Australian Agricultural Company Limited
ABN 15 010 892 270

2015 HALF YEAR FINANCIAL REPORT

ASX Announcement No. 29/2014 **19 November 2014**

Manager
ASX Market Announcements
Australian Securities Exchange

Attached is the Australian Agricultural Company Limited's Half Year Financial Report for the half year ended 30 September 2014.

Issued by:
Bruce Bennett
General Counsel and Company Secretary

Media enquiries:
Matthew Horan
matthew@horancommunications.com.au
0403 934 958
www.aaco.com.au

Australian Agricultural Company Limited

ABN 15 010 892 270

FINANCIAL REPORT

For the half-year ended 30 September 2014

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the year ended 31 March 2014 and any public announcements made by Australian Agricultural Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Your Directors present their report on the Group consisting of Australian Agricultural Company Limited and the entities it controlled (AACo) at the end of, or during, the half-year ended 30 September 2014.

DIRECTORS

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

Current
Donald McGauchie AO (Non-executive Chairman)
Jason Strong (Managing Director)
Stuart Black AM
David Crombie AM
Tom Keene
Dr Shehan Dissanayake
Adil Allana
Anthony Abraham (appointed 7 September 2014)

Former
Dr Mohd Emir Mavani Abdullah (resigned 1 July 2014)
Denys Collin Munang (alternate Director for Dr Mohd Emir Mavani Abdullah, resigned 1 July 2014)

REVIEW AND RESULTS OF OPERATIONS

The Half Year in Review

The first 6 months of the 2015 financial year, sees our company in a state of transformation. After a difficult 2014 which necessitated destocking activity in the northern regions, the start of this financial year has seen improved pastoral and market conditions combined with a refreshed strategy and strengthened balance sheet. This period has witnessed the laying down of basic building blocks, on top of which, we seek to build a profitable and scalable business model.

In July this year we outlined our refocused corporate strategy and we are now executing against this strategy.

One of our key strategic goals is to 'Align the business to enable strategy' which has led to a reassessment of how we measure and report the business, both internally and externally. Going forward we will be presenting segment results and key metrics for 3 operating divisions, namely: the Grassfed division (contains most of our extensive northern properties and breeding herds, and produces cattle to primarily be sold live), the Grainfed division (contains our feedlots and backgrounding properties with output being sold primarily as branded beef) and the Northern Beef division (contains the newly constructed beef processing facility, called Livingstone Beef, which will primarily process and market manufacturing beef).

Another key step in providing more clarity to our stakeholders is the introduction of a new earnings metric called Operating EBITDA, an internal metric used to measure performance. This measure is based on a Standard Cost accounting methodology and seeks to avoid the cattle market-price driven volatility apparent in the Statutory financial numbers by imputing a Cost of Goods Sold based on a long term average. Because of the long term cycle associate with cattle production, Cashflow from Operations does not always provide a meaningful earnings measure.

We firmly believe that reporting along the divisional lines described above and the introduction of a more sensible earnings metric will help to bring more clarity to the operating and financial results and will drive improved focus and performance of the business.

From an operational perspective, there have been some pleasing developments in the half year. Sales of AACo branded beef are up over 38% compared to the prior corresponding period, driven by increased volumes at improved prices in both our Wagyu and Shortfed programs. Branded beef sales now account for over 76% of total revenue (compared to 50% in the prior corresponding period) and is in-line with our stated objective of transitioning towards a vertically integrated business. Selling more beef compared to cattle, combined with effective branding and marketing initiatives will enable us to derive more value and reduce our exposure to volatile domestic cattle markets. As our meat sales are generally transacted in USD, the recent depreciation of the AUD has been a positive development for the business.

Cattle sales have substantially reduced as a result of a conscious decision to reduce the number of head sold to take advantage of improved pasture conditions. This reduction in sales combined with increased purchasing activity has led to a substantial rebuilding of our Grassfed herd. The approach taken to this rebuilding phase is now more focussed and we are ensuring there are defined terminal markets for cattle purchased and a reduction in the level of speculative cattle trading activity. Where cattle sales have taken place, for example our live export sales, they have generally been into stronger markets than were available last year.

AACo will have the ability going forward to reduce our vulnerability to domestic price risk by processing cattle through the Livingstone Beef facility and thus reducing the company's reliance on volatile domestic cattle prices.

Value-adding through the Grainfed division supply chain has increased, while at the same time we have substantially reduced sales of live cattle out of our feedlots to third parties, reducing to 10% of cattle leaving the feedlots compared to 38% in the prior corresponding period.

AACo closely monitored overhead expenses as Livingston Beef moved closer to commercial operations.

The remainder of the financial year is likely to be a busy operational period for the business. The volume of branded beef sales is likely to remain strong and the coming months will see robust live cattle sales from the Grassfed business before peak of the Wet Season. The next 6 months will also see us begin to generate sales from Livingstone Beef which will increase in line with our ramp-up schedule. We look forward to being in a position to demonstrate further progress against our stated strategic objectives at the full year.

OPERATING AND FINANCIAL REVIEW

30 September 2014 Key Financial Results

	6 months to 30 September 2014 $'000	6 months to 30 September 2013 $'000	Favourable/ (Unfavourable) Movements $'000		Favourable/ (Unfavourable) Movements %
Meat sales	115,476	83,925	31,551	↑	38%
Cattle sales	28,188	78,542	(50,354)	↓	(64%)
Admin. and other non-station operating costs	(11,281)	(8,826)	(2,455)	↓	(22%)
Statutory EBITDA(1)	(4,532)	(28,787)	24,255	↑	84%
Statutory EBIT	(10,987)	(33,794)	22,807	↑	67%
Net loss after tax	(13,588)	(31,619)	18,031	↑	57%
Net cash outflow from operating activities	(55,375)	(1,003)	(54,372)	↓	(5,421%)
Operating EBITDA(1)	(8,190)	1,632	(9,822)	↓	(602%)

(1) Refer to page 5 and page 6 for the definition of Statutory EBITDA and Operating EBITDA.

Financial results

	6 months to 30 September 2014 $'000	6 months to 30 September 2013 $'000	Favourable/ (Unfavourable) Movements $'000
Meat sales[(1)]	115,476	83,925	31,551
Cattle sales [(2)]	28,188	78,542	(50,354)
Crop sales [(3)]	7,332	4,205	3,127
Sales revenue	**150,996**	**166,672**	**(15,676)**
Cost of sales[(4)]	(156,743)	(120,851)	(35,892)
Cattle fair value adjustments [(5)]	74,779	44,143	30,636
Deemed cost of cattle sold [(6)]	(28,188)	(78,542)	50,354
Gross margin	**40,844**	**11,422**	**29,422**
Other revenue and other income	2,446	5,181	(2,735)
Expenses			
Administration and other non-station operating costs[(7)]	(11,281)	(8,826)	(2,455)
Employee costs	(20,675)	(21,447)	772
Lease and property related costs	(4,374)	(3,998)	(376)
Other station operating costs	(11,492)	(11,119)	(373)
Operating expenses[(8)]	**(47,822)**	**(45,390)**	**(2,432)**
Earnings from operations – Statutory EBITDA[(9)]	**(4,532)**	**(28,787)**	**24,255**
Depreciation	(6,455)	(5,007)	(1,448)
Earnings from operations – Statutory EBIT[(9)]	**(10,987)**	**(33,794)**	**22,807**
Net finance costs	(8,378)	(12,337)	3,959
Loss before income tax	**(19,365)**	**(46,131)**	**26,766**
Income tax benefit	5,777	14,512	(8,735)
Net loss after tax	**(13,588)**	**(31,619)**	**18,031**

(1) Meat sales are recognised when the risks and rewards of ownership have transferred.
(2) Cattle sales are sales from cattle physically delivered to market or customer.
(3) Crop sales is recognised when the crop risk is transferred to a third party.
(4) Cost of sales combines the cost of meat sold, cattle expenses, feedlot expenses and crop expenses. Cost of meat sold includes the cost of finished cattle and processing costs. Cattle expenses and feedlot cattle expenses includes direct costs associated with managing non-feedlot cattle and feedlot cattle respectively. The direct costs include feed, mustering, freight and agistment costs. 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.
(5) Cattle fair value adjustments arise from increased weight as the cattle grow, market value changes in the herd, natural increase, attrition and rations. Natural increase is the value change associated with new calves entering the herd. These fair value adjustments are non-cash.
(6) In accordance with the accounting standard *AASB 141 Agriculture*, the value changes that determine gross margin occur prior to the point of sale. As the asset is always biologically changing no sales margin emerges under the accounting standard.
(7) Includes a foreign exchange loss of $1,527,849 for the half year to September 2014, compared to a foreign exchange gain of $165,479 in the prior corresponding period.
(8) The operating expenses include Northern Beef operations. The increase in operating expenses across the group has been impacted by the increase in activity in the Northern Beef segment, where expenses have increased by $1,966,000 from $1,081,000 in the prior corresponding period to $3,047,000.
(9) EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation) are non-IFRS financial information and have not been reviewed by the Company's auditors.

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

- Statutory EBITDA per the statutory accounts (refer page 5 for definition).
- Operating EBITDA, a measure that uses a standard cost as a proxy for the cost of live cattle sales rather than utilising market valuations, which are subject to volatility and can distort the underlying cost of production. Operating EBITDA assumes all inventory is valued on a $/kg lwt[1] basis. The standard cost used is based on a 5 year average of production and cost data. The standard cost used is $0.85/kg lwt for all stock in the Grassfed and Northern Beef segments; in the Grainfed segment a range of $1.75/ kg lwt to $3.25/kg lwt based on Wagyu content. The effect of the calf accrual has been eliminated from the cost of sales at standard, which is an accrual for calves born but not yet branded.

Under the Operating EBITDA methodology, the difference between market price and standard cost are not realised until the point of sale, as opposed to Statutory EBITDA where the effect of market price movements are reflected at the balance date. Therefore, the tables below imply that at 30 September 2014 there was a $3.6 million 'unrealised gain' driven by a mixture of inventory changes and market prices changes as opposed to at 30 September 2013 where there was a $30.9 million 'unrealised loss'.

Operating EBITDA 6 months to 30 Sep 2014	**Grainfed $'000**	**Grassfed $'000**	**Nth. Beef $'000**	**Corporate $'000**	**Total $'000**
Sales	127,132	23,864	-	-	150,996
Sundry Income	1,226	766	-	454	2,446
Cost of Live Cattle Sales at Standard	(4,311)	(11,170)	-	-	(15,481)
Cost of Meat sold	(105,898)	-	-	-	(105,898)
Other cost of sales	(1,268)	8,866	(29)	-	7,569
Operating expenses	(11,799)	(21,993)	(3,000)	(11,030)	(47,822)
Operating EBITDA[2]	**5,082**	**333**	**(3,029)**	**(10,576)**	**(8,190)**
Reconciliation to net loss after tax:					
Operating EBITDA	**5,082**	**333**	**(3,029)**	**(10,576)**	**(8,190)**
Difference between the movement of inventory valued at standard as opposed to market[3]	3,873	(215)	-	-	3,658
Statutory EBITDA	**8,955**	**118**	**(3,029)**	**(10,576)**	**(4,532)**
Depreciation	(1,846)	(3,799)	(18)	(792)	(6,455)
Change in fair value of property	-	-	-	-	-
Statutory EBIT	**7,109**	**(3,681)**	**(3,047)**	**(11,368)**	**(10,987)**
Net finance costs					(8,378)
Income tax benefit					5,777
Net loss after tax					**(13,588)**

Operating EBITDA 6 months to 30 Sep 2013	**Grainfed $'000**	**Grassfed $'000**	**Nth. Beef $'000**	**Corporate $'000**	**Total $'000**
Sales	108,935	57,737	-	-	166,672
Sundry Income	4,236	800	43	102	5,181
Cost of Live Cattle Sales at Standard	(20,939)	(35,752)	(2,043)	-	(58,734)
Cost of Meat sold	(76,735)	-	-	-	(76,735)
Other cost of sales	5,254	3,111	2273	-	10,638
Operating expenses	(11,468)	(19,827)	(1,106)	(12,989)	(45,390)
Operating EBITDA[2]	**9,283**	**6,069**	**(833)**	**(12,887)**	**1,632**
Reconciliation to net loss after tax:					
Operating EBITDA	9,283	6,069	(833)	(12,887)	1,632
Difference between the movement of inventory valued at standard as opposed to market[3]	(3)	(30,186)	(230)	-	(30,419)
Statutory EBITDA	**9,280**	**(24,117)**	**(1,063)**	**(12,887)**	**(28,787)**
Depreciation	(1,799)	(2,944)	(18)	(246)	(5,007)
Change in fair value of property	-	-	-	-	-
Statutory EBIT	7,481	(27,061)	(1,081)	(13,133)	(33,794)
Net finance costs					(12,337)
Income tax benefit					14,512
Net loss after tax					**(31,619)**

(1) lwt = live weight, cwt = carcase weight, sw = shipped weight of beef
(2) Operating EBITDA is non-IFRS financial information and has not been audited or reviewed by the Company's auditors.

(3) The difference is calculated by replacing the movement of kilograms of cattle held within each vertical at the market value by the standard cost as outlined in the definition of Operating EBITDA on page 6).

Grainfed Segment

Sales

Volume sales of both Wagyu and Shortfed branded beef have increased in line with the company's strategy of adding value by increasing the quantity of cattle we process and sell as branded beef. Strong global demand and the depreciating Australian Dollar have led to increases in prices across both the Wagyu and Shortfed programs.

Live sales of cattle to third parties from the feedlots has significantly reduced, in line with our strategy of maximising value adding activities.

	6 months to 30 Sep 2014	6 months to 30 Sep 2013
Wagyu revenue - $ mil	67.0	54.9
Wagyu kilograms sold – mil kg sw	5.5	4.7
Wagyu sold - $/kg sw	12.18	11.68
Shortfed/Other revenue - $ mil	48.5	29.0
Shortfed/Other kilograms sold – mil kg sw	6.5	4.3
Shortfed/Other sold - $/kg sw	7.43	6.82
Live cattle sales kg lwt mil	2.0	10.5

Production and sourcing

Production in the vertical is relatively stable compared to the prior corresponding period. Our ability to produce significantly more weight is constrained by our existing feedlot capacity. We are currently in the process of exploring models which would increase our feedlot capacity.

Any shortfall in production based customer demand is supplemented by purchasing finished cattle from third parties for abattoir processing and store cattle for backgrounding and feedlot operations. The strong demand from both the Wagyu and Shortfed sales programs has been met by an increase in both finished and store cattle purchasing in the period.

	6 months to 30 Sep 2014	6 months to 30 Sep 2013
Kilograms produced – mil kg lwt	12.2	12.1
Finished cattle purchases – mil kg cwt	6.2	3.5
Store cattle purchases – mil kg lwt	9.6	4.3

The continuing dry conditions in Queensland have increased grain and fodder costs as farmers reduced plantings and crop yields declined. These seasonal conditions have increased grain costs for the feedlot operations which in turn increased costs of production to $3.64/kg lwt in the half year.

These dry conditions also negatively affected demand in the store and re-stocker markets as buyers wait for spring rain and better pastures before committing to restocking programmes. This, combined with a shift towards shortfed cattle, is reflected in the lower purchase price of store cattle in the six months to September 2014. However heavier finished cattle are achieving higher prices as processors respond to increased export demand and maintain efficient volumes through processing plants. To meet the market, finished cattle purchases have risen to $4.22 in the half year to September 2014

	6 months to 30 Sep 2014	6 months to 30 Sep 2013
Processing cost - $/kg cwt	1.13	1.13
Cost of production - $/kg lwt	3.50	3.27
Finished cattle purchases - $/kg cwt	4.22	3.72
Store cattle purchases - $/kg lwt	2.53	2.95

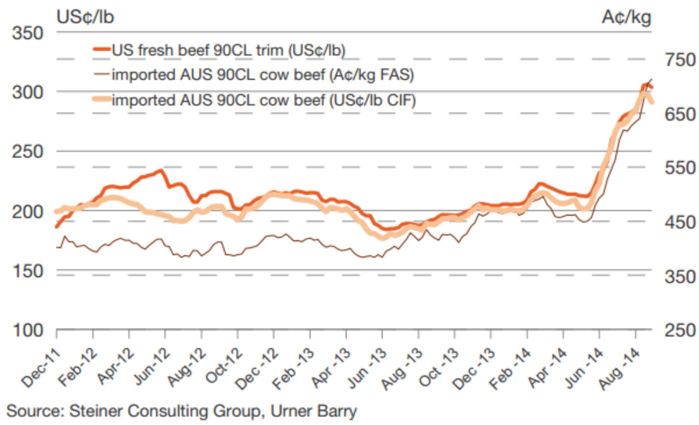
Farming

The improved farming sales in the half year were driven predominantly by cotton sales, however going forward farming operations will be increasingly focused on providing cattle fodder and grain feed, to maximise the effectiveness of the group's supply chain.

Northern Beef Segment

The construction phase of the Livingstone Beef facility is now complete and management is focused on ramping up and optimising operations. A core team have been employed and the plant will begin to ramp-up its operations over the coming months. Since the original business case for the plant was first developed, there has been a significant improvement in manufacturing meat prices (see chart below) which are being underpinned by improved fundamentals for US beef producers who are rebuilding their herds. In recent months we have been working hard to strengthen relationships with potential offtake customers.

Figure 1: US 90 CL cow beef prices



Source: Steiner Consulting Group, Urner Barry

Operating expenses in the segment have increased as we have moved closer to commercial operations. Income will begin to be generated in the 2nd half of FY15 and will ramp-up in line with production.

	6 months to 30 Sep 2014	6 months to 30 Sep 2013
Operating expenses - $mil	3.0	1.1

Grassfed Segment

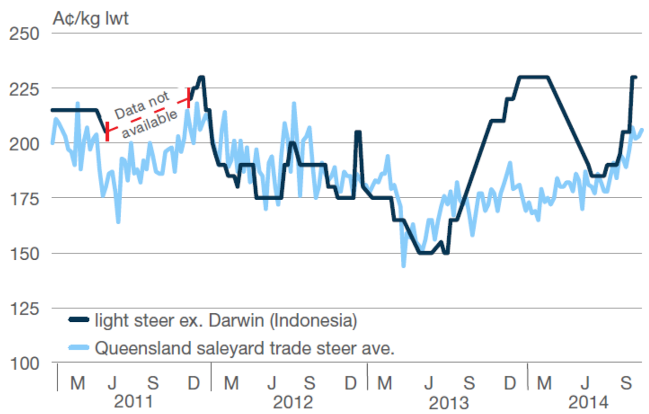
Cattle sales

Cattle sales have substantially reduced as a result of a management decision to take advantage of improved pasture conditions. This reduction in sales combined with increased purchasing activity has led to a substantial rebuilding of our Grassfed herd.

Indonesian import quotas are the main driver of live export demand and prices. After several volatile years, import demand driven by both Indonesian, and now other new entrants, have seen the number of exported cattle return to the levels seen before the live export suspension in 2011. Combined with drought induced destocking across the North in recent years this has led to live export prices reaching historical highs.

In the grass-finished market, a shortage of cattle and strong global meat prices have driven up prices. Re-stocker demand has been muted but will likely strengthen significantly if a good wet season transpires in Northern Australia.

Figure 2: Australian saleyard and live export cattle prices



Source: MLA's NLRS, Landmark

	6 months to 30 Sep 2014	6 months to 30 Sep 2013
Revenue - $ mil	23.9	57.7
Cattle sold externally – mil kg lwt	13.4	43.7
Revenue - $/kg lwt	1.78	1.32

Production and sourcing

Store cattle have been purchased in response to the increased demand and higher prices in the live export markets and to augment the northern herds for the Livingstone Beef facility requirements. In the current period, AACo entered into a lease of Leopold Downs in WA from the Bunuba Cattle Company and as part of the transaction have purchased 16,000 store cattle on station. The majority of the purchase program is complete for this financial year.

Tighter cost controls and lower stocking rates after the wet season have reduced cost of production to $1.36/kg lwt for the six months to September 2014.

	6 months to 30 Sep 2014	6 months to 30 Sep 2013
Kilograms produced – mil kg lwt	29.2	31.2
Cost of production - $/kg lwt	1.36	1.53
Store cattle purchased – mil kg lwt	14.8	0.8
Store cattle purchase price - $/kg lwt	1.27	1.79

Branded Herd Profile and Movements

The closing herd size has increased by 107,893 (31.6 kg lwt mil) head in the half. This has been driven by a significant increase in the cattle purchase program and decrease in cattle sales in the half following a sustained period of destocking on the back of poor climatic conditions. These cattle purchases are being carried out in a disciplined manner and all have predefined terminal markets, for example into live export, for processing in the Livingstone Beef facility or our Grainfed programs.

There has been a reduction in sales of live cattle from our Grainfed segment and cattle being value-added through processing has increased.

Weight gains are stable across the herd, impacted largely by the overall herd size and pasture conditions, however we continue to look at opportunities to improve weight gain outcomes through a focussed genetics program.

Branding rates are down on the prior corresponding period due to a marginally smaller breeding herd but also as a lag effect of previous poor climatic conditions.

Head	6 months to 30 September 2014			6 months to 30 September 2013		
	Grainfed	Grassfed	Total	Grainfed	Grassfed	Total
Opening balance	**84,274**	**382,741**	**467,015**	**93,593**	**458,932**	**552,525**
Natural increase	2,925	101,081	**104,006**	3,421	131,326	**134,747**
Purchases	28,438	51,344	**79,782**	12,296	2,157	**14,453**
Cattle attrition and rations	(866)	(7,611)	**(8,477)**	(981)	(6,714)	**(7,695)**
External cattle sales	(4,049)	(32,194)	**(36,243)**	(21,551)	(123,210)	**(144,761)**
Forwarded for value-adding[1]	(30,659)	(516)	**(31,175)**	(27,756)	-	**(27,756)**
Internal transfers	29,901	(29,901)	**-**	48,818	(48,818)	**-**
Closing balance	**109,964**	**464,944**	**574,908**	**107,840**	**413,673**	**521,513**
Closing balance consists of:						
Breeding and stud cattle	13,866	282,196	**296,062**	11,910	294,184	**306,094**
Trading and feedlot cattle	96,098	182,748	**278,846**	95,930	119,489	**215,419**

Kilograms live weight mil	6 months to 30 September 2014			6 months to 30 September 2013		
	Grainfed	Grassfed	Total	Grainfed	Grassfed	Total
Opening balance	**35.5**	**142.4**	**177.9**	**41.0**	**172.3**	**213.3**
Weight produced	12.2	29.2	**41.4**	12.1	31.2	**43.3**
Purchases	9.6	14.8	**24.4**	4.2	0.7	**4.9**
Cattle attrition and rations	-	(0.1)	**(0.1)**	-	(0.1)	**(0.1)**
External cattle sales	(2.1)	(13.2)	**(15.3)**	(10.5)	(43.7)	**(54.2)**
Forwarded for value-adding	(18.6)	(0.2)	**(18.8)**	(17.0)	-	**(17.0)**
Internal transfers	8.2	(8.2)	**-**	12.3	(12.3)	**-**
Closing balance	**44.8**	**164.7**	**209.5**	**42.1**	**148.1**	**190.2**
Closing balance consists of:						
Breeding and stud cattle	5.6	113.7	**119.3**	4.8	113.8	**118.6**
Trading and feedlot cattle	39.2	51.1	**90.3**	37.3	34.3	**71.6**

(1) These cattle are processed and on-sold as branded beef by AACo

Corporate Operating Expenses

Corporate operating expenses have decreased by $2.0m compared with the prior corresponding period driven by a reduction in the employee bonus provision. AACo continues to monitor overhead expenses, and drive productivity measures.

Cattle fair value adjustments

The table below reconciles the cattle fair value adjustments through the Consolidated Income Statement:

	6 months to 30 Sep 2014 $000	6 months to 30 Sep 2013 $000
Unrealised cattle market price movements	5,641	5,562
Other cattle fair value adjustments	69,138	38,581
Total cattle fair value adjustments	**74,779**	**44,143**

Market value adjustments arising from market price changes to the herd values at the close of the period resulted in an unrealised cattle price gain of $5.6m, driven by an increase in cattle market prices.

Other cattle fair value adjustments have increased due to the increase in the size of the herd occurring in the context of increasing market prices.

Capital Structure

The Group's gearing ratio has increased to 31.4% as at 30 September 2014 compared to 23.2% as at 31 March 2014.

	30 Sep 2014 $000	31 Mar 2014 $000
Debt:		
Current interest-bearing loans and borrowings	5,036	4,332
Non-current interest-bearing loans and borrowings		
Obligations under finance leases	9,143	7,850
Bank loan facility(1)	250,000	200,000
Convertibles notes(1)	80,000	80,000
Bank guarantees	1,604	2,492
Cash:	(11,640)	(69,194)
Net debt	**334,143**	**225,480**
Total equity	**731,511**	**747,780**
Total capital employed	**1,065,654**	**973,260**
Gearing (net debt / net debt + equity)	**31.4%**	**23.2%**

(1) The gearing ratio is calculated utilising the face value of the bank loan facility and convertible notes.

Net Tangible Assets

The Group's net tangible assets per share was $1.37 as at 30 September 2014, compared to $1.40 as at 31 March 2014. Net tangible assets of the Company include leasehold land assets.

Dividends

There were no dividends declared or paid during the six months to 30 September 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 profitable and positive operational cashflows, the Directors will review dividend policy and payments.

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.

AACo is transforming itself from a production-led pastoral Company into a vertically integrated business which is responsive to the demands of its global customers. A first step of this transformation is the development of the Livingstone Beef 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 exploring models which minimise the capital required to implement its vertical integration strategy. AACo continues to monitor its existing property portfolio and buy or sell property, only when such a move is deemed to be core to its strategy. The result of which was the acquisition of the Pell and Tortilla land aggregation during the period.

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 frontline staff on the station and overseen by relevant General Managers. Appropriate insurance coverage is maintained in respect of the business, properties and assets.

The Company seeks to further reduce risk through vertical supply chain integration, through the Livingstone Beef facility. Price risks are managed, where possible, through forward sales of branded beef and over-the-counter foreign exchange derivatives.

EVENTS AFTER THE BALANCE SHEET DATE

AACo is party to a class action claim filed in the Federal Court on 27 October 2014 in relation to losses suffered due to the Federal Government's suspension of live cattle exports to Indonesia that occurred in 2011. The action was launched in order to seek compensation as a result of the ban.

Building a better
working world

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 review of the financial report of Australian Agricultural Company Limited for the half-year ended 30 September 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

Mark Hayward
Partner
Brisbane
19 November 2014

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

Donald McGauchie AO
Chairman

Sydney
19 November 2014

	6 months to 30 Sep 2014 $000	6 months to 30 Sep 2013 $'000
Revenue		
Meat sales	115,476	83,925
Cattle sales	28,188	78,542
Crop income	7,332	4,205
	150,996	166,672
Cost of meat sold	(105,898)	(76,735)
Cattle expenses	(17,744)	(24,150)
Feedlot cattle expenses	(25,320)	(16,576)
Crop costs	(7,781)	(3,390)
	(5,747)	45,821
Deemed cost of cattle sold	(28,188)	(78,542)
Cattle fair value adjustments	74,779	44,143
Gross operating margin	40,844	11,422
Other income	2,446	5,181
Expenses		
Administration and other non-station operating costs	(11,281)	(8,826)
Depreciation	(6,455)	(5,007)
Employee expenses	(20,675)	(21,447)
Lease and property related costs	(4,374)	(3,998)
Station operating costs	(11,492)	(11,119)
Loss before finance costs and income tax expense	(10,987)	(33,794)
Net finance costs	(8,378)	(12,337)
Loss before income tax	(19,365)	(46,131)
Income tax benefit	5,777	14,512
Net loss after tax	(13,588)	(31,619)
	Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the parent		
Basic loss per share	(0.03)	(0.07)
Diluted loss per share	(0.03)	(0.07)

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

Consolidated Statement of Comprehensive Income
For the half-year ended 30 September 2014

	6 months to 30 Sep 2014 $'000	6 months to 30 Sep 2013 $'000
Loss for the period	(13,588)	(31,619)
Other comprehensive income		
Items that will not be reclassified subsequently to profit and loss:		
Tax adjustment relating to revalued assets	-	(8,716)
Items that may be reclassified subsequently to profit and loss:		
Changes in the fair value of cash flow hedges	(2,757)	131
Other comprehensive income/(loss) for the period, net of tax	(2,757)	(8,585)
Total comprehensive income/(loss) for the period, net of tax	(16,345)	(40,204)

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

Consolidated Statement of Financial Position
As at 30 September 2014

	Note	30 Sep 2014 $'000	31 Mar 2014 $'000
Current assets			
Cash and cash equivalents		11,640	69,194
Trade and other receivables		15,776	12,621
Inventories and consumables		27,759	26,411
Biological assets - livestock		197,963	144,765
Derivative financial instruments	5	-	929
Other assets		2,331	2,173
Total current assets		255,469	256,093
Non-current assets			
Biological assets - livestock		225,332	238,282
Property, plant and equipment	3	650,285	605,694
Total non-current assets		875,617	843,976
Total assets		1,131,086	1,100,069
Current liabilities			
Trade and other payables		34,280	38,242
Provisions		3,677	3,059
Interest bearing loans and borrowings	4	5,036	4,332
Derivative financial instruments	5	3,476	4,009
Total current liabilities		46,469	49,642
Non-current liabilities			
Provisions		2,058	1,976
Interest bearing loans and borrowings	4	330,267	278,029
Derivative financial instruments	5	4,813	-
Deferred tax liabilities		15,968	22,642
Total non-current liabilities		353,106	302,647
Total liabilities		399,575	352,289
Net assets		731,511	747,780
Equity			
Contributed equity	6	460,744	460,510
Reserves		302,947	305,862
(Accumulated losses)/Retained earnings		(32,180)	(18,592)
Total equity		731,511	747,780

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

Consolidated Statement of Changes in Equity

For the half-year ended 30 September 2014

	Note	Contributed equity $000	Reserves $000	Retained Earnings/ (Accumulated losses) $000	Total equity $000
At 1 April 2013		239,473	334,639	21,306	595,418
Loss for the period		-	-	(31,619)	(31,619)
Other comprehensive income/(loss)		-	(8,585)	-	(8,585)
Total comprehensive income/(loss) for the period		-	(8,585)	(31,619)	(40,204)
Transactions with owners in their capacity as owners:					
Shares issued	6	100,797	-	-	100,797
Transaction costs on share issue		(3,267)	-	-	(3,267)
Cost of share-based payment		-	(292)	-	(292)
At 30 September 2013		337,003	325,762	(10,313)	652,452
At 1 April 2014		460,510	305,862	(18,592)	747,780
Loss for the period		-	-	(13,588)	(13,588)
Other comprehensive income/(loss)		-	(2,757)	-	(2,757)
Total comprehensive income/(loss) for the period		-	(2,757)	(13,588)	(16,345)
Transactions with owners in their capacity as owners:					
Issue of performance rights from share-based payment reserve	6	234	(234)	-	-
Cost of share-based payment		-	76	-	76
At 30 September 2014		460,744	302,947	(32,180)	731,511

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

Consolidated Statement of Cash Flows
For the half-year ended 30 September 2014

	Note	6 months to 30 Sep 2014 $'000	6 months to 30 Sep 2013 $'000
Cash flows from operating activities			
Receipts from customers		147,112	165,209
Payments to suppliers, employees and others		(216,037)	(158,212)
Interest received		266	316
Net GST received from ATO		17,126	5,180
Net operating cash flows before interest and finance costs		(51,533)	12,493
Payment of interest and finance costs		(3,842)	(13,496)
Net cash outflow from operating activities	7	(55,375)	(1,003)
Cash flows from investing activities			
Payments for property, plant and equipment and other assets		(52,205)	(15,716)
Proceeds from sale of property, plant and equipment		197	32,599
Net cash flows (outflow) / inflow from investing activities		(52,008)	16,883
Cash flows from financing activities			
Proceeds from issue of shares net of transaction costs	6	-	100,796
Transaction costs on issue of shares		-	(3,182)
Proceeds from borrowings net of transactions costs		49,829	10,000
Repayment of borrowings		-	(107,536)
Net cash inflow from financing activities		49,829	78
Net (decrease)/increase in cash and cash equivalents		(57,554)	15,958
Cash and cash equivalents at the beginning of the period		69,194	11,248
Cash and cash equivalents at the end of the period		11,640	27,206

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

1. Basis of preparation and accounting policies

(a) Corporate Information

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

(b) Basis of preparation

This general purpose condensed financial report for the half-year ended 30 September 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the financial report for the year ended 31 March 2014 and considered together with any public announcements made by Australian Agricultural Company Limited during the half-year ended 30 September 2014 in accordance with the continuous disclosure obligations of the ASX listing rules.

Throughout the six months to 30 September 2014, prior period comparatives have been reclassified to conform with current year presentation. The asset revaluation reserve and retained earnings at 1 April 2013 have been amended to reflect a revaluation tax adjustment relating to a prior period.

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the twelve month period ended 31 March 2014.

During the period a new class of property, plant and equipment, industrial land and buildings, has been recognised. Industrial land and buildings are carried at historical cost. The industrial land and buildings relates to the Livingstone Beef facility which was previously recorded in capital work in progress and the recent Pell and Tortilla aggregation acquisition. The remainder of the property, plant and equipment continues to be accounted for in accordance with the accounting policies at 31 March 2014.

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

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

2. Segment reporting

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (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 Managing Director on at least a monthly basis.

Reportable segments

The change in segments in the current reporting period reflects the change in company strategy from a pastoral company to a vertically integrated business. As a result, the basis of segmentation has changed from Finished and Store Cattle, Farming, Branded Beef and Meat Processing to reflect the products of Grainfed, Grassfed, Northern Beef and Corporate.

Segment	Product type
Grassfed	The Grassfed segment largely sells cattle live and over the hook to domestic and overseas markets. The segment also sells cattle inter-segmentally to the Northern Beef Grainfed segment. The segment covers production on the Darwin, VRG, Barkly, Channel and Gulf properties.
Grainfed	The Grainfed segment's focus is on supplying premium grain finished beef to international customers. The segment consists of Central South Queensland properties, feedlots, farming operations supplying grain to the feedlots and the marketing arm of Branded Beef.
Northern Beef	Northern Beef will sell manufacturing and primal cut meat primarily to overseas customers. Northern Beef contains the Livingstone Beef facility along with selling and purchasing activities.
Corporate	Costs associated with shared services, centralised management and governance.

2. Segment reporting (continued)

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

The following table presents the revenue, profit and asset information regarding operating segments for the six months to 30 September 2014 and 30 September 2013. Segment liabilities are not reported to the Managing Director and therefore segment liabilities are not disclosed.

	Grainfed $'000	Grassfed $'000	Nth. Beef $'000	Corporate $'000	Eliminations $'000	Total $'000
30 September 2014						
Segment revenue	127,132	40,157	-	-	-	167,289
Inter-segment revenue	-	(16,293)	-	-	-	(16,293)
Revenue from external customers	127,132	23,864	-	-	-	150,996
Segment gross margin	19,524	21,345	(25)	-	-	40,844
Segment result (EBITDA) (1)	8,955	118	(3,029)	(10,576)	-	(4,532)
Segment result (EBIT) (1)	7,109	(3,681)	(3,047)	(11,368)	-	(10,987)
Net finance costs						(8,378)
Income tax benefit						5,777
						13,588
30 September 2013						
Segment revenue	109,735	80,034	-	-	-	189,769
Inter-segment revenue	(800)	(22,297)	-	-	-	(23,097)
Revenue from external customers	108,935	57,737	-	-	-	166,672
Segment gross margin	16,512	(5,090)	-	-	-	11,422
Segment result (EBITDA) (1)	9,280	(24,117)	(1,063)	(12,887)	-	(28,787)
Segment result (EBIT) (1)	7,481	(27,061)	(1,081)	(13,133)	-	(33,794)
Net finance costs						(12,337)
Income tax benefit						14,512
						(31,619)
Total segment assets						
30 September 2014 (2)	288,349	720,521	98,345	23,871	-	1,131,086
31 March 2014 (2)	261,564	695,627	60,031	82,847	-	1,100,069

(1) EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation) are non-IFRS financial information and have not been audited or reviewed by the Company's auditors.

(2) The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

3. Property, plant and equipment

Livingstone Beef
The construction of the Livingstone Beef facility continued throughout the six months to 30 September 2014. During the period, $32.0 million of construction costs were capitalised to the facility (six months to 30 September 2013 : $7.3 million). In addition, $2.0 million of capitalised borrowing costs were also capitalised to the facility construction costs (six months to 30 September 2013: $1.0 million).

Acquisitions and disposals
During the six months ended 30 September 2014, the Group acquired assets with a cost of $49.3 million (six months to 30 September 2013: $16.9 million). The Livingstone Beef facility accounted for $32.0 million of acquisition (six months to 30 September 2013 : $7.3 million), along with the acquisition of the Pell and Tortilla aggregation for $8.4 million, both of which are accounted for as industrial land and buildings.

Assets with a net book value of $0.2 million were disposed of by the Group during the six months ended 30 September 2014 (six months to 30 September 2013: $30.9 million). Included in the disposals in the comparative period was the part sale of Goonoo Farm and Goonoo Station known as Adelong, Marilla and Rhudanna (profit of $2.2 million) and Brighton Downs (loss of $0.6 million). The result is an overall profit on disposals of $0.04 million (six months to 30 September 2013: $1.6 million).

During the six-month period ended 30 September 2014, the Directors reviewed the valuation of freehold land, pastoral leases, buildings and improvements recorded at 30 September 2014 and were of the opinion that there was no changes to the fair value of property values disclosed in the financial statements (six months to 30 September 2013: $ nil).

4. Interest-bearing loans and borrowings

	30 Sep 2014 $000	31 Mar 2014 $000
Current		
Obligations under finance leases	5,036	4,332
	5,036	4,332
Non-current		
Obligations under finance leases	9,143	7,850
$400,000,000 bank loan facility	248,303	198,247
Convertible notes	72,821	71,932
	330,267	278,029

The carrying value of the interest-bearing loans and borrowing approximates their fair value.

$400 million bank loan facility - secured
On 12 March 2014 the Group entered into a club financing facility of $400 million that expires on 30 June 2018. It is intended that the loans will be renewed at maturity date. This facility is currently drawn down by $250 million (31 March 2014: $200 million) and is offset in the statement of financial position by a prepaid facility participation fee of $1.7 million (31 March 2014: $1.8 million).

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 offset in the statement of financial position by the value of conversion at inception and prepaid fees of $7.2 million (31 March 2014: $8.1 million). No convertible notes were converted or redeemed to 30 September 2014 (31 March 2014: $nil).

Loan covenants
The Group complied with the bank loan covenants throughout the reporting period. As at 30 September 2014, the gearing ratio was 31.4% (31 March 2014: 23.2%).

Financing arrangements

$400 million bank loan and $9.2 million guarantee facility	30 Sept 2014 $000	31 Mar 2014 $000
Total	409,200	409,200
Drawn-down	(251,604)	(202,492)
Unused	157,596	206,708

5. Derivative financial instruments

As at 30 September 2014	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Current Liabilities				
Forward currency contracts – at fair value through the income statement	-	(543)	-	(543)
Forward currency contracts – at fair value through other comprehensive income	-	(1,568)	-	(1,568)
Interest rate swap contracts	-	(1,365)	-	(1,365)
	-	(3,476)	-	(3,476)
Non-Current Liabilities				
Embedded interest rate derivative in convertible note	-	(724)	-	(724)
Interest rate swap contracts	-	(4,089)	-	(4,089)
	-	(4,813)	-	(4,813)

As at 31 March 2014	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Current Assets				
Forward currency contracts – at fair value through the income statement	-	929	-	929
	-	929	-	929
Current Liabilities				
Interest rate swap contracts	-	(3,369)	-	(3,369)
Embedded interest rate derivative in convertible note	-	(640)	-	(640)
	-	(4,009)	-	(4,009)

The following valuation techniques used to determine fair values:

Level 1: The fair value is calculated using quoted prices in active markets.
Level 2: The fair value is estimated using inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (as price) or indirectly (derived from prices).
Level 3: The fair value is estimated using inputs for the asset of liability that are not based on observable market data.

Forward currency exchange traded contracts
The Group has entered into forward currency exchange traded contracts which are economic hedges. Contracts entered into after 15 July 2014 have been accounted for as cashflow hedges. Contracts entered into before that date were economic hedges but do not satisfy the requirements for hedge accounting. Currencies forward contracted have maturities between 0 to 12 months. These contracts are in US dollars. The total notional value of these contracts at 30 September was AUD 45.2 million (31 March 2014: AUD 40.1 million). We value these contracts by comparing the contracted rate to the market rates for contracts with the same length of maturity.

Interest rate swaps
The Group has entered into interest rate swaps which are economic hedges. The swaps have been designated as effective interest rate swaps and therefore satisfy the accounting standard requirements for hedge accounting. The net fair value profit on interest rate swaps during the six months to 30 September 2014 was $5.5 million (30 September 2013 was $4.8 million). We fair value these contracts by comparing the contracted rate to the future market rates for contracts with the same length of maturity.

As at 30 September 2014, the notional principal amounts and period of expiry of the interest rate swaps are as follows:

	30 Sep 2014 $000	31 Mar 2014 $000
0-1 years	200,000	-
1-3 years	200,000	200,000

6. Equity securities issued

	6 months to 30 Sep 2014 Number of shares	6 months to 30 Sep 2013 Number of shares	6 months to 30 Sep 2014 $'000	6 months to 30 Sep 2013 $'000
Issue of ordinary shares during the period				
Share issue to institutional investors	-	100,796,516	-	100,797
Shares issued on exercise of performance rights	180,317	208,273	-	-
Transfer from share based payments reserve	-	-	234	-
	180,317	101,004,789	234	100,797

30 September 2014
On 30 April 2014 and 26 May 2014 the Company issued 147,964 and 32,353 shares respectively under the AACo performance rights plan for nil consideration.

30 September 2013
On 12 September 2013 the Company announced a fully underwritten 7 for 10 accelerated non-renounceable pro-rata entitlement offer conducted at an issue price of $1.00 per share to raise approximately $219.2 million and the issue of $80.0 million subordinated convertible notes. The institutional component of the offer was completed on 27 September 2013. The institutional offer raised $100.8 million from eligible institutional shareholders, other institutional investors and sophisticated investors. These costs were deducted from contributed equity. The retail component of the offer and convertible note placement were completed 16 October 2013.

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

Dividends
No dividend was declared or paid during the six months to 30 September 2014 (twelve months to 31 March 2014: $nil).

7. Cash flow statement reconciliation

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

	6 months to 30 Sep 2014 $'000	6 months to 30 Sep 2013 $'000
Net loss after income tax	(13,588)	(31,619)
Adjustments for:		
Depreciation	6,455	5,007
(Gain)/loss on sale of property, plant and equipment	(34)	(1,755)
Amortisation of borrowing costs	1,034	
Accruals in relation to capital projects	(5,217)	-
Non-cash employee costs	(76)	-
(Increment)/decrement in cashflow hedge reserve	2,757	-
(Increment)/decrement in net market value of livestock	(40,248)	48,097
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(3,155)	(1,923)
(Increase)/decrease in inventories	(1,348)	2,107
(Increase)/decrease in prepayments and other assets	(158)	(2,577)
(Decrease)/increase in trade and other payables	(3,962)	(3,288)
(Decrease)/increase in current tax liability	-	(4,363)
(Decrease)/increase in derivatives	(5,209)	(1,344)
(Decrease)/increase in provisions	700	804
(Decrease)/increase in deferred tax liabilities	6,674	(10,149)
Net cash used in operating activities	(55,375)	(1,003)

8. Commitments

Capital commitments

At 30 September 2014 the group had contractual commitments of $8,200,000 (31 March 2014: $26,347,000) for the construction of Livingstone Beef at Darwin, Northern Territory.

Other commitments

At 30 September 2014 the Group had $15,891,000 contractual obligations to purchase cattle (31 March 2014: $756,000). Forward purchase contracts for $19,483,000 worth of grain commodities were entered into at 30 September 2014 (31 March 2014: $21,990,000). These contracts are expected to be fulfilled and closed between October 2014 and October 2015.

We have entered into contracts for the purchase of information technology software with a commitment of $800,000 as at 30 September 2014 (31 March 2014: $630,000).

9. Related party disclosures

The following table provides the total amount of transactions that were entered into with related parties for the six months to 30 September 2014 and 30 September 2013.

	6 months to 30 Sep 2014 $	**6 months to 30 Sep 2013 $**
The following transactions occurred with GrainCorp Limited:		
Sales to GrainCorp Limited and related entities	-	301,670
Purchases from GrainCorp Limited and related entities	7,892,933	3,837,105
The following balances were outstanding at the end of the reporting period in relation to transactions with GrainCorp Limited:		
Current receivable	-	-
Current payable	1,642,978	124,567

In addition, at 30 September 2014 there are $9,332,000 of committed commodities purchases with GrainCorp Limited (31 March 2014: $8,725,000).

The following transactions occurred with Rosewood Pastoral Company:		
Purchases from Rosewood Pastoral Company and related entities	664,990	-
The following balances were outstanding at the end of the reporting period in relation to transactions with Rosewood Pastoral Company:		
Current payable	-	-

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. Mr D. Crombie, Director of AACo, is a Director of Rosewood Pastoral Company. Rosewood Pastoral Company entered into a sale transaction with the Group with respect to the cattle on commercial terms and conditions no more favourable than those available to other suppliers.

10. Events after the balance sheet date

AACo is party to a class action claim filed in the Federal Court on 27 October 2014 in relation to losses suffered due to the Federal Government's suspension of live cattle exports to Indonesia that occurred in 2011. The action was launched in order to seek compensation as a result of the ban.

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 Australian Agricultural Company Limited, I state that:

In the opinion of the Directors:

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

  (i) Giving a true and fair view of the financial position as at 30 September 2014 and the performance for the half-year ended on that date;

  (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

D. McGauchie AO
Chairman

Sydney
19 November 2014

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

To the members of Australian Agricultural Company Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Agricultural Company Limited, which comprises the consolidated statement of financial position as at 30 September 2014, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 September 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Agricultural Company Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2014 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

M J Hayward

Mark Hayward
Partner
Brisbane
19 November 2014

Company information

Company Secretary
Bruce Bennett

Registered Office
Principal Place of Business
Level 1, Tower A
Gasworks Plaza
76 Skyring Terrace
Newstead QLD 4006
Ph: (07) 3368 4400
Fax: (07) 3368 4401
www.aaco.com.au

Share Registry
Link Market Services Limited
324 Queen Street
Brisbane QLD 4000
Ph: 1300 554 474
www.linkmarketservices.com.au

AACo shares are quoted
on the Australian Securities
Exchange under listing
Code AAC.

Solicitors
King & Wood Mallesons
Level 33, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Bankers
National Australia Bank
Portfolio Management and Origination
Institutional Banking
Level 20, 100 Creek Street
Brisbane QLD 4000

ANZ
Consumer and Agribusiness
Level 20, 111 Eagle Street
Brisbane QLD 4000

Rabobank
Darling Park Tower 3
Level 16, 201 Sussex Street
Sydney NSW 2000

Commonwealth Bank
Regional and Agribusiness Banking
Level 10, 240 Queen Street
Brisbane QLD 4000

Auditors
Ernst & Young
Level 51
111 Eagle Street
Brisbane QLD 4000