1,962

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

8. EXPENSES

	12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000 (reviewed)
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Depreciation of:

- Buildings and leasehold improvements	3,691	1,157	3,826
- Plant and equipment	7,519	1,571	6,104
Total depreciation	11,210	2,728	9,930

(b) Net finance costs

Bank loans and overdrafts	22,471	6,459	27,937
Other financing charges	3,105	252	1,037
Total finance costs	25,576	6,711	28,974
Mark to market valuation of interest rate swaps	-	-	(1,441)
Net finance costs	25,576	6,711	27,533
Amount capitalised	(2,284)	-	-
Net finance costs expensed	23,292	6,711	27,533

The capitalised rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 6.80% (2013: 0%).

(c) Other expenses

Provision for employee benefits

- Annual leave ⁽¹⁾	2,199	581	2,156
- Long service leave	141	68	186
Total provision for employee benefits	2,340	649	2,342

1. Annual leave expenses includes both salary and wage employees

Minimum lease payments – operating leases	7,246	2,186	6,524
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Research and development expenses charged directly to administration expense

	110	22	70
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(d) Employee expenses

Salaries and wages	30,845	8,344	29,681
Workers' compensation expense	1,142	477	1,613
Defined contribution superannuation expense	2,458	605	2,538
Other employment benefits	1,585	334	1,036
Share-based payments expense	368	130	821
Payroll tax	1,610	401	1,670
	38,008	10,291	37,359

(e) Administration and other non-station operating costs

Administration and other costs	15,423	5,548	20,418
Commodity and foreign currency expense/(benefit)	517	851	(549)
	15,940	6,399	19,869

9. INCOME TAX

(a) Income tax expense

The major components of income tax (benefit)/expense are:

Income Statement

Current income tax

Current income tax charge/(benefit)	(8,815)	(100)	(261)
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Deferred income tax

Relating to origination and reversal of temporary differences	(8,318)	(27,412)	(26,690)
Under/over provision in prior years	(946)	-	-
Income tax (benefit)/expense reported in the income statement	(18,079)	(27,512)	(26,951)

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

9. INCOME TAX (continued)

(b) Amounts charged or credited directly to equity

Deferred income tax

Net loss on cash flow hedges	(192)	1,395	1,395
Equity raising transaction costs	2,180	-	-
Net loss/(gain) on revaluation of land and buildings	(3,535)	303	(10,038)
Income tax (benefit)/expense reported in equity	(1,547)	1,698	(8,643)

(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000 (reviewed)
Accounting loss before tax	(57,977)	(73,989)	(76,764)
At the statutory income tax rate of 30% (31 March 2013: 30%)	(17,393)	(22,196)	(23,028)
Building depreciation not deductible	-	79	268
Excess devaluation of properties charged to profit and loss	-	-	2,425
Net taxable gain on disposal of property	1,187	(23)	(23)
Tax losses recognised as deferred tax asset	-	(67)	(1,180)
R&D offsets	(1,011)	(5,388)	(5,388)
Other items (net)	(862)	83	(25)
Income tax benefit reported in the Consolidated Income Statement	(18,079)	(27,512)	(26,951)

(d) Recognised deferred tax assets and liabilities

	Statement of financial position			Income statement	
	31 Mar 2014 \$000	31 Mar 2013 \$000	12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000 (reviewed)
Deferred income tax relates to the following:					
<i>Deferred tax liabilities</i>					
Accelerated depreciation for tax purposes	(37)	(4)	33	28	78
Revaluations of land and buildings to fair value	(28,037)	(41,255)	-	-	-
Revaluations of trading stock for tax purposes	(11,735)	(23,494)	(9,497)	(16,536)	(16,509)
Other	(345)	-	344	-	(55)
Offsetting deferred tax asset	17,512	18,507	-	-	-
	(22,642)	(46,246)			
<i>Deferred tax assets</i>					
Accruals and other	3,016	1,137	(1,879)	453	(826)
Tax losses carried forward	8,813	9,133	320	(5,643)	(4,843)
Capitalised expenses accelerated for book purposes	76	79	3	1	3
Change in fair value of property, plant and equipment	1,764	-	(1,764)	-	260
Interest rate swaps	4	235	231	(339)	217
Cash flow hedges	1,202	1,395	-	-	-
Investments	8	8	-	-	-
Leave entitlements	1,017	1,050	33	(32)	(199)
Franking deficit tax	1,011	5,388	4,377	(5,388)	(5,388)
Other employee costs	601	82	(519)	44	572
Total deferred tax asset (offset against deferred tax liability)	17,512	18,507	(8,318)	(27,412)	(26,690)

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

9. INCOME TAX (continued)

(e) Movements in tax balances	Current Income tax 31 Mar 2014 \$000	Deferred Income tax 31 Mar 2014 \$000	Current Income tax 31 Mar 2013 \$000	Deferred Income tax 31 Mar 2013 \$000
Opening balance	-	(46,246)	(101)	(75,355)
(Charged)/credited to the income statement	-	18,079	(100)	27,512
(Charged)/credited to equity	-	(1,547)	-	1,698
Prior period under provision	-	7,072	201	(101)
Closing balance	-	(22,642)	-	(46,246)

(f) Tax consolidation

Australian Agricultural Company Limited and its 100% owned subsidiaries are a tax consolidated group. Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries based on individual tax obligations. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the reporting date, the possibility of default is remote. The head entity of the tax consolidated group is Australian Agricultural Company Limited.

10. DIVIDENDS PAID AND PROPOSED

Dividends declared and paid during the period

No final or interim dividends were declared and paid during the twelve months to 31 March 2014 (twelve months to 31 March 2013: nil). There are no franking credits available for the subsequent financial year (31 March 2013: nil).

11. EARNINGS PER SHARE

The following reflects the income/(loss) used in the basic and diluted earnings/(loss) per share computations:

	12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000 (reviewed)
Earnings/(loss) used in calculating basic and diluted earnings per share			
Net loss attributable to ordinary equity holders of the parent for basic and diluted earnings	(39,898)	(46,477)	(49,813)
	Number	Number	Number
Weighted average number of ordinary shares used as denominator			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (adjusted for rights issue)	427,954,570	332,825,585	332,825,457
Adjustments for calculation of diluted earnings per share:			
- Options, rights and convertible notes	-	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	427,954,570	332,825,585	332,825,457

There were 940,625 share options, 565,190 performance rights and 160 convertible notes with a potential to convert to 69,565,280 ordinary shares excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for the current period presented.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

(a) Information concerning the classification of securities

Options and rights

Options granted to employees (including Key Management Personnel) as described in note 27 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

Convertible notes

Convertible notes issued during the year as described in note 21 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These convertible notes have not been included in the determination of basic earnings per share.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

12. CURRENT ASSETS — CASH AND CASH EQUIVALENTS

	31 Mar 2014 \$000	31 Mar 2013 \$000
Cash at bank and in hand	16,778	7,414
Call deposits with banks	52,416	3,834
	<u>69,194</u>	<u>11,248</u>

(i) Reconciliation of net (loss)/profit after tax to net cash flows from operations

Net loss after income tax	(39,898)	(46,477)
<i>Adjustments for:</i>		
Depreciation	11,210	2,728
Change in fair value of property	3,560	-
Gain on sale of property, plant and equipment	(1,755)	(18)
Capitalised interest	(2,284)	-
Amortisation of borrowing costs	1,146	-
Accruals in relation to capital projects	(7,717)	-
Non-cash employee expense	123	-
(Increment)/decrement in net market value of livestock	54,021	59,426
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in inventories	4,318	(5,084)
(Increase)/decrease in trade and other receivables	4,208	720
(Increase)/decrease in prepayments and other assets	(1,628)	1,399
(Decrease)/increase in deferred tax liabilities	(18,079)	(22,124)
(Decrease)/increase in current tax liability	-	(5,388)
(Decrease)/increase in trade and other payables	12,187	(4,250)
(Decrease)/increase in derivatives	(1,818)	230
(Decrease)/increase in provisions	857	235
Net cash used in operating activities	<u>18,451</u>	<u>(18,603)</u>

(ii) Non-cash financing and investing activities

Acquisition of assets by means of finance leases	4,196	-
Share-based payments (note 27)	<u>123</u>	<u>130</u>

13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivables	11,986	11,448
Provision for impairment of receivables (a)	(13)	-
	<u>11,973</u>	<u>11,448</u>
Other receivables	648	5,381
	<u>12,621</u>	<u>16,829</u>

(a) Allowance for doubtful debts

Trade receivables are non-interest bearing and are generally on 14 day terms. An allowance for doubtful debts is recognised when there is objective evidence that an individual trade receivable may not be collectible. Based on our assessment of the recoverability of trade receivables at the reporting date, we concluded that an allowance for doubtful debts was \$13,000 (31 March 2013: \$nil).

(b) Fair value and credit risk

Due to the short-term nature of trade and other receivables, their carrying value is assumed to approximate their fair value. Our maximum exposure to credit risk is the fair value of receivables. We do not hold collateral as security, nor is it our policy to transfer (on-sell) receivables to special purpose entities. We refer you to note 4 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

(c) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 4.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

14. CURRENT ASSETS — INVENTORIES AND CONSUMABLES

	31 Mar 2014 \$000	31 Mar 2013 \$000
Bulk stores - recorded at cost	5,714	6,647
Feedlot commodities - recorded at cost	3,716	5,677
Harvested cotton crop	4,549	3,606
Unharvested crops - recorded at cost	2,090	6,183
Horses - recorded at net market value	1,843	2,221
Meat inventory - recorded at cost	8,499	6,395
	<u>26,411</u>	<u>30,729</u>

15. BIOLOGICAL ASSETS — LIVESTOCK

Current

Cattle at net market value – trading cattle	144,765	166,772
Total current livestock	<u>144,765</u>	<u>166,772</u>

Non-Current

Cattle at net market value – commercial and stud breeding herd	238,282	270,296
Total non-current livestock	<u>238,282</u>	<u>270,296</u>

Total livestock	<u>383,047</u>	<u>437,068</u>
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Livestock movement

Opening carrying amount	437,068	496,494
Gain from changes to fair value less estimated point of sale costs	87,807	(34,492)
Purchases of livestock	53,802	8,801
Sale of livestock	(195,630)	(33,735)
Closing carrying amount	<u>383,047</u>	<u>437,068</u>

Herd

	Number	Number
Current	183,516	236,857
Non-current	368,549	439,360
	<u>552,065</u>	<u>676,217</u>

The below table discloses the fair value of livestock assets in their fair value hierarchy:

Total Herd

Fair Value Input	Cattle Type	31 Mar 2014		31 Mar 2013	
		\$000	Head	\$000	Head
Level 1	None	-	-	-	-
Level 2	All except Level 3	295,467	428,319	342,585	513,694
Level 3	Feedlots & Calves	87,580	123,746	94,483	162,523
		<u>383,047</u>	<u>552,065</u>	<u>437,068</u>	<u>676,217</u>
Average value per head			\$694		\$646

Fair Value Inputs are summarised as follows:

Level 1 Price Inputs – are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 Price Inputs – are input prices other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (refer to note 3(g) for the accounting policy for biological assets).

Level 3 Price Inputs – are unobservable inputs for the asset or liability.

No cattle financing facility exists at 31 March 2014 (31 March 2013: \$12.0 million, refer to note 21). No cattle are provided as security for the facility (31 March 2013: 7,071 head).

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

15. BIOLOGICAL ASSETS — LIVESTOCK (continued)

Feedlot Cattle

Feedlot cattle are valued internally by the Group as there is no observable market for them. The value is based on the estimated exit price per kilogram and the value changes for the weight of each animal as it progresses through the feedlot program. The key factors affecting the value of each beast are price/kg, days on feed, and the feed conversion ratio. The average daily gain of weight is in the range of 0.8kgs to 2.0kgs. The value is determined by applying the average weight gain per day by the number of days on feed from induction to exit at which point the cattle are delivered to market. The value per animal is based on the breed and specifications of the animal and the market it is destined for.

Significant increases (decreases) in any of the significant unobservable valuation inputs for feedlot cattle in isolation would result in a significantly lower (higher) fair value measurement.

	12 months to 31 Mar 14 \$000	12 months to 31 Mar 14 Head	3 months to 31 Mar 13 \$000	3 months to 31 Mar 13 Head	12 months to 31 Mar 13 \$000 (reviewed)	12 months to 31 Mar 13 Head (reviewed)
Opening values	69,879	38,831	68,101	40,338	59,914	38,917
Inductions	76,553	81,305	17,164	10,182	82,942	57,078
Sales	(104,396)	(80,847)	(17,923)	(11,533)	(80,838)	(56,651)
Attritions & rations	(879)	(593)	(262)	(156)	(797)	(513)
Fair value adjustments recognised*	27,491	-	2,799	-	8,658	-
	68,648	38,696	69,879	38,831	69,879	38,831
Average value per head		\$1,774		\$1,800		\$1,800

*These fair value adjustments are recognised in the Cattle fair value adjustments and cattle growth lines of the Consolidated Income Statement.

Unbranded Calves

Calves are valued internally as there is no observable market for them. The valuation of calves is derived from the valuations applied to the first year branded animals across all cattle market categories in AACo's herds. The number of these calves is determined by applying the percentage of branding assessed each year to the number of productive cows and the results of pregnancy testing. Significant increases (decreases) in any of the significant unobservable valuation inputs for unbranded calves in isolation would result in a significantly lower (higher) fair value measurement.

	12 months to 31 Mar 14 \$000	12 months to 31 Mar 14 Head	3 months to 31 Mar 13 \$000	3 months to 31 Mar 13 Head	12 months to 31 Mar 13 \$000 (reviewed)	12 months to 31 Mar 13 Head (reviewed)
Calf accrual opening	24,605	123,692	19,386	96,323	28,238	131,077
Net movement	(8,601)	(38,642)	5,444	27,369	(2,900)	(7,385)
Net fair value adjustments*	2,928	-	(225)	-	(733)	-
Calf accrual closing	18,932	85,050	24,605	123,692	24,605	123,692
Average Value per head		\$223		\$199		\$198

*These fair value adjustments are recognised in the Cattle fair value adjustments line of the Consolidated Income Statement.

	12 months to 31 Mar 14 \$000	3 months to 31 Mar 13 \$000	12 months to 31 Mar 13 \$000 (reviewed)
Cattle sales and deemed cost of sales			
Cattle sales	229,223	40,569	239,918
Cost of sales	(212,444)	(37,669)	(221,375)
Selling expenses	(16,779)	(2,900)	(18,543)
Deemed cost of sales	(229,223)	(40,569)	(239,918)
Sales margin ⁽¹⁾	-	-	-
Cattle Fair Value Adjustments			
Cattle purchases	(35,323)	(5,683)	(56,966)
Fair value of purchases	53,802	8,801	71,230
Freight & other costs	(8,942)	(669)	(5,418)
Biological transformation ⁽²⁾	26,395	(1,333)	23,724
Market value changes	11,925	(43,179)	(49,401)
Cattle growth	35,599	9,556	71,383
Natural increase	41,278	7,897	65,298
Attrition	(10,362)	(3,448)	(10,808)
Other	(214)	(52)	(227)
Total cattle fair value adjustments	114,158	(28,110)	108,815

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

15. BIOLOGICAL ASSETS — LIVESTOCK (continued)

- (1) As a biological asset, *AASB 141 Agriculture* requires the livestock to be valued at fair value at all times prior to sale or harvest. As such, value increases occur through change in fair values rather than sales margin.
- (2) Biological transformation in accordance with Australian Accounting Standard *AASB 141 Agriculture*, includes reclassification of an animal as it moves from being a branded calf and progresses through the various stages to become either a trading animal (grass and then feedlot in some cases) and then as it ages. All these changes occur and are measured before the ultimate sale (cash realisation).

16. NON-CURRENT ASSETS — PROPERTY PLANT AND EQUIPMENT

	12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000 (reviewed)
(a) Reconciliation of carrying amounts at the beginning and end of the period			
Freehold Land			
Opening balance, at fair value	86,086	86,086	75,453
Additions	-	-	14,180
Disposals	(19,292)	-	-
Transfer to capital work in progress	(14,175)	-	-
Net revaluation decrement recognised in change in fair value of property	(362)	-	-
Net revaluation increment/(decrement) recognised in asset revaluation reserve	(6,155)	-	(3,547)
Closing balance, at fair value	(b) 46,102	86,086	86,086
Pastoral Leases			
Opening balance, at fair value	392,193	392,193	429,466
Additions	20,672	-	-
Disposals	(7,298)	-	-
Net revaluation decrement recognised in change in fair value of property	(3,198)	-	(8,085)
Net revaluation increment/(decrement) recognised in asset revaluation reserve	(27,369)	-	(29,188)
Closing balance, at fair value	(b) (c) 375,000	392,193	392,193
Buildings and Improvements			
Opening balance, at fair value	116,678	117,448	108,885
Additions	17,005	1,051	9,614
Disposals	(6,364)	(10)	(10)
Net revaluation decrement recognised in change in fair value of property	-	(1,811)	(1,811)
Closing balance, at fair value	(b) 127,319	116,678	116,678
Accumulated Depreciation			
Opening balance	(32,722)	(31,566)	(28,897)
Depreciation for the period	(3,691)	(1,157)	(3,826)
Disposals	2,430	1	1
Closing balance	(b) (33,983)	(32,722)	(32,722)
Fair value	127,319	116,678	116,678
Accumulated depreciation and in change in fair value of property	(33,983)	(32,722)	(32,722)
Net carrying amount	93,336	83,956	83,956
Net freehold land, pastoral leases, buildings and improvements	514,438	562,235	562,235

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

16. NON-CURRENT ASSETS — PROPERTY PLANT AND EQUIPMENT

	12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000 (reviewed)
Plant and Equipment			
Opening balance, at cost	78,334	77,007	67,512
Additions	9,085	1,464	13,223
Disposals	(6,385)	(137)	(2,401)
Closing balance, at cost	81,034	78,334	78,334
Accumulated Depreciation			
Opening balance	(47,338)	(45,894)	(43,214)
Depreciation for the period	(7,519)	(1,571)	(6,104)
Disposals	5,252	127	1,980
Closing balance	(49,605)	(47,338)	(47,338)
Net plant and equipment	31,429	30,996	30,996
Capital Work in Progress			
Opening balance, at cost	9,926	7,660	1,571
Transfer from freehold land	14,175	-	-
Additions	35,726	2,266	8,355
Closing balance, at cost	59,827	9,926	9,926
Total net carrying amount of property, plant and equipment	605,694	603,157	603,157

In determining the fair value of respective pastoral leasehold and freehold land assets shown in the financial statements the Directors initiate periodic independent valuations through registered property valuers. Once these valuations have been considered and reviewed by the Directors they are then adopted as Directors' valuations.

Disclosure of land and building assets measured at fair value included above and their categorisation in the fair value hierarchy can be seen below:

Fair Value	Type	31 Mar 2014 \$000	31 Mar 2013 \$000
Input			
Level 1	None	-	-
Level 2	Land & Buildings	-	547,377
Level 3	Land & Buildings	512,354	-
		512,354	547,377

Fair Value Inputs are summarised as follows:

Level 1 Price Inputs – are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 Price Inputs – are input prices other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Price Inputs – are unobservable inputs for the asset or liability.

The following valuation techniques used and key inputs to valuation on the land and buildings:

Level	31 Mar 2014 \$000	Valuation Technique	Significant Unobservable Inputs	31 Mar 2014 Range
Level 3	256,354	Direct Comparison Summation	Number of adult equivalents	17,500 – 79,000
		Approach Using Productive Capacity	Dollar per adult equivalents	\$561 - \$1,025
	217,950	Direct Comparison Method Analysed	Dollar per hectare	\$43 - \$1,089
		Hectare Rate		
	38,050	Direct Comparison Method Analysed	Dollar per hectare	\$2,387 - \$3,138
		Hectare Rate and Standard Cattle Units	Standard cattle units	14,425 – 17,500

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

16. NON-CURRENT ASSETS — PROPERTY PLANT AND EQUIPMENT (continued)

An independent valuation was performed by independent valuers Herron Todd White to determine the fair value using the market based direct comparison method. One of three direct comparison method techniques were utilised, being either a Summation Approach Using Productive Capacity or a hectare rate approach. Valuation of the assets was determined by analysing comparable sales and allowing for size, location, rainfall, water supply, seasonal conditions, structural capital works and other relevant factors specific to the land and buildings being valued. From the sales analysed, an appropriate rate per adult equivalent or hectare has been applied to the subject land and buildings. The effective date of the valuation is 31 March 2014.

Under the Direct Comparison Summation Approach a dollar per Adult Equivalent is adopted excluding structures for the Main Productive Area. This method takes into consideration the proportion of land that lies outside the watered area and its potential or lack thereof. The values determined under this analysis are assessed against the Adult Equivalent values (excluding structures) and the comparable sales evidence. The value of the buildings and yards is also assessed and added to the value. The derived valuation amount for the buildings and yards is obtained from analysis of comparable sales evidence.

Under the alternative method, the basis of assessment is direct comparison with the sales evidence on an analysed hectare rate, excluding structures and residual land outside the main productive area. The improved market value is determined from the summation of land with the added value of structures, such as residences, sheds and yards.

Significant increases (decreases) in any of the significant unobservable valuation inputs under both the Productive Capacity or Hectare Direct Comparison approach in isolation would result in a significantly lower (higher) fair value measurement.

Changes in seasonal conditions and rainfall would result in a significantly lower or higher carrying capacity, dollar per adult equivalent and dollar per hectare.

For land and buildings assets that are recognised in the financial statements at fair value, the Company's accounting policy is to revisit the categorisation of classes of assets within the fair value hierarchy at the end of each reporting period or when the valuation technique is revised (based on the lowest level input that is significant to the fair value measurement as a whole). During the period, a number of properties moved between the Direct Comparison Analysed Hectare Rate to the Productive Capacity Method and the significance of unobservable inputs was reassessed resulting in the transfer of land and buildings from Level 2 to Level 3.

(b) Revaluation of freehold land, pastoral leases, buildings and improvements

For the 31 March 2014 financial year, all land and buildings were valued by external independent valuers.

The fair values of freehold land, pastoral leases, buildings and improvements at 31 March 2014 were determined by reference to independent valuations performed by Herron Todd White and Colliers International in March 2014. Fair value was determined by reference to an open market, being the amount for which the asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

At 31 March 2014 the revaluation decrement for three specific properties (pastoral leases and freehold land) exceeded revaluations previously credited to the asset revaluation reserve resulting in \$3,560,000 (3 months to 31 March 2013: \$nil, 12 months to 31 March 2013: \$8,085,000) being expensed to the Consolidated Income Statement. The revaluation surplus for all other properties was credited to the asset revaluation reserve included in the equity section of the Consolidated Statement of Financial Position.

The effective date of the revaluation was 31 March 2014.

If freehold land, pastoral leases, buildings and improvements were measured using the deemed cost model (the fair value of the assets in 1995) the carrying amounts would be as follows:

	31 Mar 2014 \$000	31 Mar 2013 \$000
Deemed cost	283,921	303,502
Accumulated depreciation	(33,983)	(32,473)
Net carrying amount	<u>249,938</u>	<u>271,029</u>

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

16. NON-CURRENT ASSETS — PROPERTY PLANT AND EQUIPMENT (continued)

(c) Pastoral leases

Our cattle stations are generally held under a leasehold agreement with the Crown. Leasehold properties in Queensland are mainly pastoral holdings which are term leases with a maximum period of 50 years. In the Northern Territory, the pastoral leases we hold have been granted on a perpetual basis by the Northern Territory Government.

While there is no obligation for leases to be renewed by the Queensland Government at expiry, we are not presently aware of any reason why leases would not be renewed on substantially the same terms based upon past practice by the Queensland Government.

17. CURRENT LIABILITIES — TRADE AND OTHER PAYABLES

	31 Mar 2014 \$000	31 Mar 2013 \$000
Trade payables	17,861	12,463
Other payables	15,517	13,592
Deferred revenue	4,864	-
	<u>38,242</u>	<u>26,055</u>

Trade payables are non-interest bearing and are normally settled on agreed terms which are generally up to 30 days. Other payables are non-interest bearing and have an average term of three months. Deferred revenue relates to payments received in advance on cattle sales.

(a) Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Foreign exchange and liquidity risk

Information regarding foreign exchange and liquidity risk exposure is set out in note 4.

18. CURRENT LIABILITIES — PROVISIONS

	31 Mar 2014 \$000	31 Mar 2013 \$000
Annual leave	1,890	1,984
Long service leave	944	970
Make good provision	225	200
Onerous contract	-	479
	<u>3,059</u>	<u>3,633</u>

Make good provision

The Company is required to restore its leased head office premises to its original condition at the end of the lease term. A provision of \$225,000 has been recognised for the present value of the estimated expenditure required to remove the leasehold improvements.

Onerous contract

The Company is not part to any onerous lease contracts on unused leased property (31 March 2013: \$479,000).

31 Mar 2014 \$000	31 Mar 2013 \$000
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19. NON-CURRENT LIABILITIES — PROVISIONS

Long service leave	559	546
Lease incentive & straight-line of lease	1,417	-
	<u>1,976</u>	<u>546</u>

In September 2013, AACo leased a new head office. As part of the agreement, which runs for a period of 10 years, a lease incentive was received for the fit-out of the premises. The lease incentive will be recognised over the life of the lease.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

20. DERIVATIVE FINANCIAL INSTRUMENTS

	31 Mar 2014 \$000	31 Mar 2013 \$000
Current assets		
Commodity contracts	-	100
Foreign currency contracts	929	444
	<u>929</u>	<u>544</u>
Current liabilities		
Commodity contracts	-	792
Interest rate swap contracts	3,369	4,650
Embedded interest rate derivative in convertible note	640	-
	<u>4,009</u>	<u>5,442</u>

Forward currency contracts

We have entered into forward currency exchange traded contracts which are economic hedges but do not satisfy the requirements of the accounting standards for hedge accounting.

	Notional Amounts (AUD)		Average Exchange Rate	
	31 Mar 2014 \$000	31 Mar 2013 \$000	31 Mar 2014 AUD/USD	31 Mar 2013 AUD/USD
Sell FX/Buy AUD				
Sell USD Maturity 0-12 months	40,087	26,173	0.8973	1.01967

We fair value these contracts 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 twelve months to 31 March 2014 was \$1,183,000 (3 months to 31 March 2013: \$243,000, 12 months to 31 March 2013: \$1,494,000).

Interest rate swap contracts

We have entered into interest rate swaps which are economic hedges, which are fair valued by comparing the contracted rate to the future market rates for contracts with the same length of maturity. The two tranches of \$200 million swaps have been designated as effective interest rate swaps and therefore satisfy the accounting standard requirements for hedge accounting. The first tranche of \$200 million in swaps expires on 4 January 2015, with the second tranche becoming effective after this date through to 30 June 2018 in line with the expiry date of the bank facility.

As at the reporting date, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	31 Mar 2014 \$000	31 Mar 2013 \$000
0-1 years	-	-
1-5 years	200,000	200,000

The gain or loss from remeasuring the interest rate swaps at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the twelve months to 31 March 2014 the gain or loss recognised for interest rate swaps on into profit or loss was \$2,890,000 (three months to 31 March 2013: \$549,000, and twelve months to 31 March 2013 \$2,219,000). There was no hedge ineffectiveness in the current or prior year.

21. INTEREST-BEARING LOANS AND BORROWINGS

	31 Mar 2014 \$000	31 Mar 2013 \$000
Current		
Obligations under finance leases	4,332	3,316
\$12,000,000 Landmark facility	-	12,000
	<u>4,332</u>	<u>15,316</u>
Non-current		
Obligations under finance leases	7,850	8,929
\$400,000,000 bank loan facility	198,247	398,535
Convertible notes	71,932	-
	<u>278,029</u>	<u>407,464</u>

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

21. INTEREST-BEARING LOANS AND BORROWINGS (continued)

\$400,000,000 bank loan facility - secured

The loans are repayable on 30 June 2018. It is intended that the loans will be renewed at maturity date. This facility is currently drawn down by \$200,000,000 (31 March 2013: \$400,000,000) and is offset in the statement of financial position by a prepaid facility participation fee of \$1,753,000 (31 March 2013: \$1,465,000).

Convertible notes

The parent entity issued 160 subordinated convertible notes to an existing shareholder of the Company for \$80 million on 16 October 2013. 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 days prior to maturity at \$1.15 per AACo share, with no price payable conversion. The number of underlying ordinary shares per convertible note is 434,783, or 69,565,280 ordinary shares for the full convertible notes issue. The convertible notes are presented in the balance sheet as follows:

	31 Mar 2014 \$000	31 Mar 2013 \$000
Face value of notes issued	80,000	-
Other equity securities – value of conversion rights (note 22(b))	(6,700)	-
Fair value of embedded interest rate derivative in convertible note – at trade inception	(630)	-
Capitalised borrowing costs	(1,546)	-
Interest expense	808	-
	71,932	-

No convertible notes were converted or redeemed to 31 March 2014.

(a) Fair values

The carrying amount of our current and non-current borrowings approximates their fair value.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 4.

(c) Assets pledged as security

Financing facilities are provided on a secured basis, with security given over all fixed and floating assets.

(d) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

(e) Financing arrangements

We have the following financing facilities:

\$400,000,000 bank loan and \$9,200,000 guarantee facility

Total	409,200	450,300
Drawn-down	(202,492)	(400,215)
Unused	206,708	50,085

Financial covenants are in place over the Company's gearing ratio.

22. CONTRIBUTED EQUITY

	31 Mar 2014 Shares	31 Mar 2013 Shares	31 Mar 2014 \$000	31 Mar 2013 \$000
(a) Ordinary Shares				
Ordinary shares – issued and fully paid (c)	532,294,404	312,905,085	453,810	239,473
	532,294,404	312,905,085	453,810	239,473
(b) Other equity securities				
Value of conversion rights – convertible notes	-	-	6,700	-
Total contributed equity	532,294,404	312,905,085	460,510	239,473

The amounts shown for other equity securities is the value of the conversion rights relating to the convertible notes, details of which are shown in note 21.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

22. CONTRIBUTED EQUITY (continued)

(c) Ordinary shares

Movement in ordinary shares on issue

Date	Details	Number of shares	Issue price \$	\$000
1 April 2012 (reviewed)*	Opening balance	312,861,135		238,296
02 April 2012	Shares issued on exercise of performance rights	43,950	-	-
14 May 2012	Outstanding amount received for shares issued under the executive option plan in the prior period			1,308
	Additional transactions costs relating to share placement in the prior period			(131)
31 December 2012	Closing balance	312,905,085		239,473
31 March 2013	Closing balance	312,905,085		239,473
18 April 2013	Shares issued on exercise of performance rights	43,944	-	-
08 May 2013	Shares issued on exercise of performance rights	131,976	-	-
22 May 2013	Shares issued on exercise of performance rights	32,353	-	-
27 September 2013	Share issue to institutional investors	100,796,516	\$1.00	100,797
16 October 2013	Share issue to retail investors	88,799,540	\$1.00	88,800
16 October 2013	Share issue to AA Trust entitlement	29,584,990	\$1.00	29,585
	Outstanding amount received for shares issued under the executive rights plan in the prior period	-	-	245
	Transaction costs relating to share placement	-	-	(7,271)
	Deferred tax credit recognised directly in equity	-	-	2,181
31 March 2014	Closing balance – ordinary shares	532,294,404		453,810

(d) Capital management

When managing capital, our objective is to safeguard our ability to continue as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. We also aim to maintain a capital structure that ensures the lowest cost of capital.

There were no changes made in the objectives, policies or processes for managing capital during the twelve months to 31 March 2014 and the twelve months 31 March 2013.

We monitor capital using the gearing ratio (net debt divided by total capital plus net debt) and our target gearing ratio is between 20.0% to 35.0%. We include within net debt, interest bearing loans and borrowings.

For the Group's financial risk management objectives and policies refer note 4.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

22. CONTRIBUTED EQUITY (continued)

(d) Capital management (continued)

Asset and Capital Structure	31 Mar 2014 \$000	31 Mar 2013 \$000
Debt:		
Current interest-bearing loans and borrowings	4,332	15,316
Non-current interest-bearing loans and borrowings		
Obligations under finance leases	7,850	8,929
Bank loan facility ⁽¹⁾	200,000	400,000
Convertibles notes ⁽¹⁾	80,000	-
Bank guarantees	2,492	215
Cash:	(69,194)	(11,248)
Net debt	225,480	413,212
Total equity	747,780	595,418
Total capital employed	973,260	1,008,630

Gearing (Net debt/net debt+equity)

23.2%

41.0%

(1) The gearing ratio is calculated utilizing the drawn-down balance of the bank loan facility and convertible notes with no offset for borrowing costs.

23. RETAINED EARNINGS/(LOSSES) AND RESERVES

	12 Months to 31 Mar 2014 \$000	3 Months to 31 Mar 2013 \$000	12 Months to 31 Mar 2013 \$000 (reviewed)
Opening balance	27,806	74,283	77,619
Net loss	(39,898)	(46,477)	(49,813)
Closing balance	(12,092)	27,806	27,806

(a) Movements in retained earnings/(losses) were as follows:

(b) Other reserves

	Asset Revaluation Reserve \$000	Capital Profits Reserve \$000	Cash Flow Hedge Reserve \$000	Employee Equity Benefits Reserve \$000	Total \$000
At 1 April 2012	270,062	78,223	(232)	5,023	353,076
Revaluation of land and buildings	(32,735)	-	-	-	(32,735)
Tax effect of revaluation	10,081	-	-	-	10,081
Tax adjustment relating to prior periods	300	-	-	-	300
Net movement in cash flow hedges	-	-	(3,021)	-	(3,021)
Share based payment	-	-	-	438	438
At 31 March 2013 (reviewed)	247,708	78,223	(3,253)	5,461	328,139
At 1 January 2013	247,408	78,223	(6,079)	5,331	324,883
Tax adjustment relating to prior period revaluations	300	-	-	-	300
Net movement in cash flow hedges	-	-	2,826	-	2,826
Share based payment	-	-	-	130	130
At 31 March 2013	247,708	78,223	(3,253)	5,461	328,139
At 1 April 2013	247,708	78,223	(3,253)	5,461	328,139
Revaluation of land and buildings	(33,524)	-	-	-	(33,524)
Transfer of asset revaluation reserve upon sale of property	(6,539)	6,539	-	-	-
Tax effect on revaluation of land and buildings	3,535	-	-	-	3,535
Net movement in cash flow hedges	-	-	1,089	-	1,089
Share based payment	-	-	-	123	123
At 31 March 2014	211,180	84,762	(2,164)	5,584	299,362

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

23. RETAINED EARNINGS/(LOSSES) AND RESERVES (continued)

(i) Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another. The reserve can only be used to pay dividends in limited circumstances.

Capital profits reserve

The capital profits reserve is used to accumulate realised capital profits. The reserve can be used to pay dividends.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the portion of movements in fair value of a hedging instrument in a cash flow hedge that is recognised in other comprehensive income.

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to note 27 for further details of these plans.

24. RELATED PARTY DISCLOSURES

(a) Transactions with key management personnel

Directors of the Group and Directors of its related parties, or their Director-related entities, conduct transactions with entities within the Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Director or Director-related entity at arm's length in similar circumstances.

These transactions include the following and have been quantified below where the transactions are considered likely to be of interest to users of these financial statements.

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.

(b) Transactions with key management personnel

	12 Months to 31 Mar 2014 \$	3 Months to 31 Mar 2013 \$	12 Months to 31 Mar 2013 \$ (reviewed)
The following transactions occurred with GrainCorp Limited:			
<i>Sales to GrainCorp Limited and related entities</i>	2,078,841	1,710,476	4,218,239
<i>Purchases from GrainCorp Limited and related entities</i>	6,782,548	3,869,604	4,609,163
The following balances were outstanding at the end of the reporting period in relation to transactions with GrainCorp Limited:			
<i>Current receivable</i>	-	-	-
<i>Current payable</i>	134,699	1,121,929	1,121,929

(c) Transactions with related parties in the wholly owned Group

Loans

Loans are made by the parent entity to wholly owned subsidiaries. The loans are repayable on demand. No interest has been charged on these loans by the parent entity for the current financial period (31 March 2013: nil). The parent entity does not expect to call these loans within the next 12 months.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

24. RELATED PARTY DISCLOSURES (continued)

(d) Transactions with other related parties

In the current period there were 160 subordinated BBSW plus 0.15% (subject to a 3% p.a. floor) convertible notes with a face value of \$500,000 held by AA Trust, which is ultimately controlled by Mr Joseph Lewis who is a shareholder through his controlled entity. The notes expire on 30 September 2023 and can be redeemed at the fifth anniversary of the issue date and annually thereafter. The note holder is entitled to convert the notes in ordinary shares from 1 September 2014 until 15 days prior to maturity at \$1.15 per AACo share, with no price payable on conversion. The number of underlying ordinary shares per convertible note is 434,783 or 69,565,280 for the 160 convertible notes on issue. The convertible notes carry one vote per convertible note.

There were no transactions with other related parties during the twelve months to 31 March 2013.

(e) Ultimate parent entity

The ultimate controlling entity of the Group is Australian Agricultural Company Limited.

25. CONTROLLED ENTITIES

The consolidated financial statements include the following controlled entities:

Name of entity	Notes	Country of incorporation	31 Mar 2014 % of shares held	31 Mar 2013 % of shares held
Parent entity				
Australian Agricultural Company Limited	(a)	Australia		
Controlled entities				
A. A. Company Pty Ltd	(a)	Australia	100	100
Austcattle Holdings Pty Ltd	(a)	Australia	100	100
A. A. & P. Joint Holdings Pty Ltd	(a)	Australia	100	100
Shillong Pty Ltd	(a)	Australia	100	100
James McLeish Estates Pty Limited	(a)	Australia	100	100
Wondoola Pty Ltd	(a)	Australia	100	100
Waxahachie Pty Ltd	(a)	Australia	100	100
Naroo Pastoral Company Pty Limited	(a)	Australia	100	100
AACo Nominees Pty Limited	(a)	Australia	100	100
Chefs Partner Pty Ltd	(a)	Australia	100	100
Polkinghorne Stores Pty Limited		Australia	100	100
Northern Australian Beef Limited		Australia	100	100
AACO Risk Management Pty Limited		Australia	100	100

- (a) These companies have entered into a deed of cross guarantee dated 22 November 2006 with Australian Agricultural Company Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of a Class Order issued by the Australian Securities and Investments Commission, these companies are relieved from the requirement to prepare financial statements. The consolidated income statement and consolidated statement of financial position of all entities included in the class order "closed Group" are set out in Note 25 (b).

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

25. CONTROLLED ENTITIES (continued)

	31 Mar 2014 \$000	31 Mar 2013 \$000
(b) Financial information for class order Closed Group		
Current Assets		
Cash and cash equivalents	69,194	11,248
Trade and other receivables	72,994	44,200
Inventories	26,411	30,729
Biological assets – livestock	144,765	166,772
Derivatives	929	100
Other assets	2,173	545
Total Current Assets	316,466	253,594
Non-Current Assets		
Biological assets – livestock	238,282	270,296
Property, plant and equipment	548,150	579,055
Investment – at cost	50	50
Deferred tax assets	-	-
Total Non-Current Assets	786,482	849,401
Total Assets	1,102,948	1,102,995
Current Liabilities		
Trade and other payables	38,242	25,852
Provisions	3,059	3,833
Interest bearing liabilities	4,332	15,316
Derivatives	4,009	5,442
Total Current Liabilities	49,642	50,443
Non-Current Liabilities		
Provisions	1,976	546
Interest bearing liabilities	278,029	407,464
Deferred tax liabilities	22,642	46,246
Total Non-Current Liabilities	302,647	454,256
Total Liabilities	352,289	504,699
Net Assets	750,659	598,296
Equity		
Contributed equity	460,510	239,473
Reserves	299,362	328,139
Retained earnings	(9,213)	30,684
Total Equity	750,659	598,296

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

25. CONTROLLED ENTITIES (continued)

	12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000 (reviewed)
(b) Financial information for class order Closed Group (continued)			
Income Statement of the Closed Group:			
Revenue			
Cattle sales	120,469	22,114	164,161
Meat sales	188,213	38,134	154,801
Crop income	8,160	15	18,541
	316,842	60,263	337,503
Cattle fair value adjustments	114,158	(28,110)	108,815
	431,000	32,153	446,318
Deemed cost of cattle sold	(120,469)	(22,114)	(164,161)
Cattle expenses	(40,608)	(6,881)	(40,087)
Feedlot cattle expenses	(37,882)	(8,495)	(31,245)
Cost of meat sold	(171,205)	(37,532)	(150,841)
Crop costs and fair value adjustments	(6,820)	2,457	(7,287)
Gross operating margin	54,016	(40,412)	52,697
Other revenue	6,813	1,037	3,387
Other income	2,194	114	1,962
Expenses			
Administration and other non-station operating costs	(15,940)	(6,399)	(19,869)
Depreciation	(11,210)	(2,728)	(9,930)
Employee expenses	(38,008)	(10,291)	(37,359)
Change in fair value of property	(3,560)	-	(8,085)
Lease and property related costs	(8,525)	(2,595)	(8,006)
Other station operating costs	(20,465)	(6,004)	(24,028)
(Loss)/Profit before finance costs and income tax expense	(34,685)	(67,278)	(49,231)
Net finance costs	(23,292)	(6,711)	(27,533)
Loss before income tax	(57,977)	(73,989)	(76,764)
Income tax benefit	18,079	27,512	26,951
Net loss after tax	(39,898)	(46,477)	(49,813)

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

26. KEY MANAGEMENT PERSONNEL

	12 months to 31 Mar 2014 \$	3 months to 31 Mar 2013 \$	12 months to 31 Mar 2013 \$ (reviewed)
(a) Compensation for key management personnel			
Short-term employee benefits	3,929,141	840,855	3,212,195
Post-employment benefits	210,406	55,326	208,227
Share-based payment	159,814	113,443	570,081
Termination benefits	517,131	-	-
Long-term benefits	94,146	-	-
Total compensation	4,910,638	1,009,624	3,990,503

(b) Options and performance rights

Details on rights and options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

12 months to 31 March 2014	Balance at beginning of period	Granted as remuneration ²	Exercised during the year	Net change other ¹	Balance at end of period	Not vested and not exercisable	Vested and exercisable
	Number	Number	Number	Number	Number	Number	Number
Options							
B. Bennett	151,896	-	-	(151,896)	-	-	-
P. Dempsey	175,758	-	-	(175,758)	-	-	-
Performance rights							
Executives							
C. White	-	-	-	-	-	-	-
T. Setter	86,007	-	(50,227)	-	35,780	35,780	-
B. Bennett	34,183	-	(22,303)	-	11,880	11,880	-
G. Dober	18,740	-	(10,930)	-	7,810	7,810	-
S. Cruden	18,980	-	(9,490)	-	9,490	9,490	-
Former Executives							
D. Farley	711,985	-	(32,353)	(679,632)	-	-	51,865
P. Beale	44,426	-	(22,213)	(22,213)	-	-	-
P. Dempsey	13,625	-	(9,930)	(3,695)	-	-	-

3 months to 31 March 2013	Balance at beginning of period	Granted as remuneration ²	Exercised during the year	Net change other ¹	Balance at end of period	Not vested and not exercisable	Vested and exercisable
	Number	Number	Number	Number	Number	Number	Number
Options							
Executives							
B. Bennett	227,896	-	-	(76,000)	151,896	-	151,896
P. Dempsey	347,633	-	-	(171,875)	175,758	-	175,758
Performance Rights							
Directors							
D. Farley	711,985	-	-	-	711,985	-	-
Executives							
T. Setter	86,007	-	-	-	86,007	-	-
P. Beale	44,426	-	-	-	44,426	-	-
B. Bennett	34,183	-	-	-	34,183	-	-
P. Dempsey	13,625	-	-	-	13,625	-	-
G. Dober	18,740	-	-	-	18,740	-	-
S. Cruden	18,980	-	-	-	18,980	-	-

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

26. KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Options and performance rights (continued)

12 months to 31 March 2013 (reviewed)	Balance at beginning of period	Granted as remuneration ²	Exercised during the year	Net change other ¹	Balance at end of period	Not vested and not exercisable	Vested and exercisable
	Number	Number	Number	Number	Number	Number	Number
Options							
Executives							
B. Bennett	227,896	-	-	(76,000)	151,896	-	151,896
P. Dempsey	347,633	-	-	(171,875)	175,758	-	175,758
Performance Rights							
Directors							
D. Farley	410,023	301,962	-	-	711,985	-	-
Executives							
T. Setter	28,894	71,560	(14,447)	-	86,007	-	-
P. Beale	-	44,426	-	-	44,426	-	-
B. Bennett	20,844	23,761	(10,422)	-	34,183	-	-
P. Dempsey	12,487	7,379	(6,241)	-	13,625	-	-
G. Dober	6,239	15,621	(3,120)	-	18,740	-	-
S. Cruden	-	18,980	-	-	18,980	-	-

¹ Includes forfeitures, and the removal from the table of options and rights for key management personnel who have resigned during the period.

² Details of options/rights granted as remuneration during the twelve months to 31 March 2014 are provided in section 8 of the 2013 Remuneration Report.

(c) Shareholdings

The table below summarises the movements during the period in the share holdings of key management personnel, including their personally related parties, in the Company for the period.

	Balance at beginning of period	Granted as remuneration	Exercise of Options/rights	Net change Other ¹	Balance at end of period
12 months to 31 March 2014	Number	Number	Number	Number	Number
Directors					
D. McGauchie	398,689	-	-	422,085	820,774
J. Strong	-	-	-	-	-
S. Black	10,000	-	-	7,000	17,000
D. Crombie	-	-	-	-	-
T. Keene	-	-	-	50,000	50,000
Executives					
C. White	-	-	-	-	-
B. Bennett	10,422	-	22,303	-	32,725
G. Dober	3,120	-	10,930	-	14,050
T. Setter	14,447	-	50,227	-	64,674
S. Cruden	-	-	9,490	9,975	19,465
Former Executives					
D. Farley	416,313	-	32,353	(448,666)	-
P. Dempsey	167,946	-	9,930	(177,876)	-
P. Beale	-	-	22,213	(22,213)	-
Total	1,020,937	-	157,446	(159,695)	1,018,688

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

26. KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Shareholdings (continued)

	Balance at beginning of period	Granted as remuneration	Exercise of Options/ rights	Net change Other ¹	Balance at end of period
3 months to 31 March 2013	Number	Number	Number	Number	Number
Directors					
D. McGauchie	348,689	-	-	50,000	398,689
D. Farley	416,313	-	-	-	416,313
S. Black	10,000	-	-	-	10,000
Executives					
P. Dempsey	167,946	-	-	-	167,946
B. Bennett	10,422	-	-	-	10,422
G. Dober	3,120	-	-	-	3,120
T. Setter	14,447	-	-	-	14,447
Total	970,937	-	-	50,000	1,020,937

	Balance at beginning of period	Granted as remuneration	Exercise of Options/ rights	Net change Other ¹	Balance at end of period
12 months to 31 March 2013 (reviewed)	Number	Number	Number	Number	Number
Directors					
D. McGauchie	198,689	-	-	200,000	398,689
D. Farley	349,063	-	-	67,250	416,313
S. Black	10,000	-	-	-	10,000
Executives					
P. Dempsey	161,705	-	6,241	-	167,946
B. Bennett	-	-	10,422	-	10,422
G. Dober	-	-	3,120	-	3,120
T. Setter	-	-	14,447	-	14,447
Total	719,457	-	34,230	267,250	1,020,937

¹ Net shares acquired or disposed of by other means, and the removal from the table of the shareholdings for key management personnel who have resigned during the period.

No other Directors or executives held shares during the period.

All equity transactions with Directors and executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

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For the twelve months ended 31 March 2014

27. SHARE-BASED PAYMENT PLANS

	12 months to 31 Mar 2014 \$	3 months to 31 Mar 2013 \$	12 months to 31 Mar 2013 \$ (reviewed)
(a) Recognised share-based payment expenses			
Expense arising from equity-settled share-based payment transactions	123,000	130,000	821,000

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during the twelve months to 31 March 2014 and 31 March 2013, and the three months to 31 March 2013.

(b) Executive Option Plan (EOP)

The Group has one Executive Option Plan (EOP) for the granting of non-transferable options to the Managing Director/ Chief Executive Officer, senior executives and middle management with more than twelve months' service at the grant date. There will be no further grants under this Plan.

Former Chief Executive Officer – Executive Options

No options were issued to Mr. D. Farley during the twelve months to 31 March 2014 and 31 March 2013, and the three months to 31 March 2013.

Mr. D. Farley (CEO) was appointed on 1 December 2009 and resigned on 31 July 2013. Under the terms of his executive service agreement he is entitled to an LTI benefit up to a maximum of 50% of fixed remuneration.

Senior Executive – Executive Options

No options were granted to senior executives during the twelve months to 31 March 2014 and 31 March 2013, and the three months to 31 March 2013.

Middle Management – Executive Options

No options were granted to middle management during the twelve months to 31 March 2014 and 31 March 2013, and the three months to 31 March 2013.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options previously issued under the EOP.

	12 months to 31 Mar 14 No.	12 months to 31 Mar 14 WAEP \$	3 months to 31 Mar 13 No.	3 months to 31 Mar 13 WAEP \$	12 months to 31 Mar 13 No. (reviewed)	12 months to 31 Mar 13 WAEP \$ (reviewed)
Outstanding at the beginning of the period	2,197,281	2.56	3,210,479	2.45	3,210,479	2.45
Granted during the period	-	-	-	-	-	-
Forfeited during the period	(1,256,656)	2.82	(1,013,198)	2.13	(1,325,889)	2.12
Exercised during the period	-	-	-	-	-	-
Outstanding at the end of the period	940,625	2.21	2,197,281	2.56	1,884,590	2.56
Exercisable at the end of the period	940,625	2.21	2,197,281	2.56	1,884,590	2.56

Terms of the Executive Option Plan

An employee whose employment terminates prior to the vesting of any tranche will lose their unvested option entitlement, unless otherwise determined by the Board.

Under the EOP where a participant ceases employment prior to the vesting of their award, the options are forfeited unless the Board applies its discretion to allow vesting at or post-cessation of employment in appropriate circumstances.

In the event of a takeover or change in control of the Company:

- 50% of unvested options granted within the last three years prior to the change in control, would vest, as soon as the Board forms the opinion that the takeover or change in control will occur; and
- all or part of the other 50% of the unvested options granted within the last three years may be vested by the Board as determined in its absolute discretion.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

27. SHARE-BASED PAYMENT PLANS (continued)

(b) Executive Option Plan (EOP) (continued)

The outstanding balance as at 31 March 2014 is represented by:

- 350,000 options over ordinary shares with an exercise price of \$1.39 each;
- 290,625 options over ordinary shares with an exercise price of \$2.09 each; and
- 300,000 options over ordinary shares with an exercise price of \$3.27 each.

Share options issued under the EOP and outstanding at the end of the year have the following exercise prices:

Expiry Date	Exercise Price \$	31 Mar 2014 No.	31 Mar 2013 No.
16 December 2013	1.00	-	250,000
01 January 2014	3.27	-	1,006,656
31 March 2015	1.39	350,000	350,000
01 January 2018	2.09	290,625	290,625
01 January 2019	3.27	300,000	300,000
Total		940,625	2,197,281

(c) Employee share plan (ESP)

On 12 September 2005 we introduced an employee share plan (ESP). This plan allows shares in Australian Agricultural Company Limited to be provided to all employees (excluding those participating in the EOP and Directors) with greater than one year of service up to the value of \$1,000. No shares were issued to employees under the ESP during the twelve months to 31 March 2014 (three months to 31 March 2013: nil, twelve months to 31 March 2013: nil).

The fair value of the employee benefit provided under the ESP is estimated at cost at the grant date.

(d) Performance rights plan

During 2011 we introduced a performance rights plan. The purpose of the plan is to assist in the reward, retention and motivation of Executive Directors, Employees, and any other person determined by the Board in its sole and absolute discretion and, attract new employees and/or officers to the Group. The performance rights have a nil exercise price. Vesting of the performance rights is dependent on the satisfaction of a service vesting condition and/or a performance condition. Any performance rights which fail to meet the service condition on the vesting date will lapse immediately. Once the performance rights have vested, they are automatically exercised and shares in AACo issued to either the AACo Employee Share Scheme Trust (EST) or acquired on-market by the EST Trustee on behalf of the participant.

The following tables summarise the movements in performance rights:

12 months to 31 March 2014

Grant date	Expiry date	Exercise price	Balance at start of period Number	Rights granted during period Number	Rights exercised during period Number	Rights lapsed during period Number	Balance at end of period Number	Vested and exercisable at end of the period Number
19 Sept 2011	30 April 2013	Nil	43,944	-	(43,944)	-	-	-
19 Sept 2011	30 April 2013	Nil	105,271	-	-	(105,271)	-	-
19 Sept 2011	30 April 2013	Nil	105,270	-	-	(105,270)	-	-
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	51,865
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	-
27 April 2012	24 May 2013	Nil	131,976	-	(131,976)	-	-	-
27 April 2012	24 May 2014	Nil	131,971	-	-	(35,872)	96,099	-
27 April 2012	14 June 2013	Nil	32,353	-	(32,353)	-	-	-
27 April 2012	14 June 2014	Nil	32,353	-	-	-	32,353	-
27 April 2012	30 April 2015	Nil	237,256	-	-	-	237,256	-
			1,019,876	-	(208,273)	(246,413)	565,190	51,865

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

27. SHARE-BASED PAYMENT PLANS (continued)

(d) Performance rights plan (continued)

3 months to 31 March 2013

Grant date	Expiry date	Exercise price	Balance at start of period Number	Rights granted during period Number	Rights exercised during period Number	Rights lapsed during period Number	Balance at end of period Number	Vested and exercisable at end of the period Number
19 Sept 2011	30 April 2013	Nil	43,944	-	-	-	43,944	-
19 Sept 2011	30 April 2013	Nil	105,271	-	-	-	105,271	-
19 Sept 2011	30 April 2013	Nil	105,270	-	-	-	105,270	-
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	-
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	-
27 April 2012	24 May 2013	Nil	133,429	-	-	(1,453)	131,976	-
27 April 2012	24 May 2014	Nil	133,424	-	-	(1,453)	131,971	-
27 April 2012	14 June 2013	Nil	32,353	-	-	-	32,353	-
27 April 2012	14 June 2014	Nil	32,353	-	-	-	32,353	-
27 April 2012	30 April 2015	Nil	237,256	-	-	-	237,256	-
			1,022,782	-	-	(2,906)	1,019,876	-

12 months to 31 March 2013 (reviewed)

Grant date	Expiry date	Exercise price	Balance at start of period Number	Rights granted during period Number	Rights exercised during period Number	Rights lapsed during period Number	Balance at end of period Number	Vested and exercisable at end of the period Number
19 Sept 2011	30 April 2012	Nil	43,950	-	(43,950)	-	-	-
19 Sept 2011	30 April 2013	Nil	43,944	-	-	-	43,944	-
19 Sept 2011	30 April 2013	Nil	105,271	-	-	-	105,271	-
19 Sept 2011	30 April 2013	Nil	105,270	-	-	-	105,270	-
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	-
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	-
27 April 2012	24 May 2013	Nil	-	133,429	-	(1,453)	131,976	-
27 April 2012	24 May 2014	Nil	-	133,424	-	(1,453)	131,971	-
27 April 2012	14 June 2013	Nil	-	32,353	-	-	32,353	-
27 April 2012	14 June 2014	Nil	-	32,353	-	-	32,353	-
27 April 2012	30 April 2015	Nil	-	237,256	-	-	237,256	-
			497,917	568,815	(43,950)	(2,906)	1,019,876	-

The weighted average remaining contractual life for the rights as at 31 March 2014 is 190 days (31 March 2013: 338 days). The weighted average fair value of rights granted during the year ended 31 March 2014 was \$nil (31 March 2013: \$1.2075).

The following table lists the inputs to the models used for the performance rights outstanding during the year to 31 March 2014:

Grant date	Expected life of rights (days)	Share price at grant date	Exercise price	Expected volatility	Expected dividend yield	Risk free interest rate	Weighted average fair value of options granted	Model used
19 Sept 2011	559	\$1.410	-	32.50%	-	3.96%	\$1.4106	Binomial
19 Sept 2011	559	\$1.410	-	32.50%	-	3.96%	\$0.8454	Monte Carlo
19 Sept 2011	559	\$1.410	-	32.50%	-	3.96%	\$1.4106	Monte Carlo
19 Sept 2011	924	\$1.410	-	32.50%	-	3.96%	\$1.0624	Monte Carlo
19 Sept 2011	924	\$1.410	-	32.50%	-	3.96%	\$1.4109	Monte Carlo
27 April 2012	392	\$1.285	-	30.00%	-	3.64%	\$1.2854	Black Scholes
27 April 2012	727	\$1.285	-	30.00%	-	3.65%	\$1.2857	Black Scholes
27 April 2012	413	\$1.285	-	30.00%	-	3.64%	\$1.2854	Black Scholes
27 April 2012	778	\$1.285	-	30.00%	-	3.65%	\$1.2857	Black Scholes
27 April 2012	1,098	\$1.285	-	30.00%	-	2.95%	\$0.9110	Monte Carlo
27 April 2012	1,098	\$1.285	-	30.00%	-	2.95%	\$1.2858	Black Scholes

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

27. SHARE-BASED PAYMENT PLANS (continued)

(d) Performance rights plan (continued)

Performance Rights issued are subject to the following terms and conditions:

1. External Performance Condition (TSR outperformance)

50% of the Performance Rights are subject to an external Performance Condition, namely, AACo's Total Shareholder Return (TSR) performance relative to the S&P/ASX Small Ordinaries Accumulation Index (ASX Code: XSOAI) measured over a three year Vesting Period.

Vesting of the Performance Rights subject to the TSR outperformance condition will be calculated based on the following percentile results in the table below:

AACo TSR Ranking versus S&P/ASX Small Ords Accumulation Index (XSOAI)	% of Performance Rights to vest
Below the 50th percentile	0% vest
At the 50th percentile	50% vest
Between the 50th and 75th percentile	2% vesting on a straight line interpolation for each percentile ranking
At or above the 75th percentile	100% vest

The Company's TSR will be measured by an independent third party over the Vesting Period. The testing of the TSR outperformance condition will occur at the end of the Vesting Period.

2. Internal Performance Condition (EPS)

50% of the Performance Rights are subject to an internal Performance Condition based on the Company's earnings per share (EPS).

EPS is defined as Adjusted Net after Tax Profit per Ordinary Share, where Adjusted Net after Tax Profit is calculated as follows:

- Annual reported Net Profit after Tax Profit
- Less: Valuation adjustments
- Less: any adjustment deemed fair and appropriate by the Board, in the Board's absolute discretion.

The Board in its absolute discretion may vary this formula from year to year to reflect the changing nature of the Group's operations and its operating environment.

Vesting of the Performance Rights subject to the EPS condition will be calculated based on the following compound % growth rates over the three financial years following the base year the Performance Rights are established.

EPS Compound Growth Rate	% of Performance Rights to vest
Compound growth rate of less than 7.5% p.a.	0% vest
Compound growth rate of at least 7.5% p.a.	50% vest
Compound growth rate between 7.5% p.a. and 10% p.a.	2% vesting on a straight line interpolation for each 0.1% increment in EPS.
Compound growth rate of 10% p.a. or more	100% vest

3. Termination and change in control provisions

Under the terms of the LTI if the Managing Director/Chief Executive Officer ceases employment with the Company and holds Performance Rights, the ability of the Managing Director/Chief Executive Officer to retain their Performance Rights will depend on the circumstances in which the employment ceases. The Plan Rules define Bad Leavers and Good Leavers.

If the executive was a Bad Leaver, then the Performance Rights will be automatically forfeited. If the executive was a Good Leaver, then the Board will consider the circumstances of the cessation of employment and may exercise its discretion to allow some or all of the Performance Rights to vest (and be exercised).

A change of control event occurs when any person, either alone or together with any "associate" (as defined in the Australian *Corporations Act*) who does not hold a relevant interest in more than 50% of the issued shares of the Company acquires a relevant interest in more than 50% of the issued shares, or the Board concludes that there has been a change in control of the Company then one of the following will occur in respect of all unvested Performance Rights or Deferred Equity Awards. The Performance Rights or Deferred Equity Awards will either vest on a pro rata basis or at the discretion of the Board in certain circumstances.

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

28. COMMITMENTS

31 Mar 2014 \$000	31 Mar 2013 \$000
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(a) Future minimum lease payments under non-cancellable operating leases are as follows:

Leased land and buildings:

Not later than one year	6,362	3,706
Later than one year but not later than five years	11,213	8,220
Later than five years	4,362	5,085
Total leased land and buildings	21,937	17,011

Property, plant and equipment lease rental payments are generally fixed.

(b) Finance lease expenditure contracted for is payable as follows:

We have entered into finance leases for motor vehicles. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

Within one year	1,946	2,308
After one year but not more than five years	2,896	5,250
Total minimum lease payments	4,842	7,558

(c) Equipment finance contracted for is payable as follow:

We have entered into asset finance arrangements for equipment. Future minimum payments under equipment finance together with the present value of the net minimum finance payments are as follows:

Within one year	1,965	1,008
Later than one year but not later than five years	4,905	3,679
Later than 5 years	50	-
Total equipment finance	6,920	4,687

(d) Capital commitments

Capital expenditure contracted relating to the Darwin Beef Processing Facility at the reporting date but not recognised as liabilities is as follows:

Within one year	26,347	-
Later than one year but not later than five years	-	-
Later than 5 years	-	-
Total equipment finance	26,347	-

(e) Other commitments

We have entered into forward purchase contracts for \$21,990,128 worth of grain commodities as at 31 March 2014 (31 March 2013: \$15,368,995). The contracts are expected to be settled within 12 months from balance date.

We have entered into forward purchase contracts for \$756,000 worth of cattle as at 31 March 2014 (31 March 2013: \$7,560,238). The contracts are expected to be settled within 12 months from balance date.

We have entered into contracts for the purchase of information technology software with a commitment of \$630,494 as at 31 March 2014 (31 March 2013: \$nil).

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

29. CONTINGENCIES

	31 Mar 2014 \$000	31 Mar 2013 \$000
(a) Guarantees		
Contingent liabilities at balance date, not otherwise provided for in these financial statements are categorised as follows:		
Bank guarantees provided in relation to premises	971	215
Bank guarantees provided in relation to the construction of the Northern Australian beef processing facility	1,521	-
	<u>2,492</u>	<u>215</u>

(b) Native title claims

At 31 March 2014 there are a number of native title claims over some of our cattle properties. Negotiations are continuing with stakeholders to resolve these claims. We are not aware of any native title rights that may be found to co-exist with our rights and as such we do not expect any impact on the business to result from native title claims.

30. AUDITORS' REMUNERATION

Remuneration received, or due and receivable, by the auditor, Ernst & Young, of the parent entity for:

	12 months to 31 Mar 2014 \$	3 months to 31 Mar 2013 \$	12 months to 31 Mar 2013 \$ (reviewed)
An audit or review of the financial report of the entity and any other entity in the consolidated Group	474,000	183,700	524,086
Other services in relation to the entity and any other entity in the consolidated Group			
Advisory services	210,279	-	12,251
	<u>684,279</u>	<u>183,700</u>	<u>536,337</u>

31. INFORMATION RELATING TO THE PARENT ENTITY

	31 Mar 2014 \$000	31 Mar 2013 \$000
Current assets	62,450	168
Non-current assets	794,369	805,517
Total assets	<u>856,819</u>	<u>805,685</u>
Current liabilities	4,952	24,903
Non-current liabilities	292,820	412,412
Total liabilities	<u>297,772</u>	<u>437,315</u>
Net assets	<u>559,047</u>	<u>368,370</u>
Contributed equity	465,135	244,097
Asset revaluation reserve	10,502	45,382
Capital profits reserve	117,174	110,777
Cash flow hedge reserve	(2,166)	(4,651)
Employee equity benefits reserve	5,583	5,461
Accumulated losses	(37,181)	(32,696)
Total equity	<u>559,047</u>	<u>368,370</u>

Notes to the Consolidated Financial Statements

For the twelve months ended 31 March 2014

31. INFORMATION RELATING TO THE PARENT ENTITY (continued)

	12 months to 31 Mar 2014 \$000	3 months to 31 Mar 2013 \$000	12 months to 31 Mar 2013 \$000 (reviewed)
Loss of the parent entity	(4,458)	(6,206)	(20,845)
Total comprehensive profit (loss) of the parent entity	(30,483)	(7,764)	(23,586)

(a) Guarantees entered into by the parent entity

Australian Agricultural Company Ltd and the wholly owned entities listed in note 25 are parties to a deed of cross guarantee as described in note 25. The nature of the deed of cross guarantee is such that each Company which is party to the deed guarantees, to each creditor, payment in full of any debt in accordance with the deed of cross guarantee. No deficiency of net assets existed for the Group as at 31 March 2014.

No liability was recognised by Australian Agricultural Company Ltd in relation to these guarantees, as the fair value of the guarantees is immaterial.

	31 Mar 2014 \$000	31 Mar 2013 \$000
(b) Contingent liabilities of the parent entity		
<i>Guarantees and indemnities</i>		
Bank guarantees provided in relation to premises	971	215
Bank guarantees provided in relation to the construction of the Northern Australian beef processing facility	1,521	-
	2,492	215

(c) Contractual commitments for the acquisition of property, plant or equipment

Australian Agricultural Company Ltd did not have any commitments for the acquisition of property, plant and equipment as at 31 March 2014 and 31 March 2013.

(d) Accounting policies

The accounting policies of the parent entity, which have been applied in determining the financial information shown above, are the same as those applied in the consolidated financial statements except for investments in subsidiaries are accounted for at cost in the financial statements of Australian Agricultural Company Limited.

32. SUBSEQUENT EVENTS

There have been no other significant events after the balance date which require disclosure in the financial report.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:
 - a) The financial statements and notes of Australian Agricultural Company Limited for the year ended to 31 March 2014 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position as at 31 March 2014 and of its performance for the year ended on that date.
 - (ii) Complying with Accounting Standards and *Corporations Regulations 2001*.
 - b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(c).
 - c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year to 31 March 2014.
3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



Donald McGauchie
Chairman

Sydney
28 May 2014

INDEPENDENT AUDIT REPORT



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Independent auditor's report to the members of Australian Agricultural Company Limited

Report on the financial report

We have audited the accompanying financial report of Australian Agricultural Company Limited, which comprises the consolidated statement of financial position as at 31 March 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, 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 period's end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 31 March 2014 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the 31 March 2014 financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 31 March 2014 financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the 31 March 2014 financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDIT REPORT



Independence

In conducting our audit 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.

Opinion

In our opinion:

- a. the 31 March 2014 financial report of Australian Agricultural Company Limited is 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 March 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the remuneration report included in pages 18 to 35 of the directors' report for the year ended 31 March 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of Australian Agricultural Company Limited for the year ended 31 March 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Mike Reid
Partner
Brisbane
28 May 2014

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in the annual report is as follows. The information is current as at 28 April 2014.

(a) Distribution of equity securities

Ordinary share capital

532,442,368 fully paid ordinary shares are held by 7,655 individual shareholders

All ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding is:

Number of Shares	Number of Shareholders
1 to 1,000	1,509
1,001 to 5,000	2,946
5,001 to 10,000	1,228
10,001 to 100,000	1,830
100,001 and Over	142
TOTAL	7,655

Unquoted equity securities

160 subordinated BBSW plus 0.15% (subject to a 3% p.a. floor) convertible notes with a face value of \$500,000 held by AA Trust, which is ultimately controlled by Mr Joseph Lewis. The notes expire on 30 September 2023 and can be redeemed at the fifth anniversary of the issue date and annually thereafter. The note holder is entitled to convert the notes in ordinary shares from 1 September 2014 until 15 days prior to maturity at \$1.15 per AACo share, with no price payable on conversion. The number of underlying ordinary shares per convertible note is 434,783 or 69,565,280 for the 160 convertible notes on issue. The convertible notes carry one vote per convertible note.

(b) Twenty largest holders of quoted equity securities

The names of the twenty largest holders of quoted shares as shown in the Company's Share Register are:

	Number	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	106,912,441	20.09%
NATIONAL NOMINEES LIMITED	90,694,086	17.04%
BRYAN GLINTON	54,335,864	10.21%
IFFCO POULTRY CO SDN BHD	52,849,668	9.93%
CITICORP NOMINEES PTY LIMITED	38,500,113	7.23%
J P MORGAN NOMINEES AUSTRALIA LIMITED	23,173,688	4.35%
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	21,837,981	4.10%
UBS NOMINEES PTY LTD	11,479,480	2.16%
BNP PARIBAS NOMS PTY LTD <DRP>	7,785,440	1.46%
MR DAVID DIXON + MS CATHERINE RAMM	6,425,818	1.21%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	3,824,767	0.72%
CATHOLIC CHURCH INSURANCE LTD	2,815,701	0.53%
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,709,517	0.51%
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	2,595,597	0.49%
NEASHAM HOLDINGS PTY LTD <THE NEASHAM A/C>	2,441,471	0.46%
AUST EXECUTOR TRUSTEES LTD <LANYON AUST VALUE FUND>	2,266,922	0.43%
QIC LIMITED	1,785,396	0.34%
MR ANTHONY PHILLIP MAURICI	1,639,665	0.31%
BNP PARIBAS NOM (NZ) LTD <DRP>	1,179,948	0.22%
WARMAN (NOMINEES) PTY LTD <THE WARMAN INVEST A/C>	1,093,272	0.21%

ASX ADDITIONAL INFORMATION (continued)**(c) Substantial shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

Ordinary shareholders	Number
Bryan Glinton as trustee of The AA Trust	122,734,094
IFFCO Poultry Co. SDN BHD	52,849,668
Kaplan Equity Limited	28,284,428
Dimensional Fund Advisors LP and its associates and related bodies corporate	15,652,112

(d) Marketable Shares

The number of security investors holding less than a marketable parcel of 385 securities (\$1.300 on 28 April 2014) is 502 and they hold 57,388 securities.

COMPANY INFORMATION

Registered Office Principal Place of Business

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76 Skyring Terrace
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Share Registry

Link Market Services Limited
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www.linkmarketservices.com.au

AACo shares are quoted
on the Australian Securities
Exchange under listing
Code AAC.

Solicitors

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Bankers

National Australia Bank
Portfolio Management and Origination
Institutional Banking
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ANZ
Consumer and Agribusiness
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Rabobank
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