Australian Agricultural Company Limited

2009 Annual Report

Contents

Annual General Meeting

The Annual General Meeting of the Company will be held at 10.00 am on Wednesday 19 May 2010 at The Powerhouse Museum, Coles Theatre, 500 Harris Street, Ultimo, Sydney NSW.

2010 Brisbane Shareholder Day

AACo will be holding a Shareholder Day for AACo investors to be held in Brisbane at 10am on Wednesday 26 May 2010, at The Riverside Auditorium, Level 5, Riverside Centre, 123 Eagle Street, Brisbane Qld 4000. The Shareholders' Day in Brisbane will provide you with an opportunity to come and ask questions of management and find out more about your Company.

About AAco

Australian Agricultural Company Limited (AAco) is one of the world's leading beef producers with more than 450,000 cattle on 19 stations, 2 feedlots and 2 farms (Wylarah and Goonoo) covering almost 6.7 million hectares in Queensland and the Northern Territory.

Established in 1824 by royal decree, AAco is the oldest agricultural company in Australia. The Company re-listed on the Australian Stock Exchange in 2001.

One of AAco's key competitive advantages is its production system, which delivers certainty of supply of high quality traceable beef to its customers in Australia and around the world.

Letter from the Board

The following letter is on behalf of the majority of the AAco Board.

Dear fellow shareholders,

As all shareholders are no doubt aware, 2009 was an extremely difficult year for AAco. Shareholders will justifiably be disappointed by the financial performance of the business and the unacceptable shareholder returns. The Board shares this disappointment.

The Company faced a confluence of extreme weather events which, combined with adverse market conditions during the year, seriously affected AAco's profitability and trading performance.

However, extreme weather is an unfortunate fact of life in Australia and something AAco's business model must be able to address. It is for this reason that the Board implemented a Strategic Review process, which aimed to review all aspects of the business, to determine what changes could be made to position the business to better manage risk, and to generate sustainable shareholder returns, both in cash flow and asset appreciation terms.

Annual Review

A Review of the performance of AAco in 2009, with reference to the 2008 and 2007 financial years, is also included in this report for shareholder information.

Management changes

In December 2009, the Board appointed both a new Chief Executive in David Farley and a new Chief Financial Officer in Kerrie Parker, with a clear direction to refocus the business on generating a cash return on assets employed. David Farley has continued to build his senior executive team and now has some talented individuals to assist in managing the business transition.

David Farley has played a critical role in finalising the Strategic Review and he and his team are now hard at work, driving the changes that will be required to position the business for the future. David Farley has provided more details on some of the initiatives that will be implemented in the years ahead, which are included in his subsequent report.

Board renewal

The Board underwent a process of renewal in 2009. Following the exit of the Company's former major shareholder, a reconstituted Board was elected at the Company's Annual General Meeting on 12 June 2009. Stephen Lonie was appointed Chairman along with several new Directors. Stephen Lonie was also subsequently appointed Executive Chairman, while the Board underwent a search for a new Chief Executive.

Stephen Lonie accepted the role of Chairman and subsequently Executive Chairman during a challenging period for the Company and at a time of great instability. He was mandated to stabilise the business while a new management team was appointed, to oversee the Strategic Review process, and to renegotiate the Company's debt facilities.

With the Strategic Review concluded, and a new Chief Executive in place, it was announced on 7 April 2010 that Stephen Lonie intended to step down from the role of Chairman in the near term. The Board has commenced a process to select a replacement Chairman.

Earnings guidance 2010

Given the volatility of the Company's key business drivers, the Board has determined not to offer any earnings guidance for 2010.

Dividend

Given the recent performance of the Company's business model, no cash dividend will be recommended for payment in the 2010 financial year.

Management

The past three years have been a difficult time for the Board and management, due to its major 43% shareholder actively seeking to exit the share register, as well as the extreme weather events.

The further distraction of a public debate over the proposed Tipperary acquisition exacerbated the lack of focus on operational matters that characterised the first half of 2009. With all this turmoil, the core management team in AAco continued to function well in difficult circumstances.

Letter from the Board (continued)

In August 2009, the Board made the difficult but important decision to terminate both its then Chief Executive and Chief Operating Officer and to seek the appointment of an operationally focused Chief Executive.

As previously mentioned, in December 2009, the Board appointed both a new Chief Executive in David Farley and a new Chief Financial Officer in Kerrie Parker.

The Board is satisfied that the management team is now well focused on the core objective and the many and varied challenges that face AAco in 2010. Significant effort has already gone into the development of the 2010 business plan and budget, which has now been finalised once the outcome of the northern wet season was known, as it has a major impact on what the Company can actually achieve in any annual cycle.

Senior management remuneration

Shareholders will note that the new Chief Executive Officer and Chief Financial Officer have been engaged on base fixed remuneration packages that are considered both competitive and realistic.

Apart from one executive who has been promoted, all other members of the senior management team have not received an increase in their base remuneration since 1 January 2008. Senior management did receive a short term incentive payment in May 2009, based on an evaluation of its performance in the 2008 year. However, the senior management team have already been advised that no salary increases will be paid in 2010 and no short term incentive (STI) has been or will be paid in regard to the 2009 year.

The Board is also currently in the process of restructuring the variable STI and long term incentive (LTI) arrangements for senior management and other qualifying personnel in the light of both aligning STI and LTI outcomes directly to the Company's business plan and budget, as well as addressing the change in taxation legislation that impacts on the structure of LTI arrangements generally.

These arrangements will be communicated to the market once they are settled in the next few months.

Shareholders

The year has also seen major changes in our share register, which has seen a significant new shareholder emerge on the Company's register.

In 2009, Elders departed the share register, with the IFFCO / Felda joint venture becoming AAco's major shareholder. The composition of the Company's share register also changed significantly in other areas, with approximately 53% of the Company's shares now owned by international shareholders.

The Board would like to welcome shareholders that have invested in AAco in the past year and also thank all shareholders for their ongoing support during these trying times.

An international perspective

Despite the recent problems AAco has faced, the Board is confident that the right changes in the business model will enable AAco to be well positioned to play an important role in Australian agribusiness into the future.

From a global perspective, the key drivers for long term growth of the red meat industry are all extremely positive. The demand for red meat is expected to double by 2050, with total food demand likely to increase by more than 70%. The increasing global demand will be supported by broad macro trends in the global economy and improvements in diet, as emerging economies continue to shift from grain-based diets to protein-based diets, with an increased consumption of meat.

The Australian beef cattle herd is well placed to profitably meet this increasing global demand as a reliable supplier of high quality, safe meat products. With the right strategies and business structures in place, the Board is confident AAco will profit from these macro drivers and deliver value to shareholders and the Australian community.

However, shareholder will need to be patient while this transition in the business model is implemented.

Conclusion

AAco is the second oldest business in Australia and has a proud history.

The Board and management respect this legacy, but also are mindful that any corporation is only relevant if its serves a commercial purpose and generates an appropriate return for its investors, as AAco has done since 1824 when it first commenced business.

The proposed evolution of the Company's current business model shows that this ambition rests firmly with your Board and management. After several extremely challenging years, and a thorough Strategic Review process, we are confident the right steps are now being taken to improve performance in 2010 and ensuing years.

Annual Review – 2009

The year in review

In summary, the 2009 year delivered a poor outcome for the Company's shareholders. The key drivers of this performance were:

- The flow on of significant impacts of the 2008 drought and early 2009 floods in northern Australia.
- The impact of the Global Financial Crisis on the Company's trading partners, particularly in South Korea, where credit terms all but disappeared in the first half of the year.
- The poor market conditions for the 100 day grain fed product, particularly in the last three months of the year, which also impacted on year end mark to market valuations.
- The continuing level of debt.
- The need to replenish the Barkly Tableland region with cattle, due to severe drought throughout the region in 2008 and the sale of cattle as part of the drought mitigation process.
- The impact of the sale of a number of AACo's major properties in Northern Australia in 2009, thus reducing the overall breeding herd and cattle numbers.

The significant impact of weather incidents is incurred both in the actual year and subsequent years, as the impacts often flow over due to the lead time necessary to affect the recovery process.

In particular, whilst the early 2009 season in northern Australia was favourable, the Company had not had the opportunity to replenish its herd after the devastating 2008 drought. As a result the Company was not in a position to fully benefit from the improved conditions.

Key 2009 business events

In the first half of 2009, AAco sold a number of its northern pastoral properties, with these property and cattle sales being made at 31 December 2008 book values. The cattle sales included with these property sales are included as net cattle sales for the first half of 2009, but did not contribute any net cattle revenue contribution, as these cattle were sold at 31 December 2008 book values.

Of the total $180.4m raised through the sale of these properties, $136.8m was applied to reduce the Company's debt and the remaining $43.6m used to restock the Company's properties across the Barkly Tableland and meet its ongoing operating and interest expenses.

Much of the first half of the year also involved the sale of the Elders' 43% shareholding in AAco. As part of this process, the then Board also put forward a proposal to acquire the Tipperary property in the Northern Territory, which was defeated at an Extraordinary General Meeting of the Company on 27 April 2009.

A reconstituted Board was then elected at the Company's Annual General Meeting on 12 June 2009.

Annual Review – 2009 (continued)

The major focus for 2009 since that date was on the following key issues:

- The need for operational focus and leadership, such that the Board ended the employment of the then Chief Executive and Chief Operating Officer on 11 August 2009. A comprehensive executive search process followed, culminating in the appointment of a new Chief Executive and Managing Director, David Farley, who commenced on 1 December 2009.
- The obligation to refinance a significant tranche of its then debt facility in January 2010, which created the need to renegotiate the Company's debt facilities in less than favourable financial market conditions. This $330m debt refinancing was completed as a "club arrangement' with three of Australia's major banks, NAB, ANZ and CBA, on 30 November 2009, with the refinancing drawdown completed on 14 December 2009. The ability to refinance this debt facility in difficult market conditions is testament to the quality of the Company's asset base, but these new facilities came at a higher cost, as a consequence of general conditions in the debt market post the Global Financial Crisis.
- Within the constraints of its cash resources, the need to manage the restocking of its breeding herd, as well as buying trade cattle to take advantage of the favourable late season in northern Australia.
- The live export and Wagyu markets remained relatively sound, in comparison to a poor domestic and international market in the Company's main product line of 100 day grain fed beef.

The 2009 results

The 2009 financial year is depicted in the following table detailing the composition of the 2009 result by way of a comparison of the two half years:

Item	Six months to 30 June 2009	Six months to 31 December 2009	Full year to 31 December 2009
Revenues	$m	$m	$m
Cattle revenue (net)	$22.786	$24.082	$46.868
Beef revenue (net)	$6.874	$6.546	$13.420
Other revenue	$3.851	$2.550	$6.401
Total net revenue	$33.511	$33.178	$66.689
Expenses			
Employees	$14.428	$14.205	$28.633
Cattle	$7.181	$9.471	$16.652
Feedlots	$15.842	$15.282	$31.124
Fuel	$3.360	$3.168	$6.528
Other operating expenses	$18.204	$13.074	$31.278
Administration	$7.065	$6.689	$13.754
Total expenses	$66.080	$61.889	$127.969
Earnings (loss) from operations	($32.569)	($28.711)	($61.280)
Interest and finance costs	$8.280	$7.249	$15.529
Profit (loss) from continuing operations	($40.849)	($35.960)	($76.809)

Key drivers of performance

The following key factors impacted on the performance of AAco:

Item	2009	2008	2007
Rainfall (mm) *			
Barkly Tablelands properties	698	118	349
Gulf properties	1062	422	504
Victoria River properties	896	708	624
Central Queensland properties	456	521	317
Feed grain costs			
Average cost per tonne of consumed grain	$200.02	$242.36	$215.44
Diesel			
Average international oil prices	US$62.46	US$99.16	US$73.20
Annual operating cost in $A	$4.538 m	$7.346 m	$4.501 m
Australian dollar			
Average exchange rate US$	$0.7924	$0.8530	$0.8390
High point US $	$0.9405	$0.9849	$0.9400
Low point US$	$0.6247	$0.6005	$0.7671
Interest cost			
Average interest rate	8.09%	8.44%	6.50%
Total interest cost	$28.864 m	$33.311 m	$27.808 m
Beef markets			
QCMI Index (points)	170.3	181.2	175.4
EYCI Index (c/kg cwt)	317.04	334.05	317.60
Average Darwin export prices	$598	$544	$624

* Note that this rainfall is for the period 1st October – 30th September each year, as this rainfall pattern impacts on the annual production cycle of the business.

This table reveals:

- The adverse rainfall pattern in the Barkly Tableland and Gulf Regions in 2008, in comparison to 2009.
- The impact of the USD oil price on diesel operating expenses.
- The extreme volatility of the AUD/USD exchange rate, during a year of global economic turmoil, noting that the USD is the basis for all international beef commodity pricing.
- The high cash costs of debt obligations. Whilst the Company reduced overall debt levels in 2009, the higher interest costs resulted in increased actual interest costs.
- The variation in domestic beef cattle prices, as reflected by the benchmark measures.

Annual Review – 2009 (continued)

Beef production 2009

Beef production for the year, in comparison to the 2008 and 2007 years, is summarised in the following table, which tracks cattle numbers:

Item	2009	2008	2007
	Head	Head	Head
Opening balance	590,382	588,180	556,478
Plus			
Natural increases	107,800	160,903	165,689
Actual branding % (based on opening breeders)	53%	67%	74%
Purchases	56,320	34,535	56,368
Calf accrual at year end	64,493	100,266	20,829
Less			
Cattle sales *	176,328	252,354	181,943
Cattle losses and rations	34,725	20,319	23,121
Calf accrual at year opening	100,266	20,829	6,120
Closing balance, consisting of:	507,676	590,382	588,180
Breeding	290,541	362,686	325,278
Non breeding	217,135	227,696	262,902
Total kilograms of beef produced in the year	50.875 m kg	63.070 m kg	75.498 m kg
Valuation of cattle herd at year end	$342.164 m	$418.321 m	$423.439 m
Average weight of cattle at year end	362kg	356kg	354kg
Average price of cattle sold per head	$957	$732	$927
Average weight of cattle sold	469kg	405kg	487kg
Average price of cattle purchased per head	$737	$881	$739
Average weight of cattle purchased	329kg	375kg	339kg

* Including cattle sold as part of property sales in the first half of 2009.

The key issues of note in regard to the 2009 beef production are that:

- Significant losses of cattle occurred in early 2009 in the Gulf properties, due to the large and unusually long duration of the flooding, particularly at Wondoola, and the subsequent impact that the flooding had on breeding rates in the Gulf region, due to the delay in cycling of the cows into calf, which has also impacted the calf accrual at year end.
- The impact of the sale of a number of AACo's major properties in Northern Australia in 2009, thus reducing the overall breeding herd and cattle numbers.
- The continuing impact of the Company's investment in improving the genetic quality of its northern cattle herds, through its Wagyu, Gulf Composite and Barkly Composite. The investment in genetic improvement has now largely matured and the program will be reviewed in due course.

As noted, the impact of the 2008 drought on the Barkly Tableland and the flooding in the Gulf region in early 2009 are reflected in this table, with the year on year comparisons highlighting the significant impact of these weather incidents both in the actual year and subsequent years, as the impacts often flow over due to the lead time necessary to affect the recovery process.

In particular, whilst the early 2009 season in northern Australia was favourable, the Company had not had the opportunity to replenish its herd after the devastating 2008 drought, such that the full benefits of the 2009 season were not able to be fully exploited.

Cash flow

From a financial perspective, AAco's performance in 2009, in comparison to the 2008 and 2007 years may also be summarised in the following table, which concentrates on actual cash flow from its cattle business.

Item	2009	2008	2007
Cash flow	$m	$m	$m
Operations			
Net cash inflows:			
Cattle trading	$78.606	$129.634	$109.492
Beef product trading	$12.496	$12.279	$9.697
Other operating revenues	$3.459	$15.157	$28.059
Cash outflows			
Operating costs	$111.448	$123.486	$131.786
Interest costs	$39.481	$22.843	$36.648
Income tax paid (received)	$5.387	($5.655)	($0.113)
Net facility repayments/ (borrowings)	$130.146	($9.537)	($51.400)
Total operating cash outflows	$289.019	$269.618	$301.803
Net cash flow from operations	($56.368)	$10.741	($21.186)
Asset movements			
Asset sales # (after tax)	$180.441	$0.374	$2.634
Repayments on facility	($136.800)	Nil	Nil
Net Capex **	($4.395)	($9.623)	($31.185)
Net drawdowns	$6.654	$10.068	$52.391
Dividend payments	Nil	Nil	($4.992)
Net cash flows for the year	($10.468)	$11.560	($2.338)

Notes:

* Excluding cattle sold as part of property sales, which, for cash flow reporting purposes, is included as part of the property sales.

\# Including cattle sales of 50,881 head at $37.9m.

** Including 2007 repurchase of Goonoo Aggregation at $18.8m.

The key features in this analysis are that:

- Cattle sales were low, due to the fact that the Company did not have the inventory to capitalise on the excellent 2009 season, due to the 2008 drought and the sales of cattle are part of its property sales in the first half of 2009.
- Cattle purchases were high, due to the need to restock the Company's properties.
- Interest costs in cash flow terms were high due to the structure of the debt facility, which required interest payments on six monthly rests.
- The Company received $180.4 m for the sale of a number of northern properties, which was used to repay debt, meet operating expenses and interest obligations, and purchase cattle.

Balance sheet

Items	2009	2008	2007
Assets			
Property assets	$662.460	$818.980	$779.319
Current cattle	**$116,684**	**$129,011**	**$127,223**
Non current cattle	**$234,410**	**$289,310**	**$296,216**
Other assets	$68.575	$105.015	$95.342
Total assets	$1,082.129	$1,342.316	$1,298.100
Liabilities			
Trading liabilities	$127.688	$182.286	$150.015
Employee liabilities	$3.941	$3.234	$3.318
Debt	$305.391	$451.541	$419.203
Total liabilities	$437.020	$637.061	$572.536
Net assets	$645.109	$705.255	$725.564
Shares on issue	$264.264	$264.264	$256.679
Net tangible assets / share	$2.42	$2.63	$2.78
Debt as % property and herd valuations	30.1%	36.5%	34.9%
Annual property appreciation %	(2.5%)	4.8%	26.0%

This balance sheet analysis reveals the impact of the resale of the northern pastoral properties in 2009 on property assets, cattle assets and debt.

The Company implemented its annual property valuation process in 2009, through which Herron Todd White values, on rotation, one third of AAco's rural properties, using the annual valuations as a benchmark against which to assess the value of the total portfolio, on a region by region basis.

Importantly, the underlying value of the Company's rural property portfolio has appreciated significantly since re-listing in 2001 and only declined by 2.5% against its 2008 value, based on Herron Todd White's assessment at 31 December 2009, despite the significant impact of the Global Financial Crisis on other asset classes In Australia and globally.

In the past two years, major international investors have continued to be active in the Australian rural property market, particularly the IFFCO/Felda investment in AAco, the Terra Firma acquisition of the former Consolidated Pastoral Group and the Macquarie Bank sponsored Paraway Pastoral Fund, which has also raised and invested considerable amounts into Australian beef and sheep producing properties.

Capital structure

By the end of 2008, after a severe drought across the Barkly Tableland, which caused AAco to liquidate a major portion of its Barkly Tableland based herd, the Company faced the 2009 year with a $428.7m debt position and a decimated herd.

The actions taken in 2009 were to sell a number of properties to reduce this debt and rebuild the Company's cattle herd, the results of which are manifest in the 2009 results.

Five year performance analysis

Consistent with prior years, the following table summarises the Company's performance in 2009, relative to the previous four years, to provide a longer term perspective of the 2009 performance in line with the Company's business model.

Performance indicator	2005	2006	2007	2008	2009
Asset based returns					
Increase in land values (net of a notional tax of 30%) represented in movements in the asset revaluation reserves as a % of property plant and equipment	14%	5%	18%	2%	-1%
EBITDA as a % of land values	12%	7%	6%	2%	-8%
Debt as a % of total assets	49%	52%	32%	34%	28%
EBITDA return on average herd valuation	13%	8%	10%	4%	-12%
Performance indicator	**2005**	**2006**	**2007**	**2008**	**2009**
Combined return on gross assets after notional tax of 30%	11%	4%	11%	-2%	-6%
Profit based returns					
EBITDA as % of revenue	25%	16%	16%	7%	-30%
Free cash flow from operations ($'000)	$3,140	($22,864)	($30,748)	$4,007	($60,415)
Interest expense as a % of free cash flow	504%	-75%	117%	551%	-65%
Three year compound total shareholder return (TSR)	28%	21%	30%	8%	-4%
Three year compound growth in S&P 300 Accumulation Index	18%	25%	21%	-4%	-1%
Per share statistics					
Earnings per share (EPS)	7 cents	4 cents	1 cent	-15 cents	-20 cents
Dividend per share paid in the year	7 cents	7 cents	9 cents	7 cents	Nil
Net tangible asset per share	$2.20	$2.34	$2.78	$2.63	$2.42
Net tangible share growth compounded over three years	31%	16%	11%	6%	1%
Major shareholder as % of total shares	43.2%	43.0%	42.9%	42.8%	20.0%
% of shares owned by foreign owned entities	9.95%	8.75%	17.65%	21.33%	53.43%
% of shares owned by retail investors	90.05%	91.25%	82.35%	78.67%	46.57%

Chief Executive's Letter

Dear fellow shareholders,

Introduction

In late 2009 I accepted the Board's offer and embarked upon my new career and journey as the Chief Executive of the Australian Agricultural Company (AAco) – your Company – after what has been a devastating and challenging period in AAco's recent history.

I am honoured to have been offered this role and I am committed to lead this great Company out of its present difficulties at a period of great change but also great global opportunity.

The year just passed has presented the Company with a confluence of extreme weather events which, combined with adverse market conditions during the year, seriously affected AAco's profitability and trading performance.

However, extreme weather is an unfortunate fact of life in Australia and something AAco's business model must be able to address. It is for this reason that the Board implemented a Strategic Review process, which aimed to review all aspects of the business, to determine what changes could be made to position the business to better manage risk, and to generate sustainable shareholder returns, both in cash flow and asset appreciation terms.

The Board has now concluded the Strategic Review process and has presented to the senior management a unique moment to make improvements to the current business and transition AAco to a more sustainable and profitable future.

The future global landscape for the beef industry is excellent and international demand for beef will grow strongly in the years ahead. The challenge is to ensure that AAco is best able to take advantage of this macro environment and deliver sustainable and increasing value to shareholders.

Market update

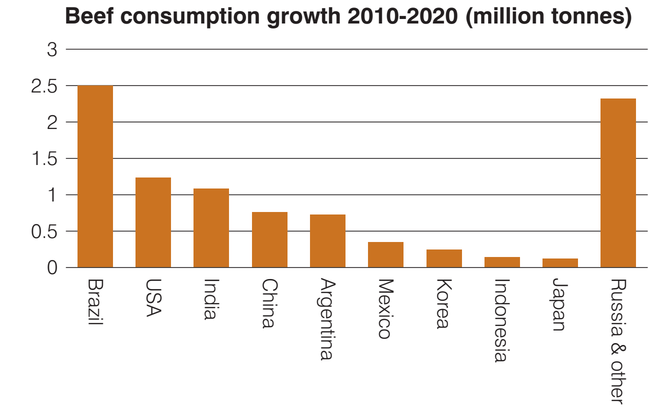
I am happy to report that the current season has started well, with ideal rainfall and weather conditions across most of AAco's key properties in Northern Australia. The favourable growing conditions have produced herd weight gain which, to date, are above the accepted average. Breeder fertility and herd mortality are also expected to be better than in recent years. Thanks to the strategic investments made in herd restocking during the latter part of December 2009 through to February 2010, AAco is well positioned to take advantage of these ideal seasonal conditions.

Global outlook

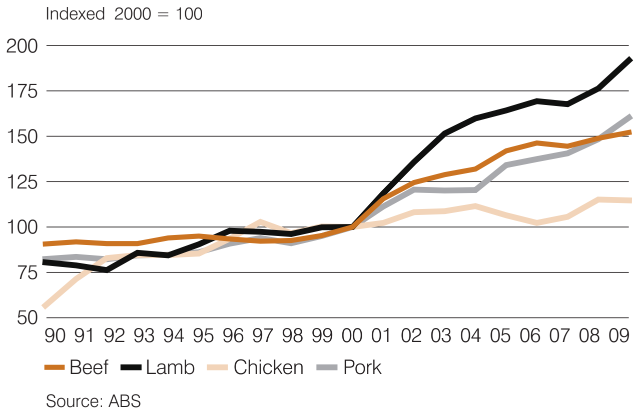
Domestic and international beef prices are expected to remain firm over the short term, supported by supply factors and the relative price increase in alternative protein foods, especially lamb. AAco was not the only Australian beef producer to suffer from the extreme seasonal conditions in 2008/ 2009 and as a result the supply of beef is expected to remain constrained over the medium term.

In terms of the broader market, there is a long term positive outlook for beef globally. As developing countries increase their standard of living, their citizens will enjoy an increased consumption of protein over the foreseeable future, to a point where demand will outgrow the ability to supply.

World Beef Demand to Rise by 1.32%p.a. or Around 10mt in Coming Decade



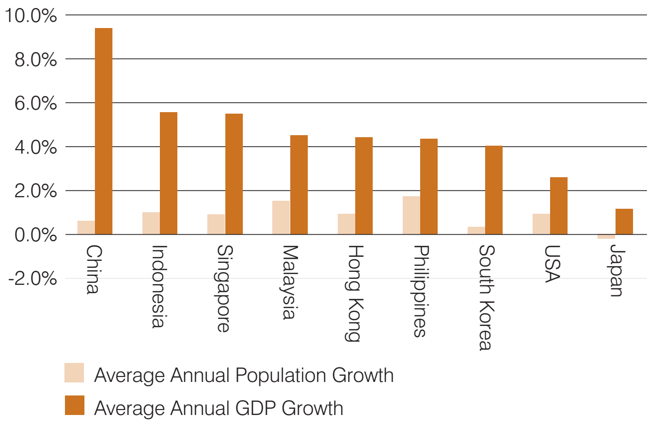
Australian Retail Beef Prices Risen Significantly Over Last Decade



Beef consumption is expected to grow by more than 10 million tonnes in the coming decade, driven primarily by the quickly developing markets of the emerging economies.

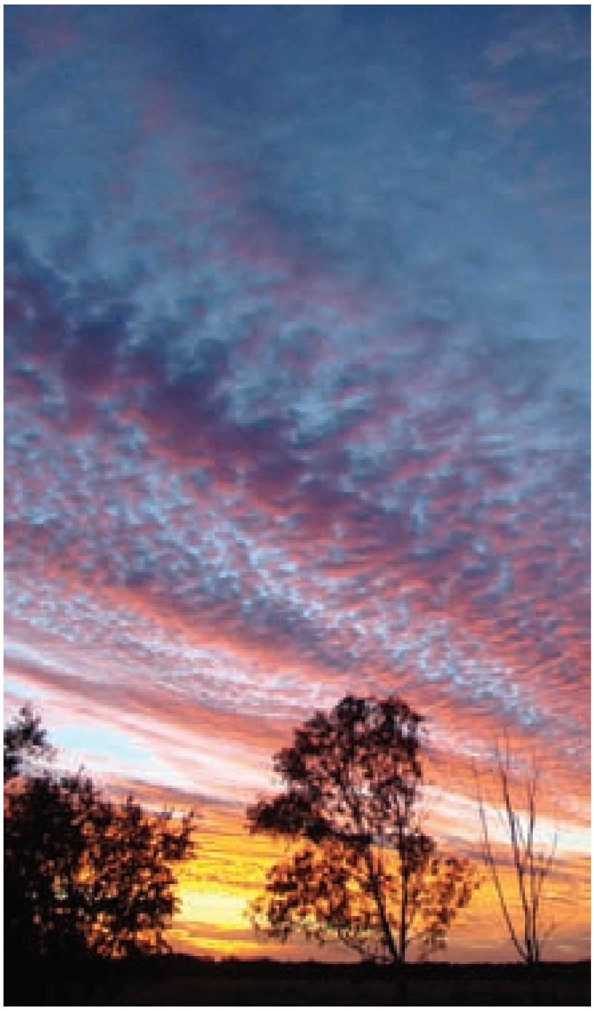
The following graph demonstrates that the majority of AAco's target international markets are expected to grow significantly in both population and GDP over the next five years. Traditionally, as countries improve their GDP, the consumption of protein based food also increases, which will be a key driver for AAco's future business.

Strong Economic and Population Growth will Open up New Beef Markets



Australian cattle herd numbers are expected to reduce in the current year, before commencing a gradual increase from 2012 and beyond.

Longer term, Australian and international consumer tastes are changing, to include a higher proportion of red meat, driven by beef industry marketing activities and recognition of the health benefits of red meat consumption.



Chief Executive's Letter (continued)

Market opportunities

Positioning the business for the future

Accordingly, in a macro sense, the outlook for AAco is positive. However to take full advantage of this macro opportunity, the business model employed by AAco needs to change in 2010 and beyond. For the company to be able to deliver sustainable future earnings growth, management must ensure AAco's assets and resources are engaged as efficiently and profitably as seasonal conditions permit, as well as reducing the current risk profile and volatility of AAco's revenue streams.

Overarching these areas is the need to improve AAco's current supply chain so that AAco perfects the art of managing quality beef production from the paddock to the consumer's plate.

I am delighted to inform shareholders that there are a number of key new business initiatives arising out of the Strategic Review which will help move the business towards a more sustainable and profitable future and which will be implemented over the coming years.

Expanding trading operations

A key area for the business is to expand AAco's cattle trading capabilities. In the past, AAco has viewed itself as a producer of beef. This perspective will change as AAco will take deliberate steps to become a trader of cattle and a reliable supplier of quality beef meat product to end use customers, with more control over AAco's vertical supply chain. This move into trading will be a cultural shift across the business, as AAco develops a trading mindset and philosophy throughout its operations. AAco has recently recruited several key executives with specialist cattle trading and risk management credentials to commence this change process.

The most important immediate focus of these operations will be live cattle trading for international export. AAco is targeting increased live export cattle per year by 2012. The initial focus will be on expanding live exports to core South East Asian markets with a targeted start of operations in the 4th quarter of 2010.

AAco will also actively investigate expanding other live export activities globally, into markets in Japan, South Korea, China, The Middle East, Europe, and Indonesia, to support growing global demand for beef. More details of these initiatives will be announced as they are put into effect.

AAco is well positioned to embrace and develop this trading philosophy and focus resulting in a lower risk business operation. The Company holds a long self replacing position in the beef supply chain, as owners of secure pastoral leases and owners and managers of a significant breeding herd of quality genetics.

Based on relevant market intelligence, and supported by a rigorous and disciplined total risk management policy, AAco will embark upon deploying defined capital and assets into this new business activity over 2010, through a considered implementation process.

Value adding and vertical beef processing

Another important initiative will be the expansion of AAco's international boxed beef business, with the plan to secure greater export revenue, built on strong commercial relationships and the potential future investment into beef processing facilities.

This initative will be a key activity for the Company over the coming years, with the benefits of moving into vertical processing and value adding considered to be commercially compelling. This diversification will result in greater commercial product identification and control, along with increased brand leverage, producing improved profitability.

As part of this initiative, AAco will also investigate the expansion of feedlot capacity within appropriate commercial distance of selected processing partners.

This initiative will particularly draw on the AAco Wagyu business model, which is a vertical value adding business that has been growing at 16% annually. Increased global demand for the AAco Wagyu branded meats means AAco will continue to support the growth of this segment of the business model.

AAco Breeder Alliance Program

To increase the quantity and quality of cattle under AAco management, AAco is also launching an exciting new Breeder Alliance Program, which will be developed in 2010, with the support of AAco's bankers and preferred stock agencies.

Under this program, AAco will form business agreements with specialist cattle breeders to purchase, either outright or through Breeder Cow finance leasing facilities, pregnancy tested mixed aged cows from the AAco herd, along with the appropriate bull ratio for the specialist breeder's location.

The AAco Alliance partner will enter into progeny supply contracts with AAco to supply weaner or feeder cattle for up to 300 days after branding, to partially outsource AAco's breeding requirements. The Alliance partner will manage the entire cattle breeding process supported with a forward price set at the date of confirmed pregnancy status, with the final price based on the delivery weight of the healthy cattle within agreed specifications.

Over recent times, AAco has incurred significant losses due to calf mortality as a result of widespread flooding. Through the Alliance program, a significant part of the calving risk will be borne by AAco's Alliance partners, who are better able to manage that risk, while allowing AAco to focus on other profitable activities across the vertical supply chain. Importantly, the Alliance program will enhance AAco's cattle processing and cattle trading operations.

The Breeder Alliance Program will be developed and initiated over the course of 2010, as an important new initiative for the Company.

Potential strategic reorganisation of land holdings

The realignment of the new AAco business model will also necessitate the review and reorganisation of the Company's land holding assets.

AAco will align property holdings with its future business activities, creating the need to either divest or further invest in different geographic and climatic locations. AAco will make further announcements on changes to land holdings when commercially sensitive transactions are complete.

Chief Executive's Letter (continued)

Technology innovation and investment

There have been some exciting recent developments in information technology that, if utilised correctly, will help strengthen the AAco business operations. AAco will carefully explore all new emerging technologies and, where appropriate, embrace new technology, to improve the performance of all assets under management.

Animal science is producing new opportunities to measure and enhance the fertility of the breeding herd, along with other opportunities to correct important inputs to affect greater animal weight gains. The defence, aviation and surveillance industries are perfecting the ability to survey and manage greater areas of land holdings using remote access technologies, at considerably reduced operating costs. Developments in communication science and infrastructure will also be employed to give AAco management greater and more immediate access to professional advice, market access and personal development.

AAco's future success in animal husbandry, pastoral, environmental care and international market access will all be enhanced by the Company's willingness to adopt new technologies.

Staff

AAco recognises that a well motivated and continually challenged team of employees is the key to profitable production and profitable commercial endeavour. The Board's Staff and Remuneration Committee is currently undertaking a review of all staff rewards and incentives, to ensure AAco staff are rewarded commercially and incentivised correctly.

New business models and new business performance measures will bring different skills and metrics into AAco, such that the Company must position itself to attract and secure the best skilled people for a successful future.

Stakeholders

AAco relies on strong relationships with its many stakeholders and business partners and these relationships will continue to play an integral role in the business into the future. We value these relationships and appreciate the shared values of trust, loyalty and integrity. Over the coming years, we will look to strengthen our business relationships with our reliable and ethical business partners, and look forward to their ongoing support.

In conclusion

During my short tenure as Chief Executive I have been continually impressed by the motivated caring people who work at AAco, many of whom live in remote and isolated communities. The dedication and commitment of AAco's staff is remarkable and I am sure that the Company has some of the very best people in Australian agriculture.

All our people understand that the current business model must change, and, mindful of the legacy of this great Australian business, they understand that significant effort will be required from everyone at AAco over the coming years to position this business for the future.

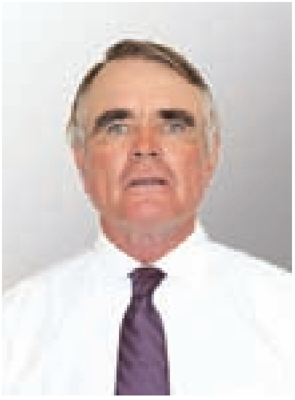
The year ahead will hold many exciting challenges for AAco and I am confident that AAco will meet these challenges in the spirit in which it has faced other serious challenges over its 184 years of existence.

I would like to thank the Board, senior executive management, and staff of AAco for the support they have provided over the year and I look forward to working hard with them in the coming year.

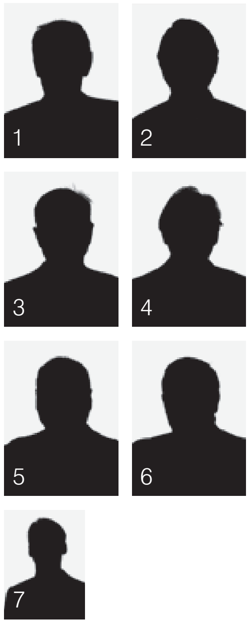
With the outlined changes in our business model I am confident that AAco will be a revered, profitable and successful international agribusiness of global relevance to world food supply and security.

David Farley
Managing Director/Chief Executive Officer

Board of Directors



1. Stephen Lonie
2. Peter Hughes
3. Nick Burton Taylor
4. Chris Roberts
5. Arunas Paliulis
6. David Farley
7. Bruce Bennett (Company Secretary & General Counsel)

The Directors' profiles are found on pages 17-19 of the Directors' Report.

Financial Statements

Directors' Report

Your Directors submit their report for the year ended 31 December 2009.

DIRECTORS

The names and details of the Company's Directors in office during the financial year 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

Stephen Lonie B.Com, MBA, F Fin, CA, FAICD (Non-executive Chairman) *(appointed 28 April 2009, re-elected 12 June 2009)*
Mr. Lonie was appointed a Director on 28 April 2009 and subsequently Chairman on 12 June 2009. Mr. Lonie was also appointed Executive Chairman from 14 August 2009 to 1 December 2009, for the period between the termination of the former Chief Executive Officer's contract, Mr. Stephen Toms, and the appointment of Mr. David Farley as Managing Director/Chief Executive Officer on 1 December 2009. Mr. Lonie reverted to the role of Non-Executive Chairman on 1 December 2009. Mr. Lonie is also Chairman of the nomination committee and a member of the audit committee and the staff and remuneration committee.

Mr. Lonie is a Chartered Accountant and former KPMG management consulting and corporate finance Partner.

Mr. Lonie is also a non-executive Director of a number of private and public sector Boards, including being Chairman of energy generator CS Energy Ltd and coal miner Jellinbah Resources Pty Ltd.

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

- Fig Tree Developments Ltd* (in liquidation) – Appointed October 2005.

*Denotes current Directorship

David Farley (Managing Director/Chief Executive Officer) *(appointed 1 December 2009)*
Mr. Farley was appointed Managing Director/Chief Executive Officer on 1 December 2009. Mr. Farley sits on all Board Committees by invitation.

Mr. Farley is an Independent Non-Executive Director of Tandou Limited and a former Managing Director and Chief Executive Officer of Colly Cotton Limited for 16 years. He is also a former Chief Executive Officer and President-Elect of Calcot, California USA. He is the Principal and Executive Chairman of Matrix Commodities.

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

- Tandou Limited* – Appointed November 2007.

*Denotes current Directorship

Peter Hughes *(appointed 28 April 2009, re-elected 12 June 2009)*
Mr. Hughes was appointed a Director on 28 April 2009. Mr. Hughes is the Managing Director of Hughes Pastoral Company and the founder and Chairman of Georgina Pastoral Company. Previously, he was a Director of Stanbroke Pastoral Company Pty Ltd for 15 years and is currently the Chairman of the Beef Marketing Funding Committee of Meat and Livestock Australia. Mr. Hughes has also served for 28 years on the Nebo Shire Council. Mr. Hughes is a member of the audit committee and the nomination committee.

Nick Burton Taylor AM B.Ec (Syd), F Fin, FCA, FAICD *(appointed 12 June 2009)*
Mr. Burton Taylor was first appointed to the Board of the Company in April 2001 and was Chairman from August 2003 until 21 May 2008. He was subsequently elected a Director on 12 June 2009. Mr. Burton Taylor was also Acting Chief Executive Officer of the Company from 22 January 2008 to 21 May 2008. Mr. Burton Taylor is Chairman of the audit committee and a member of the nomination committee.

Mr. Burton Taylor is currently a Director of CSR Limited and Rabo Bank Advisory Board and Chairman of Delta Agribusiness. He is the past Chairman of Airservices Australia and Australian Topmaking Services Limited. He is a past Director of Rural Press Limited, Hazelton Airlines Limited, Graincorp Limited, Federal Airports Corporation and Sydney Airport Corporation Limited. Mr. Burton Taylor owns Hillgrove Pastoral Pty Ltd and Kenny's Creek Angus, producers of beef, wool and grain. He is a Past President of the Institute of Chartered Accountants and current Chairman of the Country Education Foundation of Australia.

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

- CSR Limited* – Appointed August 2008; and
- Hamilton James & Bruce Group Limited – Appointed July 2004; Retired February 2008.

*Denotes current Directorship.

DIRECTORS (continued)

Chris Roberts B.Comm *(appointed 12 June 2009)*
Mr. Roberts was first appointed to the Board in June 2001. Prior to his resignation on 21 May 2008, he was Chairman of the audit committee and a member of the remuneration and nomination committee. He was subsequently elected a Director on 12 June 2009. He is currently chairman of the staff and remuneration committee and a member of the nomination committee.

Mr. Roberts is currently the Chairman of Amcor Limited, Deputy Chairman of The Centre for Independent Studies and a Director of Control Risks Group Holdings Limited. His prior experience includes, Chairman and Managing Director of Arnotts Limited, Chairman of Email Limited, Director of Telstra Corporation Limited, MLC Life Limited and Managing Director of Orlando Wyndham Wines.

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

- Amcor Limited* – Appointed February 1999.

*Denotes current Directorship.

Arunas Paliulis BA *(appointed 12 June 2009)*
Mr. Paliulis was appointed a Director on 12 June 2009. Mr. Paliulis is the Commodity Risk Director of the IFFCO Poultry Co Limited ("IFFCO") group of companies. He is a member of the staff and remuneration committee and the nomination 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 of F.I.N.A. based in Cincinnati, Ohio, USA.

In addition to being a Director of IFFCO, Mr. Paliulis is also a Director of Robusto Agro Invest, a farm leasing and management company in Ukraine.

Brett Heading BCom LLB (Hons) *(not re-elected, retired effective 12 June 2009)*
Mr. Heading was appointed as a Director on 17 June 2008. He was Chairman from 17 May 2009 until 12 June 2009.

Mr. Heading is Chairman of Partners at law firm McCullough Robertson Lawyers. He is a former member of the Takeovers Panel and a former member of the Board of Taxation. He is currently Chairman of the dual listed ChemGenex Pharmaceuticals Ltd and Trinity Limited.

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

- ChemGenex Pharmaceuticals Ltd* – Appointed July 2002;
- Capilano Honey Ltd – Appointed July 2008; Resigned October 2008;
- Ambri Ltd – Appointed 10 November 2006; Resigned 2 July 2008; and
- Trinity Limited* – Appointed 21 August 2009.

*Denotes current Directorship.

Charles Bright BA MA (Oxon) *(resigned 17 May 2009)*
Mr. Bright was appointed as a Director in November 2003 and resigned on 17 May 2009. He was appointed Acting Chairman in May 2008. He was Chairman of the remuneration and nomination committee, the research and development committee and was a member of the audit committee.

Mr. Bright is Chairman of the Supervisory Board of Bremer Woll-Kammerei AG and a member of the Board of Elders Limited. During the last 3 years he has served as a Director of the following listed companies:

- Elders Limited* - Appointed May 2002;
- Webster Limited – Appointed August 2005; and
- Tassal Group Limited - Appointed August 2005; Resigned September 2008.

*Denotes current Directorship

DIRECTORS (continued)

Phillip Toyne LLB Dip.Ed *(resigned 12 June 2009)*

Mr. Toyne was appointed as a Director on 21 May 2008 and resigned on 12 June 2009.

Mr. Toyne is a former independent Director of ITC Limited and a former President of Bush Heritage Australia. Mr. Toyne is a former head of the Australian Conservation Foundation and Deputy Secretary of the Commonwealth Department for the Environment. He is currently a Director of CVC Sustainable Investments Pty Ltd, and Eco Futures Pty Ltd.

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

- Agri Energy Limited – Appointed 15 May 2006; Resigned 19 March 2008

COMPANY SECRETARY

Bruce Bennett BCom, LLB, F Fin, ACIS, MAICD

Mr. Bennett was appointed Company Secretary and General Counsel in November 2006. Before joining the Company, he was Special Counsel for a leading law firm, where he specialised in company and property law, mergers and acquisitions and other commercial contracts. He has over 18 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 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 and options of the Australian Agricultural Company Limited were:

	Ordinary Shares	Options over Ordinary Shares
S. Lonie[1]	93,750	Nil
D. Farley[1]	Nil	Nil
N. Burton Taylor[1]	7,348,530	Nil
P. Hughes[1]	100,000	Nil
A. Paliulis[1]	Nil	Nil
C. Roberts[1]	50,000	Nil
B. Heading[2]	140,421	Nil
C. Bright[2]	60,000	Nil
P. Toyne[2]	Nil	Nil

[1] *Denotes current Director*

[2] *Share holding as at the date of resignation or retirement*

DIVIDENDS AND EARNINGS PER SHARE

Earnings Per Share	2009 Cents	2008 Cents
Basic earnings per share	(20.3)	(15.0)
Diluted earnings per share	(20.3)	(15.0)

	2009		2008	
Dividends	**Cents**	**$'000**	**Cents**	**$'000**
Final dividend paid: On ordinary shares	-	-	7	17,988

CORPORATE INFORMATION

Nature of Operations and Principal Activities

The principal activities of entities within the Consolidated Entity during the year were:

- Operation of grazing and farming properties;
- Beef cattle breeding, growing, feedlotting and trading; and
- Beef value-add businesses relating to wholesale meat marketing.

Employees

The Consolidated Entity employed 381 employees as at 31 December 2009 (2008: 415 employees).

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Group Overview

In 1824, by an Act of British Parliament, the Australian Agricultural Company (the Company) was formed with a grant of one million acres, with the stated aim of cultivating and improving the wastelands of the colony of New South Wales.

Today the Company is currently considered to be the largest beef cattle producer in Australia and runs a herd of around 500,000 head of beef cattle.

The Company operates an integrated cattle production system across 18 cattle stations (plus 2 feedlots and 2 farms) located throughout Queensland and the Northern Territory covering approximately 7 million hectares.

The Company produces beef cattle that are processed for a range of uses, from prime cuts typically sold in restaurants or supermarkets, to manufacturing beef, which is typically used for hamburgers.

Since the Company's Annual General Meeting on 12 June 2009, the Company's strategic direction has been under review.

Mr. David Farley was appointed as Managing Director/Chief Executive Officer on 1 December 2009.

Live Cattle Group

The Live Cattle group includes a pastoral business, which operates cattle stations across the Northern Territory and North and Central Queensland, and a feedlot business, producing grain finished cattle and farming operations which supply cattle feed for internal consumption. The pastoral and feedlot units seek to supply a premium, traceable beef product, which may be sold through the Company's established pathways including beef export, live export and domestic meat processors.

Cattle represent 33% of the gross assets of the business and are the primary source of income and cash generation for the Company.

During 2009, the Company produced 50.8 million kilograms of beef - a decrease of 19.2% over the prior 12 months. Calving figures were down on 2008. The breeder cattle herd was reduced due to the property sales and the drought of 2008. The flood of 2009 exacerbated the impact of the drought as cattle were lost and fertility cycles disrupted. Cattle deaths were greater than those in 2008 as approximately 15,000 head of cattle were lost in the floods, resulting in reduced cattle revenue levels.

During 2009, 176,328 head of cattle were sold (2008: 252,354 head) at an average price of $957 per head (2008: $731). Sales revenue for 2008 resulted from the requirement to sell a substantial number of lighter conditioned cattle to provide feed for breeding cattle transferred from the drought affected Barkly region. 2009 sales volume is in line with that of 2007.

Overall Live Cattle group revenue of $51.9 million in 2009 compares to $137.7 million in 2008. The movement reflects the market price reductions, the impact of the cattle deaths, reduced natural increase and reduced herd levels following the property sales in 2009.

Land, including buildings and improvements, represents 61% of the gross assets of the Consolidated Entity. Despite the adverse market conditions faced by the pastoral business, the value of the Consolidated Entity's land holdings has declined by only 3%.

Wholesale Beef Group

The Wholesale Beef group comprises a beef marketing unit and a value add portion control business. This division has delivered a profit contribution of $4.7 million (2008: $2.9 million). The main driver of this year's result was the strong sales growth within the Wagyu product lines particularly into the USA and Korea.

Performance Indicators

Management and the Board monitor the Company's overall performance against the financial budget and forecasts together with an ongoing focus on core operational activities.

Dynamics of the Business

Difficult market conditions with subdued cattle prices existed for much of the year, resulting in reduced revenues and a significant mark-to-mark devaluation impact. Beef prices and demand were impacted by the strong Australian dollar. This was combined with operational difficulties due to seasonal extremes of drought followed by flood. The value of the Consolidated Entity's land holdings has declined by only 3%.

OPERATING AND FINANCIAL REVIEW (continued)

Operating Results for the Year

Summarised operating results are as follows:

Operating Segments	Revenues $M		Earnings Before Finance Costs and Income Tax Expense $M	
	2009	**2008**	**2009**	**2008**
Live Cattle	51.9	137.7	(66.0)	2.6
Wholesale Beef	104.4	99.5	4.7	2.9

Factors having a significant impact on the results in the above table include drought, flood, cattle losses, restocking costs and reduced weight gain following adverse weather conditions.

Shareholder Returns

The Company derives its returns from its two main asset holdings, cattle and land. Cattle provide earnings/cash flow and land provides potential for capital growth. Underlying capital growth in land is not booked through the profit and loss account but rather is passed directly into equity in the balance sheet.

	2005	**2006**	**2007**	**2008**	**2009**
ASSET BASED RETURNS					
Increase in Land Values (Net of tax) represented in movements in the Asset revaluation reserves as a percentage of Property Plant and Equipment	14%	5%	18%	2%	-1%
EBITDA Return on average herd value post valuation	13%	8%	10%	3%	-12%
Combined Return on Gross Assets after notional tax at 30%	11%	4%	11%	-2%	-6%
PROFIT BASED RETURNS					
Return on Sales (EBITDA)/Revenue	25%	16%	16%	6%	-30%
3 year **compound** Total Shareholder return **(TSR)**	28%	21%	30%	8%	-4%
3 year compound growth in S&P 300 Accumulation index	18%	25%	21%	-4%	-1%
PER SHARE STATISTICS					
EPS	7 cents	4 cents	1 cent	-15 cents	-20 cents
Dividend paid during the year / share	7 cents	7 cents	9 cents	7 cents	-
NTA per share	2.20	2.34	2.78	2.70	2.42
NTA per share growth compounded over 3 years	31%	16%	11%	7%	1%

Notes:

- All figures rounded to the nearest whole number.
- The Dividend Reinvestment Plan was suspended by the Board in 2004 and reinstated for dividends since August 2007.

This year the share price traded at a significant discount to net tangible assets per share. The three year compound total shareholder return (TSR) moved below the S&P 300 accumulation index average.

Directors' Report (continued)

REVIEW OF FINANCIAL CONDITION

Liquidity and Capital Resources

During the year, the Company sold four cattle properties (including cattle) for $181 million, which was used in part to retire debt by $137 million. Capital expenditure during the year was primarily focussed on stay in business activities.

The Company's debt facilities are adequate to address working capital requirements and stay in business capital expenditure for 2010.

The Company refinanced its term debt facilities on 30 November 2009. The Company has total term debt facilities of $330 million, of which $60 million is subject to annual review. The balance of $270 million is subject to a three year term ending 30 November 2012.

Asset and Capital Structure

	31/12/09 $000	31/12/08 $000
Debts:		
Trade and other payables	18,621	30,691
Current interest-bearing loans and liabilities	27,523	2,320
Non-current interest-bearing loans and borrowings	269,177	426,387
Cash and short-term deposits	(9,579)	(20,047)
Net debt	**305,742**	**439,351**
Total equity	**645,109**	**705,255**
Total capital employed	**950,851**	**1,144,606**
Gearing (debt/debt+equity)	**32%**	**38 %**

Dividend Reinvestment Plan

There were no dividends declared or paid in 2009 and therefore the Company's Dividend Reinvestment Plan (DRP) was inactive throughout the year.

Treasury Policies

Interest Rates: Management's policies for determining the mix of fixed and floating interest rates are influenced by the undertakings within the banking facilities that stipulate a minimum 50% of the total term debt facilities must be hedged in relation to interest rate movements. The Company does not apply hedge accounting.

Foreign Currency: The Company undertakes forward sales in its Wholesale Beef group in foreign currency, primarily the US dollar and Japanese yen. All committed forward sales are hedged with foreign exchange contracts to coincide with the expected receipt of foreign funds spread over the year. The Company does not apply hedge accounting.

Cash from Operations

The cash outflow from operating activities is ($56.4) million (2008: $10.7 million cash inflow).

The 2008 cash inflow from operating activities was positive as a result of the sale of part of the herd due to drought conditions on the Barkly Tablelands. The 2009 cash outflow from operating activities excludes the sale of cattle for the amount of $39.2 million that were sold with the Gulf properties. This $39.2 million is included in cash inflow from investing activities.

Due to timing, 2008 interest costs of $11.5 million were paid in 2009. These amounts were accrued and recorded in 2008.

Risk Management and Compliance

The Board has ultimate responsibility for the oversight of risk management and compliance across the Company.

Risk is an integral part of the Company's decision making process and all risks and opportunities are adequately and appropriately assessed, to ensure that unreasonable risk exposures are minimised. The Company's Risk and Compliance Framework ensures that all risks are properly identified and managed, that insurances are adequate and that processes are in place to ensure compliance with regulatory requirements.

REVIEW OF FINANCIAL CONDITION (continued)

The Managing Director/Chief Executive Officer is accountable to the Board for the development and management of the Company's Risk and Compliance Framework and is supported by the Chief Financial Officer and Company Secretary/General Counsel in terms of adopting appropriate risk management processes, including regular and transparent reporting to the Board. Each General Manager is responsible for the management of risk.

The key risks identified in the Company's Risk Register are addressed through the Risk and Compliance Framework, reducing risk exposure to key stakeholders.

The Company's Risk and Compliance Framework is based on the following process:

- Board approval of a Strategic Plan, which encompasses the Company's vision and strategic goals, designed to meet the needs of stakeholders.
- As part of the Company's annual strategic planning process, the Risk Management Policy and Plan are reviewed and submitted to the Board for approval. The Risk Register is reviewed and tested in line with changes to the Company's strategy by the Board and senior executive team.
- An Operating Plan is developed each year to translate the Company's long-term strategy into key operational objectives for the following twelve month period.
- Key Performance Indicators for the Managing Director/Chief Executive Officer and other key senior executives are based upon the Company's operational objectives.
- Performance against the Operating Plan is reported to the Board on a monthly basis. This report provides the Board with the basis to assess if the Company's strategy is being executed effectively and allows the Board to assess management's performance against objectives on a regular basis. A monthly Risk and Compliance Report informs the Board of any regulatory, legal or compliance related issues and highlights any changes in the Company's risk profile and/or risk treatment plans.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Change in major shareholder with Elders Limited sell-down to IFFCO Poultry Co Limited (19.99%) and other, mainly institutional, shareholders (23%)

Subsequently IFFCO Poultry Co Limited transferred its shareholding in the Company (19.99%) to IFFCO Poultry Co SDN BHD, a wholly owned subsidiary of FELDA IFFCO SDN BHD.

The sale of three Gulf properties including livestock – Clonagh, Kalmeta, Gregory Downs for $145 million and Rockhampton Downs for $36 million, the proceeds of which were used for debt reduction and working capital, in particular, restocking. Also, the vacating of Lawn Hill property upon expiry of the lease in September 2009.

The appointment of a new Managing Director/Chief Executive Officer and Chief Financial Officer in December 2009.

The Consolidated Entities' debt facilities were refinanced during the year. The new debt structure consists of two secured club loan facilities. The current club loan facility is a $60 million loan repayable on 30 November 2010. The non-current loan facility is a $270 million loan repayable 30 November 2012. It is intended that both loans will be renewable prior to maturity date. The facilities are provided on a secured basis, with security given over all fixed and floating assets. Financial covenants in place include debt cover ratios and consolidated net worth.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

This report otherwise omits information on likely developments and expected future results, the supply of which in the opinion of the Directors, would prejudice the interests of the Consolidated Entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Regulated areas of operation are as follows:

- The operations of Goonoo Feedlot and Aronui Feedlot are regulated by licences issued under the Environmental Protection Act 1994 and administered by the Queensland Department of Employment, Economic Development and Innovation (DEEDI). Each feedlot is required to report to the National Pollution Inventory each year with respect to water, air and soil quality. DEEDI conducts audits of compliance with licence requirements at regular intervals. The Company has recorded no breaches of licence requirements in 2009.
- The pumping of water from the Comet River for irrigation and feedlot use at Goonoo Station is subject to licensing under the Integrated 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 requiring these regulations and conditions to be 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 Qld Department of Environment and Resource Management (DERM). Shared water facilities need to comply with revised 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 on going 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 the consultation process for Water Resource Planning and implementation of Wild Rivers legislation in relevant areas (i.e. Channel Country).

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

The Company is aware of the reporting requirements under the National Greenhouse and Energy Reporting Act (the Act). The Company has conducted an assessment, which complies with the framework provided by the Department of Climate Change. This assessment has 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, however, the Company continues to collect greenhouse emissions and energy consumption data using the GHC reporting structure.

The Company also continues to monitor the developments of a Carbon Pollution Reduction Scheme or similar Emissions Trading System, at the date of this report, which remains high on the political agenda in Australia.

SHARE OPTIONS

Unissued Shares

As at the date of this report, there were 9,634,840 unissued ordinary shares under options (9,634,840 at reporting date). Please refer to note 29 of the financial statements for further details of the options outstanding.

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 year, employees and former employees who qualify for participation under the Company's share option plan, have not exercised options to acquire shares in the Company. Since the end of the financial year, no options have been exercised.

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.

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 31 December 2009 outlines the remuneration arrangements of the Consolidated Entity 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 Consolidated Entity, who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any Director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Consolidated Entity receiving the highest remuneration.

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

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures.
2. Remuneration at a glance.
3. Board oversight of remuneration.
4. Non-executive Director remuneration arrangements.
5. Executive remuneration arrangements.
6. Company performance and link to remuneration.
7. Executive contractual arrangements.
8. Equity instruments disclosures.

REMUNERATION REPORT (AUDITED) (continued)

1. INDIVIDUAL KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of KMP including the top five remunerated executives of the Company and Consolidated Entity are set out in the following sections.

(i) Directors

Mr. S. Lonie* (appointed 28 April 2009)	Chairman (non-executive).
Mr. D. Farley (appointed 1 December 2009)	Managing Director and Chief Executive Officer.
Mr. P. Hughes (appointed 28 April 2009)	Director (non-executive).
Mr. A. Paluilis (appointed 12 June 2009)	Director (non-executive).
Mr. N. Burton Taylor (appointed 12 June 2009)	Director (non-executive).
Mr. C. Roberts (appointed 12 June 2009)	Director (non-executive).

*Mr. S. Lonie was Executive Chairman for the period 11 August 2009 to 1 December 2009.

(ii) Directors who resigned or retired during the period

Mr. B. Heading** (retired 12 June 2009)	Chairman (non-executive).
Mr. C. Bright (resigned 17 May 2009)	Acting Chairman (non-executive).
Mr. P. Toyne (resigned 12 June 2009)	Director (non-executive).

**Mr. B. Heading was not re-elected at the Company's Annual General Meeting on 12 June 2009.

(iii) Key Executives

Ms. K. Parker (appointed 1 December 2009)	Chief Financial Officer.
Mr. B. Bennett	Company Secretary / General Counsel.
Mr. H. Burke	General Manager – Northern Cattle Stations.
Mr. T. Gallagher	General Manager – Breeding.
Mr. G. Gibbons	General Manager – Feedlots.
Mr. P. Dempsey	General Manager – Beef Group.
Mr. A. Jones	General Manager – Business Development.
Mr. J. Whiteman***	Interim Chief Financial Officer.

*** Mr. J. Whiteman was contracted to act as Interim Chief Financial Officer from January 2009.

(iv) Key Executives who resigned retired or whose contracts were terminated during the period

Mr. S. Toms (10 August 2009)	Chief Executive Officer and Chief Financial Officer.
Mr. D. Connolly (10 August 2009)	General Manager – Livestock.
Mr. S. Kenny (30 June 2009)	General Manager – Corporate.

There were no 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 under review

During the 2009 financial year, the Government introduced various proposals affecting employee remuneration, including legislation in respect of employee share schemes and termination payments.

During the 2010 financial year, the Company will be undertaking a review of its executive remuneration strategy to ensure the approach reflects business needs, shareholder views and contemporary market practice. The Company expects that any changes resulting from this review will be implemented in the financial year commencing 1 January 2010.

The Company's remuneration philosophy remains basically unchanged, namely that the performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

3. BOARD OVERSIGHT OF REMUNERATION

On 2 July 2009, the Board resolved to restructure its relevant Board committees as follows:

Previous Board committee	***New Board committee***
Health safety & environment committee	Staff & remuneration committee
Remuneration & nomination committee	Nomination committee

Staff and remuneration committee

On 2 July 2009, this committee assumed the remuneration function previously delegated to the remuneration & nomination committee (and now known as the nomination committee).

The staff & remuneration committee currently comprises two independent non-executive Directors (NEDs) ((Mr. C. Roberts (committee Chairman) and Mr. S. Lonie)) and one non-independent NED (Mr. A. Paliulis).

The environmental functions previously delegated to this committee were transferred to the Board on 2 July 2009.

The staff & remuneration committee is responsible for making recommendations to the Board on the remuneration arrangements of NEDs and executives.

The staff & 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 & remuneration committee may also engage external consultants to provide independent advice.

Nomination committee

As noted above, the remuneration functions of this committee (formerly known as the remuneration & nomination committee) were transferred to the staff and remuneration committee (formerly known as the health, safety & environment committee) on 2 July 2009.

The members of this committee are Mr. S. Lonie (committee Chairman), Mr. P. Hughes, Mr. A. Paliulis, Mr. N. Burton Taylor and Mr. C. Roberts.

Remuneration approval process

The Board approves the remuneration arrangements for the Managing Director/Chief Executive Officer and executives and all awards made under any long-term incentive (LTI) plan, following recommendations from the staff & remuneration committee. The Board also sets the aggregate remuneration of NEDs, which is then subject to shareholder approval.

The staff & 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.

Remuneration strategy

The Company's strategy is designed to attract, motivate and retain employees and NEDs by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Company.

To this end, the key objectives of the Company's reward framework are to ensure that remuneration practices:

- Are aligned to the Company's business strategy;
- Offer competitive remuneration benchmarked against the external market;
- Provide strong linkage between individual and Company performance and rewards; and
- Align the interests of executives with shareholders through measuring total shareholder return (TSR).

Remuneration structure

In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

REMUNERATION REPORT (AUDITED) (continued)

4. NON-EXECUTIVE DIRECTOR 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.

On 12 June 2009, in consideration of the Company's financial performance, the Board reduced its fees being paid to NED's by 10%, effective from that date.

The Board will not seek any increase for the aggregate remuneration of NEDs at the 2010 Annual General Meeting.

Structure

The remuneration of NEDs consists of Directors' fees and committee fees. NEDs 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 Consolidated Entity. 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.

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 Consolidated Entity's overall remuneration philosophy and aligns NEDs with shareholder interests.
The remuneration of NEDS for the year ended 31 December 2009 and 31 December 2008 is detailed in table 1 of this report.

5. EXECUTIVE REMUNERATION ARRANGEMENTS

Remuneration levels and mix

The Consolidated Entity aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Consolidated Entity and aligned with market practice.

The Board's objectives are to:

- Ensure that executives are appropriately rewarded, having regard to their role and responsibilities within the Consolidated Entity;
- Ensure an appropriate balance between fixed and 'at risk' remuneration and, in relation to the 'at risk' component, an appropriate balance between shorter-term and longer-term incentives;
- Link reward with the Company's financial performance and strategic positioning and to reward superior performance; and
- Align the interests of executives with the shareholders.

The Board is responsible for determining the remuneration of the Managing Director/Chief Executive Officer on the advice of the staff & remuneration committee, which obtains independent remuneration advice as necessary.

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

During the 2010 financial year, the Company will be undertaking a review of its executive remuneration strategy to ensure the approach reflects business needs, shareholder views and contemporary market practice. The Company expects that any changes resulting from this review will be implemented in the financial year commencing 1 January 2010.

5. EXECUTIVE REMUNERATION ARRANGEMENTS (continued)

Structure

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

In the 2009 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable or 'at risk' remuneration comprising:
  - Short term incentives; and
  - Long term incentives.

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 2009:

Remuneration Component	Vehicle	Purpose	Link to performance
Total fixed remuneration (TFR).	• Represented by total fixed employment cost (TFR). • Comprises base salary and superannuation contributions.	• Set with reference to role, market and experience. • Executives are given the opportunity to receive their fixed remuneration in a variety of forms, including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient, without creating additional cost for the Consolidated Entity.	• No link to Company performance.
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 is calculated based on 20% Company performance where Profit after Tax is the key financial metric. • The remaining 80% performance is linked to relevant business unit performance across internal measures of Financial, Safety, Compliance, and Operational drivers.
Long term incentive (LTI) component	• Awards are made in the form of options.	• Rewards executives for their contribution to the creation of shareholder value over the longer term.	• Awarding of options is based upon the Company achieving a total shareholder return (TSR) benchmark. • Vesting of awards is dependent upon the executives continued commitment to the Company.

Total fixed remuneration

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 and reflects current market conditions.

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 in the case of the executives, the relevant business unit's performance in the case of business unit executives, 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 following Table 1.

REMUNERATION REPORT (AUDITED) (continued)

5. EXECUTIVE REMUNERATION ARRANGEMENTS (continued)

Variable remuneration - short term incentive (STI)

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.

The aim of the short term incentive 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.

In the case of the executive group, their STI is linked to the overall performance of the Company and, in the case of business unit executives, the relevant business unit's performance with a linkage to the consolidated corporate performance.

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 (KPIs) covering both financial and non financial, corporate and individual measures of performance. Individual key result areas include contribution to earnings and net profit after tax, safety and risk management, compliance, and business unit specific operational measures.

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.

The Board assesses the performance of the Managing Director/Chief Executive Officer against his targets and determines his actual short term incentive payment based upon the recommendation of the staff & remuneration committee.

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 & remuneration committee.

This process usually occurs within four months after the reporting date. Payments made are delivered as a cash bonus in the following reporting period.

STI bonus for 2008 and for 2009

For the 2008 financial year, 73% of the STI cash bonus of $1,032,000 as previously accrued in that period vested and was paid in the 2009 financial year. There were no forfeitures. The staff & remuneration committee has considered the STI payments for the 2009 financial year and determined that no cash bonus will be paid in respect of the 2009 financial year. No accrual has been taken up at 31 December 2009 for STI bonus payments.

The Company's STI program is being reviewed in 2010.

Variable remuneration - long term incentive (LTI)

This component currently comprises options over shares in the Company and reflects the individual's performance in achieving various objectives over the prior 12 months. The aim of the long term incentive is to reward executives and employees in a manner which aligns this component of remuneration with the creation of shareholder wealth.

The Managing Director/Chief Executive Officer

Historically, the Managing Director/Chief Executive Officer's long term incentive comprised option entitlements, which were determined by the Board with the assistance of the staff & remuneration committee and independent expert remuneration advice, where appropriate, and approved by shareholders, if necessary.

The long term incentive for Mr. D. Farley, Managing Director/Chief Executive Officer, is to be determined and will be finalised in the first quarter of 2010.

5. EXECUTIVE REMUNERATION ARRANGEMENTS (continued)

Direct Reports to the Managing Director/Chief Executive Officer
The LTI for the Managing Director/Chief Executive Officer's direct reports is determined by the Managing Director/Chief Executive Officer with oversight and approval by the Board through the staff & remuneration committee. Entitlement to the LTI and its quantum and form is dependent upon an assessment of the individual's contribution over the prior financial year to factors that position the Company for long term success and increasing shareholder wealth, such as the development of new business activities, strategic positioning, and execution of key transactions. The Company's LTI program is presently under review and will be finalised in 2010 after due consideration of current legislation changes and a review of best practice guidelines.

Structure and performance measure to determine vesting
The Company has 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 executive and middle management option plan works on the following basis:

There are two sets of conditions and/or hurdles:

1. The first condition relates to the issuing of the option, as opposed to the vesting condition. In order for employees to be granted options, the Company's Total Shareholder Return (TSR) performance for the relevant year has to exceed the median benchmark S&P ASX 300 Accumulation Index for the same period. The quantity of options is determined by how far above the benchmark the Company has performed.

   The strike price for the option is calculated using the 30 day volume weighted average share price (VWAP) prior to the announcement of the annual results of the Company which are announced in, or about, the second week of February each year.

   The option issuance is a formula driven calculation for both the hurdle and the strike price. When the Company exceeds the TSR hurdle, the allocation of options for eligible employees are calculated and then approved by the staff & remuneration committee. The 'grant date' for an option is the day that the option is formally granted.

2. The second condition relates to the vesting of the options. The options will vest in three equal tranches over the following three years commencing 1 January of each subsequent year. An employee whose employment terminates prior to the vesting of any tranche will lose their unvested option entitlement, unless otherwise determined by the Board.

The incentive is designed to works in two ways:

1. The Company must outperform the market in order to trigger options being issued.
2. The employee must stay with the Company for the ensuing three years, in order for all tranches to vest, thus aiding retention of staff.

The plan applies to eligible employees earning over $50,000. This includes head stockmen and most supervisory staff.

The method of allocation of options is related to an employee's base salary and linked to their set incentive arrangement which includes the STI.

Termination and change in control provisions
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:

(a) 50% of unvested options made within the last three years would vest, as soon as the Board forms the opinion that the takeover or change in control will occur, and

(b) all or part of the other 50% of the unvested options made within the last three years may be vested by the Board as determined in its absolute discretion.

REMUNERATION REPORT (AUDITED) (continued)

5. EXECUTIVE REMUNERATION ARRANGEMENTS (continued)

LTI awards for 2009 financial year
There were no options granted in 2009.

Managing Director/Chief Executive Officer, Mr. D. Farley was appointed on 1 December 2009 and under the terms of his executive service agreement, he will be entitled to an LTI benefit up to a maximum of 50% of his fixed remuneration. The specific terms of the LTI benefit, including related performance hurdles, will be finalised after due consideration of the current legislative changes and a review of best practice guidelines.

The former Chief Executive Officer, Mr. S. Toms's executive service agreement was terminated on 10 August 2009. In accordance with the terms of his executive service agreement all unvested options held by Mr. S. Toms in respect of Company shares, have vested with effect 10 August 2009, and all expiry dates for these options were extended by 5 years.

Tax exempt share plan
All Consolidated Entity employees paid under $50,000 are eligible to be issued fully paid shares to the value of $1000 p.a. under the Tax-exempt Employee Share Plan (TESP). An employee must have been employed by the Consolidated Entity for 12 months to be eligible in the following year.

There were no shares issued under the TESP in 2009.

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 3 month period or using forward contracts, without approval of the Chairman, in the case of the Chairman, a Director chosen by the Board for that purpose.

6. COMPANY PERFORMANCE AND THE LINK TO REMUNERATION

Company performance and its link to long-term incentives
Earnings per share (EPS) on an annual calendar year basis are noted in the table below:

PER SHARE STATISTICS	2005	2006	2007	2008	2009
EPS (to the nearest cent)	7 cents	4 cents	1.5 cents	(15.0 cents)	(20.3 cents)

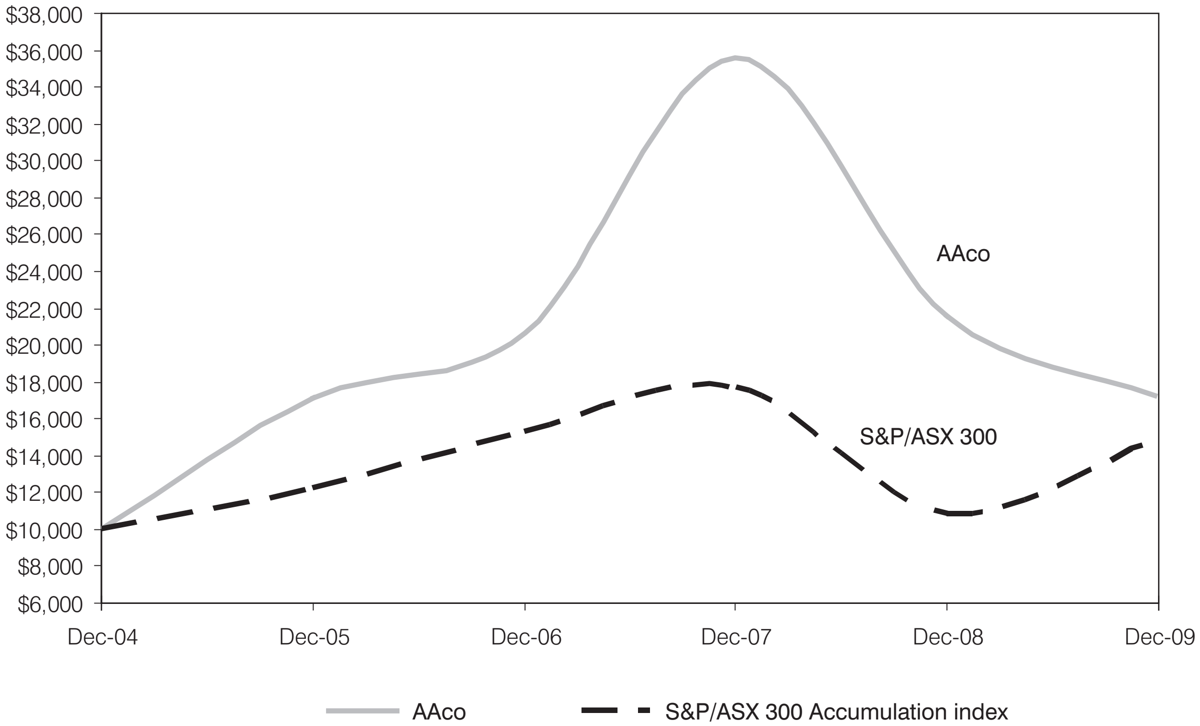
The financial performance measure driving LTI payment outcomes is total shareholder return (TSR). TSR for the Company is defined as share price growth plus dividends, assuming the dividends are reinvested into the Company's ordinary shares.

REMUNERATION REPORT (AUDITED) (continued)

6. COMPANY PERFORMANCE AND THE LINK TO REMUNERATION (continued)

As a guide to TSR, the graph below demonstrates the shareholder wealth created over the last five years, as compared with the benchmark S&P300 Accumulation Index.

Total Shareholder Return on a $10,000 investment over the last five years



Series 1 = The Company Total shareholder return
Series 2 = S&P ASX 300 Accumulation index.

7. EMPLOYMENT CONTRACTS

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

Consolidated Entity employees are employed by the subsidiary companies, A.A. Company Pty Ltd and Chefs Partner Pty Ltd.

Managing Director/Chief Executive Officer
The Managing Director/Chief Executive Officer is employed under an executive service 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. No STI's or LTI's will apply to any financial year during which employment ceases and the treatment of LTI options previously issued will be determined at the Board's discretion.
- 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 component plus a variable component in recognition that termination during a financial year affects the ability to earn a performance incentive during that year. The treatment of LTI options previously issued will be determined at the Board's discretion.
- The Company may summarily terminate the Managing Director/Chief Executive Officer's employment if serious misconduct has occurred.

REMUNERATION REPORT (AUDITED) (continued)

7. EMPLOYMENT CONTRACTS (continued)

Former Chief Executive Officer, Mr. S. Toms

Mr. S. Toms ceased to be Chief Executive Officer of the Company, and his executive service agreement was terminated, on 10 August 2009. Upon termination, Mr. S. Toms received a termination benefit payment of $699,780. In accordance with the terms of his executive service agreement, all unvested options held by Mr. S. Toms in respect of Company shares vested with effect 10 August 2009, and all expiry dates for these options were extended by 5 years.

Appointment of Managing Director/Chief Executive Officer - Mr. D. Farley

Mr. D. Farley was appointed Managing Director/Chief Executive Officer on 1 December 2009.

Under the terms of the present contract as disclosed to the ASX on 4 December 2009:

- The Managing Director/Chief Executive Officer receives fixed remuneration of $600,000 per annum.
- The Managing Director/Chief Executive Officer's STI opportunity is a cash bonus up to a maximum of $200,000 per annum.
- The Managing Director/Chief Executive Officer will be entitled to an LTI benefit up to a maximum of 50% of fixed remuneration. The specific terms of the LTI benefit, including related performance hurdles, will be finalised after due consideration of the current legislative changes and a review of best practice guidelines.
- After cessation of employment the Managing Director/Chief Executive Officer will be restrained from participating in a business in competition with the Company, in the beef trade industry and soliciting Company staff for the 12 month period from termination date.
- For a period of twelve months after employment ends, the Managing Director/Chief Executive Officer may not engage in business dealings with a customer or supplier of the Consolidated Entity with whom the Managing Director/Chief Executive Officer has had work related dealings during the previous six months with a view to causing the person to cease doing business or reduce the amount of business which the person would normally do with the Consolidated Entity.

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 LTI on termination
Employer-initiated termination	6 months	Part or all of 6 months	Not eligible	To be determined in 2010
Termination for serious misconduct	Nil	Nil	Not eligible	To be determined in 2010
Employee-initiated termination	6 months	Part or all of 6 months	Not eligible	To be determined in 2010

Other KMP

The executive service agreement for other senior executives generally reflect that of the Managing Director/Chief Executive Officer. Standard KMP termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer-initiated termination	6 months	Part or all of 6 months	Not eligible	(Employer initiated other than redundancy) - Vested Options may be exercised within 3 months. Unvested options lapse except at Board discretion
Termination for serious misconduct	Nil	Nil	Not eligible	Vested Options may be exercised within 3 months. Unvested options lapse except at Board discretion
Employee-initiated termination	3 to 6 months	Part or all of 3 to 6 months	Not eligible	Vested Options may be exercised within 6 months. Unvested options lapse except at Board discretion

REMUNERATION REPORT (AUDITED) (continued)

7. EMPLOYMENT CONTRACTS (continued)

Payments applicable to outgoing executives

The following arrangements applied to outgoing executives in office during the 2009 year:

- Mr. S. Kenny received a termination payment of $125,000 in accordance with the terms of his employment contract.
- Mr. D. Connolly received a termination payment of $165,000 in accordance with the terms of his employment contract.
- Upon cessation of employment, Mr. D Connolly forfeited 178,290 unvested options as per the terms of his employment agreement.

REMUNERATION OF KEY MANAGEMENT PERSONNEL AND THE FIVE HIGHEST PAID EXECUTIVES OF THE COMPANY AND THE GROUP

	Short Term			Post Employment	Long-term benefits	Termination	Total	Performance Related
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Long service leave	Termination Benefits		
Directors	$	$	$	$	$	$	$	%
S.E. Lonie[1,2]								
31/12/09	109,040	-	-	4,334	-	-	113,374	-
31/12/08	-	-	-	-	-	-	-	-
D. Farley[3]								
31/12/09	45,872	-	-	4,128	-	-	50,000	-
31/12/08	-	-	-	-	-	-	-	-
C.E. Bright[4]								
31/12/09	76,655	-	-	6,899	-	-	83,554	-
31/12/08	124,901	-	-	12,906	-	-	137,807	-
N. Burton Taylor[5]								
31/12/09	47,704	-	-	4,293	-	-	51,997	-
31/12/08	192,178	-	-	6,143	-	-	198,321	-
B. Heading[2,6]								
31/12/09	85,703	-	-	-	-	-	85,703	-
31/12/08	67,663	-	-	-	-	-	67,663	-
P. Hughes[1]								
31/12/09	55,372	-	-	3,843	-	-	59,215	-
31/12/08	-	-	-	-	-	-	-	-
A.P. Paliulis[7]								
31/12/09	39,195	-	-	3,528	-	-	42,723	-
31/12/08	-	-	-	-	-	-	-	-
C.I. Roberts[5]								
31/12/09	41,197	-	-	3,708	-	-	44,905	-
31/12/08	39,000	-	-	3,510	-	-	42,510	-
P. Toyne[2,6]								
31/12/09	75,375	-	-	-	-	-	75,375	-
31/12/08	61,042	-	-	-	-	-	61,042	-

Table is continued on the following page.

REMUNERATION REPORT (AUDITED) (continued)

REMUNERATION OF KEY MANAGEMENT PERSONNEL AND THE FIVE HIGHEST PAID EXECUTIVES OF THE COMPANY AND THE GROUP (continued)

	Short Term			Post Employment	Long-term benefits	Termination	Total	Performance Related
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Long service leave	Termination Benefits		
Directors	$	$	$	$	$	$	$	%
D.J. Mackay[8]								
31/12/09	-	-	-	-	-	-	-	-
31/12/08	46,108	-	2,698	3,612	297,500	505,463	855,381	-
T.A. Fischer[9]								
31/12/09	-	-	-	-	-	-	-	-
31/12/08	30,030	-	-	2,703	-	-	32,733	-
G. Paramor[5]								
31/12/09	-	-	-	-	-	-	-	-
31/12/08	28,470	-	-	2,562	-	-	31,032	-
L.P. Wozniczka[2,10]								
31/12/09	-	-	-	-	-	-	-	-
31/12/08	67,500	-	-	-	-	-	67,500	-
P. Zachert[10]								
31/12/09	-	-	-	-	-	-	-	-
31/12/08	-	-	-	-	-	-	-	-
Total Remuneration:								
Directors								
31/12/09	576,113	-	-	30,733	-	-	606,846	-
31/12/08	656,892	-	2,698	31,436	297,500	505,463	1,493,989	-

1 S.E. Lonie and P. Hughes were appointed on 28 April 2009.

2 S.E. Lonie's Directors' fees were paid to Moreton Bay Management Pty Ltd and Engadine Estates Pty Ltd from 28 April 2009 to 30 September 2009. From 1 October 2009 to 31 December 2009 S.E. Lonie was paid through the Company's payroll. B. Heading's Directors' fees were paid to McCullough Robertson Lawyers, P. Toyne's Directors fees were paid to Eco Futures Pty Limited and L.P. Wozniczka's Directors fees were paid to Futuris Group.

3 D. Farley was appointed on 1 December 2009.

4 C.E. Bright resigned as a Director on 17 May 2009.

5 N. Burton Taylor, C. Roberts and G. Paramor resigned as Directors on 21 May 2008. N. Burton Taylor and C. Roberts were re-elected as Directors on 12 June 2009. N. Burton Taylor acted as CEO from 22 January 2008 to 21 May 2008.

6 B. Heading and P. Toyne resigned as Directors on 12 June 2009.

7 A.P.Paliulis was appointed on 12 June 2009.

8 D.J. Mackay resigned as Managing Director and CEO on 22 January 2008.

9 T.A. Fisher retired as a Director on 21 May 2008.

10 L.P. Wozniczka resigned as a Director on 15 October 2008. P. Zachert acted as an alternate for L. Wozniczka until 15 October 2008.

REMUNERATION REPORT (AUDITED) (continued)

REMUNERATION OF KEY MANAGEMENT PERSONNEL AND THE FIVE HIGHEST PAID EXECUTIVES OF THE COMPANY AND THE GROUP (continued)

	Short Term			Post Employment	Share-based payment	Termination	Total	Performance Related
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Options	Termination Benefits		
Executives	$	$	$	$	$	$	$	%
S.N. Toms[1]								
31/12/09	437,034	78,473	-	42,442	65,448	699,780	1,323,177	10.88
31/12/08	438,052	158,590	2,000	53,879	130,818	-	783,339	36.95
B. Bennett								
31/12/09	256,880	29,220	-	25,749	10,310	-	322,159	12.27
31/12/08	224,771	26,634	-	22,627	78,232	-	352,264	29.77
H. Burke[6]								
31/12/09	120,000	11,180	-	11,807	12,072	-	155,059	15.00
31/12/08	-	-	-	-	-	-	-	-
D.R. Connolly[2]								
31/12/09	202,568	34,712	-	17,414	(57,274)[7]	165,000	362,420	(6.22)
31/12/08	223,954	50,009	-	24,656	78,886	-	377,505	34.14
P. Dempsey								
31/12/09	223,486	47,035	-	24,348	33,670	-	328,539	24.56
31/12/08	223,486	35,651	-	23,323	77,159	-	359,619	31.37
T. Gallagher								
31/12/09	205,960	34,681	10,756	22,626	29,813	-	303,836	21.23
31/12/08	203,903	39,025	1,292	22,155	68,331	-	334,706	32.07
G. Gibbons[6]								
31/12/09	106,083	15,912	-	10,980	13,241	-	146,216	19.94
31/12/08	-	-	-	-	-	-	-	-
A. Jones								
31/12/09	201,835	31,066	-	20,962	29,061	-	282,924	21.25
31/12/08	201,834	43,119	-	22,046	66,603	-	333,602	32.89
S.Kenny[3]								
31/12/09	117,419	-	8,970	10,321	-	125,000	261,710	-
31/12/08	153,908	-	10,465	14,794	-	-	179,167	-
K. Parker[4]								
31/12/09	22,936	-	-	2,064	-	-	25,000	-
31/12/08	-	-	-	-	-	-	-	-
J. Whiteman[5]								
31/12/09	304,303	-	-	-	-	-	304,303	-
31/12/08	-	-	-	-	-	-	-	-
Total Remuneration: Executives								
31/12/09	2,198,504	282,279	19,726	188,713	136,341	989,780	3,815,343	10.97
31/12/08	1,669,908	353,028	13,757	183,480	500,029	-	2,720,202	31.36

1 S. Toms was appointed to the position of CEO on 12 August 2008 and his employment ceased on 10 August 2009.

2 D. Connolly's employment ceased on 10 August 2009.

3 S. Kenny was appointed on 14 April 2008 and resigned 30 June 2009.

4 K. Parker was appointed 1 December 2009.

5 J. Whiteman acted as interim CFO from 27 January 2009.

6 H. Burke and G. Gibbons did not meet the definition of key management personnel under AASB 124 for the 2008 financial year but are key management personnel for 2009 as a result of a management restructure.

7 Negative option remuneration is due to the accounting requirement to reverse the amounts previously expensed on now forfeited options due to the termination of employment.

REMUNERATION REPORT (AUDITED) (continued)

8. EQUITY INSTRUMENTS

There were no options granted during the period. For details of options issued in previous financial periods, including valuation and vesting conditions, please refer to note 29.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

D Connolly's termination resulted in the forfeiture of 178,290 unvested options as per the terms of his employment agreement.

There were no shares issued to key management personnel on exercise of compensation options during the period.

DIRECTORS' MEETINGS

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:

	Board	Audit Committee	Staff & Remuneration Committee	Nomination Committee[1]
Current Directors				
Mr. S. Lonie	27(27)	4	2	
Mr. P. Hughes	25(27)	3	2	
Mr. A. Paliulis	11(12)		2	
Mr. N. Burton Taylor	11(12)	3	2	
Mr. C. Roberts	12(12)		2	
Mr. D. Farley	1(1)		1	

[1] The nomination committee was formed but did not meet during current the year.

BOARD COMMITTEES RENAMED – SEE ABOVE

	Board	Audit Committee	Remuneration and Nomination Committee	Health, Safety and Environmental Committee	Research and Development Committee
Mr. P. Hughes				1	1
Former Directors					
Mr. C. Bright ~	44 (44)	2	2	1	1
Mr. B. Heading ~	51 (51)	2	2		
Mr. P. Toyne ~	49 (51)	2	2	1	1

~ Member during the year, before cessation of Directorship

Committee Membership

As at the date of this report, the Company has an audit committee, a staff & remuneration committee, and a nomination committee.

Members acting on the Committees of the Board during the year were:

From 2 July 2009* – 31 December 2009

Audit Committee	Staff & Remuneration Committee	Nomination Committee
Mr. N. Burton Taylor	Mr. C. Roberts	Mr. S. Lonie
Mr. S. Lonie	Mr. A. Paliulis	Mr. N. Burton Taylor
Mr. P. Hughes	Mr. S. Lonie	Mr. C. Roberts
		Mr. A. Paliulis
		Mr. P. Hughes

From 1 January 2009 – 12 June 2009* (or part thereof)

Audit Committee	Remuneration and Nomination Committee	Health Safety and Environmental Committee	Research and Development Committee	Independent Committee
Mr. B. Heading	Mr. C. Bright	Mr. P. Toyne	Mr. C. Bright	Mr. B. Heading
Mr. P. Toyne	Mr. B. Heading	Mr. P. Hughes	Mr. B. Heading	Mr. P. Toyne
Mr. C. Bright	Mr. P. Toyne	Mr. B. Heading	Mr. P. Hughes	
Mr. S. Lonie	Mr. P. Hughes		Mr. P. Toyne	
	Mr. S. Lonie			

** There were no committee meetings for the period 12 June 2009 – 2 July 2009. The new committee appointments were made on 2 July 2009.*

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.

AUDITOR INDEPENDENCE

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

ERNST & YOUNG

1 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
www.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 December 2009, 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

Ernst & Young

M J Hayward

Mark Hayward
Partner
Brisbane

10 February 2010

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:

	2009	2008
Risk advisory services	$16,000	NIL

Signed in accordance with a resolution of the Directors

Stephen Lonie
Chairman

Brisbane
10 February 2010

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 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 33	*ASX CGC 1.1*
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 36	*ASX CGC 1.2*
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes		*ASX CGC LR 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.	Yes	Page 35	*ASX CGC 2.1*
2.2	The chair should be an independent director. ** Meaning as at the date of this report but not for the full year.*	Yes*	Page 35	*ASX CGC LR 2.2*
2.3	The roles of chair and chief executive officer (CEO) should not be exercised by the same individual. ** Meaning as at the date of this report but not for the full year.*	Yes*	Page 35	*ASX CGC 2.3*
2.4	The Board should establish a nomination committee.	Yes	Page 37	*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 36	*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*

	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: • 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 trading in Company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	Page 36	*ASX CGC 3.2*
3.3	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes		*ASX CGC 3.3*

	Recommendation	Comply Yes / No	Reference / Explanation	ASX LR / Recommendation
Principle 4 - Safeguard integrity in financial reporting				
4.1	The Board should establish an audit committee.	Yes	Page 33	*ASX CGC 4.1*
4.2	The audit committee should be structured so that it: • 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 33	*ASX CGC 4.2* *ASX LR 12.7*
4.3	The audit committee should have a formal charter.	Yes	Page 38	*ASX CGC 4.3*
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	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		*ASX CGC 5.2*

	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 41	*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 38	*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 38	*ASX CGC 7.2*
7.3	The Board should disclose whether it has received assurance from the CEO [or equivalent] and the Chief Financial Officer (CFO) [or equivalent] that the declaration provided in accordance with section 295A of the Corporations Act 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 40	*ASX CGC 7.3*
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes		*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 40	*ASX CGC 8.1*
8.2	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*
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes		*ASX CGC 8.3*

The Company's corporate governance practices were in place throughout the year ended 31 December 2009, 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.

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 Consolidated Entity is delegated, by the Board, to the 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 CEO and the executive management team.

For the period 10 August 2009 to 30 November 2009, the Company did not have a full time CEO. During this time, Mr. S. Lonie held the position of 'Executive Chairman', being a temporary role that assumed the role of CEO, pending the recruitment of a permanent full-time CEO.

Board functions (continued)

Whilst at all times the Board retains full responsibility for guiding and monitoring the Consolidated Entity, 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 three Board committees*:

- Audit
- Staff & remuneration
- Nomination

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

*During 2009, the Board restructured its committees, as follows:

1. *Committee restructure in July 2009*

   On 2 July 2009, the Board resolved to restructure its committees as follows:

Old Board Committee	*New Board Committee*
Audit committee	Audit committee
Remuneration & nomination committee	Nomination committee
Health safety & environment committee	Staff & remuneration committee
Research & development committee	This committee was disbanded.
Board independent sub-committee	This committee is currently inoperative

2. *Audit committee*

   The members of the Audit committee are Mr. N. Burton Taylor (committee Chairman), Mr. S. Lonie and Mr. P. Hughes.

   The risk management function of the Audit committee was transferred back to the full Board on 2 July 2009.

3. *Nomination committee*

   The members of this committee are Mr. S. Lonie (committee Chairman), Mr. P. Hughes, Mr. A. Paliulis, Mr. N. Burton Taylor and Mr. C. Roberts.

   The remuneration functions of this committee (formerly known as the remuneration & nomination committee) were transferred to the staff and remuneration committee (formerly known as the health, safety & environment committee) on 2 July 2009.

4. *Staff and remuneration committee*

   The former 'health safety & environment committee' was renamed the staff and remuneration committee.

   The members of the committee are Mr. C. Roberts (committee Chairman), Mr. A. Paliulis and Mr. S. Lonie.

   The environmental functions of this committee were transferred to the full Board on 2 July 2009.

   As noted above, on 2 July 2009, this committee assumed the remuneration function previously delegated to remuneration & nomination committee (and is now known as the nomination committee).

5. *Research & development committee*

   This committee was responsible for overseeing the Company's breed development activities, programs and initiatives and to oversee research and development activities of the Company.

   This committee was disbanded with effect on 2 July 2009.

Board functions (continued)

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.

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

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 composition of the Board went through significant change during 2009. The year commenced with a Board of 3 Directors (2 independent, 1 non-independent) and, as at 31 December 2009, the Board consists of 6 members, all appointed in 2009 (4 independent, 2 non-independent).

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 Consolidated Entity, 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 Consolidated Entity, 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.

Name	Position	Status
Mr. S. Lonie	Chairman, Non-executive Director	Appointed 28 April 2009
Mr. P. Hughes	Non-executive Director	Appointed 28 April 2009
Mr. N. Burton Taylor	Non-executive Director	Appointed 12 June 2009
Mr. C. Roberts	Non-executive Director	Appointed 12 June 2009
Former independent Directors in 2009:		
Mr. P. Toyne	*Non-executive Director*	*Retired 12 June 2009*
Mr. B. Heading	*Chairman, Non-executive Director*	*Retired 12 June 2009*

Structure of the Board (continued)

Mr. A .Paliulis

Mr. A. Paliulis is not considered independent as he is an employee of a related entity of major (19.9%) shareholder IFFCO Poultry Co SDN BHD, a wholly owned subsidiary of FELDA IFFCO SDN BHD.

Mr. D. Farley

Mr. D. Farley is not considered independent by virtue of his executive office as Managing Director and Chief Executive Officer.

Chair

The Board recognises the Corporate Governance Council's recommendation that the Chair should be an independent Director.

In 2009, the role of Chairman was held as follows:

Director	Term	Capacity
Mr. C. Bright (resigned 17 May 2009)	1 January 2009 to 17 May 2009	Acting Chair
Mr. B. Heading (retired 12 June 2009)	17 May 2009 to 12 June 2009	Chair
Mr. S. Lonie (appointed 12 June 2009)	Since 12 June 2009	Chair

Mr. C. Bright

The Board at the time determined that former acting Chairman Mr. C. Bright was not independent, due to his Directorship of former major shareholder Elders Limited.

The Board at the time believed the acting Chairman, Mr. C. Bright, was the most appropriate person to serve as acting Chairman until a replacement Chairman was appointed to the Board. At the time, Mr. C. Bright had significantly longer experience on the Board than former Directors at the time, Mr. P. Toyne and Mr. B. Heading.

The Company has had an independent Chair since 17 May 2009.

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	Total term (including broken periods)
Mr. S. Lonie	8 months	8 months
Mr. D. Farley	1 month	1 month
Mr. P. Hughes	8 months	8 months
Mr. A. Paliulis	6 months	6 months
Mr. N. Burton Taylor	6 months	8 years
Mr. C. Roberts	6 months	8 years

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. In 2009, there has been no performance evaluation of the Board, given the significant changes in Board composition that have occurred. It is intended that procedures for performance evaluation of the Board will resume from 2010.

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, executives and employees 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.

Corporate Governance Statement (continued)

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.

Nomination Committee

The Board has established a nomination committee.

On 2 July 2009, the Board resolved to restructure this Board committee as follows:

Previous Board committee	*New Board committee*
Remuneration & nomination committee	Nomination committee

Also on 2 July 2009, the remuneration functions of this committee were transferred to the staff and remuneration committee (formerly known as the health, safety & environment committee).

The nomination committee 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 in 2009:

From 1 January 2009 to 28 April 2009

Mr. C. Bright (Acting Chair) (resigned 17 May 2009)
Mr. P. Toyne (retired 12 June 2009)
Mr. B. Heading (retired 12 June 2009)

From 28 April 2009 to 17 May 2009

Mr. P. Hughes (Chair)(appointed 28 April 2009);
Mr. C. Bright (resigned 17 May 2009)
Mr. P. Toyne (retired 12 June 2009)

From 17 May 2009 to 12 June 2009

Mr. P. Hughes (Chair)(appointed 28 April 2009);
Mr. P. Toyne (retired 12 June 2009)
Mr. B. Heading (retired 12 June 2009)

From 2 July 2009 to 22 July 2009*

Mr. S. Lonie (Chair)
Mr. P. Hughes
Mr. A. Paliulis

**There were no committee meetings for the period 12 June 2009 – 2 July 2009. The new committee appointments were made on 2 July 2009.*

Since 22 July 2009

Mr. S. Lonie (Chair)
Mr. P. Hughes
Mr. A. Paliulis
Mr. N. Burton Taylor
Mr. C. Roberts

For the period from 1 January 2009 to 28 April 2009, former Director Mr. C. Bright, was the acting Chair of the Board remuneration and nomination committee (now known as the nomination committee), and was not independent as required under Recommendations 2.4 and 8.1 of the guidelines. The Board at the time believed that Mr. C. Bright was the most appropriate Director to chair this committee (in an acting capacity), due to his experience with the Company.

For details of Directors attendance at meetings of the nomination committee, refer to the Directors' report.

For additional details regarding 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 composition of the audit committee changed during the period due to resignations and new appointments of Board members. The members of the audit committee during the year were:

From 1 January 2009 to 28 April 2009

Mr. B. Heading (Chair)(retired 12 June 2009)
Mr. C. Bright (resigned 17 May 2009)
Mr. P. Toyne (retired 12 June 2009)

From 28 April 2009 to 17 May 2009

Mr. S. Lonie (Chair)(appointed 28 April 2009)
Mr. C. Bright (resigned 17 May 2009)
Mr. B. Heading (retired 12 June 2009)

From 17 May 2009 to 12 June 2009

Mr. S. Lonie (Chair)(appointed 28 April 2009)
Mr. P. Toyne (retired 12 June 2009)
Mr. B. Heading (retired 12 June 2009)

*Since 2 July 2009**

Mr. N. Burton Taylor (Chair)
Mr. S. Lonie
Mr. P. Hughes

**There were no committee meetings for the period 12 June 2009 – 2 July 2009. The new committee appointments were made on 2 July 2009.*

The members of the audit committee and their qualifications are shown in this annual report on pages 17 to 19 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.

Independent review committee

The Board has established an independent review committee comprising independent Directors to oversee any matters where an actual or potential conflict between the interests of the Company and the interests of a Director or major shareholder of the Company may exist. The matters that were overseen by the independent review committee in 2009 included the legal action by the Company against Elders (whilst Elders was a shareholder in the Company) as well as aspects of the sale of Elder's 43% shareholding in the Company that occurred progressively during the first half of 2009. The independent review committee is presently dormant.

Risk

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value. The Board acknowledges the Revised Supplementary Guidance to Principle 7 issued by the ASX in June 2008, and continues to improve the risk management activities of the Company.

In recognition of this, the Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

Risk (continued)

In doing so the Board has taken the view that it is crucial for all Board members to be part of this process and so responsibility for the risk management function rests with the full Board, and with effect from July 2009 this function is no longer delegated to the audit committee.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The task of undertaking and assessing risk management and internal control effectiveness are delegated to management through the CEO, including responsibility for day to day design and implementation of the Company's risk management and internal control system. Management reports to the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed. The reporting on risk by management is a standing agenda item at monthly Board meetings.

At least once a year the Company carries out a formal risk review, including revision of insurance policies that the Company has in place. Identified material business risks have assigned risk ratings and appropriate controls developed or mitigating circumstances documented. The Company has a risk awareness culture, and all members of the management team have a responsibility for risk in their area.

The risk review committee, comprising members of the Company's management team, assists the Board to ensure that risk management activities within the Company are carried out in accordance with the Risk and Compliance Framework. The risk review committee meets monthly and reports to Directors on the effectiveness of the Company's management of its material business risks and any other matters are included in the risk report submitted to the Board.

Management carries out risk specific management activities in five core areas; strategic risk, operational risk, reporting risk, compliance risk and environmental and sustainability risk.

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.

The Company's Risk and Compliance Framework has been developed with reference to Australian Standard 4360 Risk Management, and includes:

- The Board approved Risk Management Policy (published on the Company's website);
- The consolidated Risk Register, detailing key strategic, operational, compliance, and financial risks;
- The risk review committee, with members from the executive team; and
- An accredited ISO 9001:2008 Quality Management System including a detailed set of policies and procedures for Company activities.

To assist stakeholders in understanding the nature of the risks faced by the Company, the Board has prepared a list of key operational risks as part of this Principle 7 disclosure. This list is not exhaustive, and will be subject to change based on underlying market events.

Company Key Operational Risks

- Workplace Health and Safety
- Biosecurity threats
- Food Safety threats
- Cattle supply and costs of operation
- Environmental issues including water and climate change
- Market dynamics

The Company is committed to quality in its management systems and products and maintains an accredited ISO 9001:2008 Quality Management System.

CEO and CFO certification

In accordance with section 295A of the Corporations Act, the 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 CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, 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.

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. The nature and amount of the CEO's and key executive's emoluments are linked to the Company's financial and operational performance. In relation to the payment of bonuses, options and other incentive payments, 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 quality management to the Company; and
- performance incentives which allow executives to share in the rewards of the success of the Company.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves.

Staff and remuneration committee

The Board has a staff & remuneration committee, usually comprising three non-executive Directors.

On 2 July 2009, the Board restructured this committee as follows:

Previous Board committee	***New Board committee***
Health safety & environment committee	Staff & remuneration committee

With effect from 2 July 2009, this committee assumed the remuneration function previously delegated to remuneration & nomination committee (and now known as the nomination committee).

Further information on the committee's role, responsibilities and membership can be seen at www.aaco.com.au.

The composition of the staff & remuneration committee changed during the period due to resignations and new appointments of Board members. The members of the staff & remuneration committee during the year were:

From 1 January 2009 to 28 April 2009

Mr. P. Toyne (Chair) ((retired 12 June 2009)
Mr. B. Heading retired 12 June 2009)

From 28 April 2009 to 12 June 2009

Mr. P. Toyne (Chair)((retired 12 June 2009)
Mr. P. Hughes (Chair)(appointed 28 April 2009)

*Since 2 July 2009**

Mr. C. Roberts (Chair)
Mr. A. Paliulis
Mr. S. Lonie

**There were no committee meetings for the period 12 June 2009 – 2 July 2009. The new committee appointments were made on 2 July 2009.*

Corporate Governance Statement (continued)

Staff and remuneration committee (continued)

The members of the staff & remuneration committee and their qualifications are shown in this annual report on pages 17 to 19 of the Directors Report.

For details on the number of meetings of the staff & remuneration committee held during the year and the attendees at those meetings, refer to the Directors' report.

For additional details regarding the staff & 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' emoluments.

Currently no Director or executive uses hedging instruments to limit their exposure to risk on either shares 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.

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 Policy is available on the Company's website.

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. All Directors and senior executives attend the meeting.

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.

Index

Income Statement

For the year ended 31 December 2009

	Note	Consolidated Year ended 31/12/09 $000	Consolidated Year ended 31/12/08 $000	Parent Year ended 31/12/09 $000	Parent Year ended 31/12/08 $000
Revenue	3	156,298	237,144	27	71,385
Profit/(loss) from disposal of non-current assets		1,251	(264)	-	(76)
		157,549	236,880	27	71,309
Employee expenses	3(f)	(28,633)	(33,895)	-	-
Cattle expenses		(13,608)	(19,735)	-	-
Cattle agistment costs		(3,044)	(5,967)	-	-
Feedlot cattle expenses		(31,124)	(33,375)	-	-
Fuel expenses		(6,528)	(9,499)	-	-
Farming expenses		(2,697)	(4,544)	-	-
Other station operating costs		(8,376)	(9,684)	-	-
Lease and property related costs		(5,762)	(4,651)	-	-
Business development and other non station operating costs		(771)	(778)	-	-
Cost of goods sold of value-add businesses		(90,860)	(86,402)	-	-
Administration and other costs		(13,754)	(11,238)	(490)	(245)
Operating expenses		(205,157)	(219,768)	(490)	(245)
Profit from continuing operations before finance costs, income tax, depreciation and amortisation		(47,608)	17,112	(463)	71,064
Depreciation and amortisation	3(c)	(13,672)	(11,615)	(797)	(810)
Earnings before finance costs and income tax expense		(61,280)	5,497	(1,260)	70,254
Mark to market valuation of interest rate swaps		14,143	(24,850)	14,143	(24,850)
Interest and finance expenses	3(d)	(29,672)	(34,065)	(29,287)	(33,579)
Finance costs		(15,529)	(58,915)	(15,144)	(58,429)
Profit/(loss) from continuing operations before income tax		(76,809)	(53,418)	(16,404)	11,825
Income tax benefit/(expense)	4	23,072	14,702	6,542	16,594
Profit/(loss) from continuing operations after related income tax expense		**(53,737)**	**(38,716)**	**(9,862)**	**28,419**
Basic earnings per share (cents per share)	32	(20.3)	(15.0)		
Diluted earnings per share (cents per share)	32	(20.3)	(15.0)		

The above income statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

For the year ended 31 December 2009

		Consolidated		Parent	
		Year ended 31/12/09	**Year ended 31/12/08**	**Year ended 31/12/09**	**Year ended 31/12/08**
	Note	**$000**	**$000**	**$000**	**$000**
Profit/(loss) for the period		**(53,737)**	**(38,716)**	**(9,862)**	**28,419**
Fair value revaluation of land and buildings		(16,604)	39,653	(463)	(208)
Income tax		5,328	(11,618)	179	102
		(11,276)	28,035	(284)	(106)
Adjustment to reset tax cost bases		4,643	(11,513)	-	1,877
Other comprehensive income/(loss) for the period, net of tax		**(6,633)**	**16,522**	**(284)**	**1,771**
Total comprehensive income/(loss) for the period, net of tax		**(60,370)**	**(22,194)**	**(10,146)**	**30,190**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2009

		Consolidated		Parent	
		31/12/09	31/12/08	31/12/09	31/12/08
	Note	$000	$000	$000	$000
Current Assets					
Cash and cash equivalents	19	9,579	20,047	10	415
Receivables	6	8,702	11,415	-	180
Inventories	7	18,044	22,830	-	-
Biological assets – livestock	8	116,712	129,127	-	-
Other assets		592	451	-	-
Total Current Assets		153,629	183,870	10	595
Non-Current Assets					
Receivables	9	29	89	542,933	708,173
Biological assets – livestock	8	236,514	292,678	-	-
Property, plant and equipment	10	681,731	847,254	71,090	72,390
Investment – at cost	11	-	-	72,192	72,136
Deferred tax assets	4	4,196	8,295	2,599	6,861
Intangible assets	12	6,030	10,130	2,254	2,254
Total Non-Current Assets		928,500	1,158,446	691,068	861,814
Total Assets		1,082,129	1,342,316	691,078	862,409
Current Liabilities					
Payables	13	18,621	30,691	905	11,490
Provisions	14	3,387	2,634	-	-
Interest bearing liabilities	15	27,523	2,320	25,809	-
Interest rate swaps		8,691	22,834	8,691	22,834
Current tax liabilities		-	6,188	-	6,188
Total Current Liabilities		58,222	64,667	35,405	40,512
Non-Current Liabilities					
Provisions	14	554	600	-	-
Interest bearing liabilities	15	269,177	426,387	268,582	424,537
Deferred tax liabilities	4	109,067	145,407	15,989	16,168
Total Non-Current Liabilities		378,798	572,394	284,571	440,705
Total Liabilities		437,020	637,061	319,976	481,217
Net Assets		645,109	705,255	371,102	381,192
Equity					
Issued capital	16	172,785	172,785	177,409	177,409
Reserves	17	401,061	518,297	163,793	176,680
Retained profits	18	71,263	14,173	29,900	27,103
Total Equity		645,109	705,255	371,102	381,192

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of Cash Flows

For the year ended 31 December 2009

		Consolidated		Parent	
	Note	Year ended 31/12/09 $000	Year ended 31/12/08 $000	Year ended 31/12/09 $000	Year ended 31/12/08 $000
Cash Flows from Operating Activities					
Receipts from customers		230,747	268,597	-	-
Payments to suppliers, employees and others		(249,057)	(246,775)	-	-
Income tax received/(paid)		(5,387)	5,655	(5,387)	6,665
Interest received		988	1,808	19	1,376
Net GST received from ATO		6,630	4,299	6,630	4,299
Net operating cash flows before interest and finance costs		(16,079)	33,584	1,262	12,340
Payment of interest and finance costs		(40,289)	(22,843)	(39,905)	(22,357)
Net operating cash flows	19(b)	(56,368)	10,741	(38,643)	(10,017)
Cash Flows from Investing Activities					
Payments for property, plant and equipment and other assets		(4,395)	(9,623)	-	-
Proceeds from sale of property, plant and equipment		141,296	374	40	-
Proceeds from sale of livestock herds		39,145	-	-	-
Repayment from/(advance to) controlled entities		-	-	168,344	(1,370)
Net investing cash flows		176,046	(9,249)	168,384	(1,370)
Cash Flows from Financing Activities					
Proceeds from issue of shares		-	531	-	719
Proceeds from/(repayment of) borrowings		(130,146)	9,537	(130,146)	9,537
Net financing cash flows		(130,146)	10,068	(130,146)	10,256
Net (decrease)/increase in cash and cash equivalents held		(10,468)	11,560	(405)	(1,131)
Cash and cash equivalents at the beginning of the financial period		20,047	8,487	415	1,546
Cash and cash equivalents at the end of the financial period	19(a)	9,579	20,047	10	415

The above statement of cash flows should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 31 December 2009

CONSOLIDATED	Attributable to equity holders of the consolidated entity			
	Issued capital $000	Reserves $000	Retained earnings $000	Total equity $000
At 31 December 2007	**154,070**	**500,617**	**70,877**	**725,564**
Profit for the period	-	-	(38,716)	(38,716)
Other comprehensive income	-	16,522	-	16,522
Total comprehensive income for the period	**-**	**16,522**	**(38,716)**	**(22,194)**
Transactions with owners in their capacity as owners:				
Issue of share capital under dividend reinvestment plan	17,973	-	-	17,973
Exercise of options	532	-	-	532
Tax effect of capitalised rights issue costs	86	-	-	86
Cost of share-based payment	-	1,158	-	1,158
Issue of share capital under employee share plan	124	-	-	124
Equity dividends	-	-	(17,988)	(17,988)
At 31 December 2008	**172,785**	**518,297**	**14,173**	**705,255**
Profit for the period	-	-	(53,737)	(53,737)
Other comprehensive income	-	(6,633)	-	(6,633)
Total comprehensive income for the period	**-**	**(6,633)**	**(53,737)**	**(60,370)**
Transactions with owners in their capacity as owners:				
Cost of share-based payment	-	224	-	224
Transfer of capital profits to retained earnings	-	(110,827)	110,827	-
At 31 December 2009	**172,785**	**401,061**	**71,263**	**645,109**

PARENT	Attributable to equity holders of the parent entity			
	Issued capital $000	Reserves $000	Retained earnings $000	Total equity $000
At 31 December 2007	**158,507**	**173,751**	**16,672**	**348,930**
Profit for the period	-	-	28,419	28,419
Other comprehensive income	-	1,771	-	1,771
Total comprehensive income for the period	**-**	**1,771**	**28,419**	**30,190**
Transactions with owners in their capacity as owners:				
Issue of share capital under dividend reinvestment plan	17,973	-	-	17,973
Exercise of options	719	-	-	719
Cost of share-based payment	-	1,158	-	1,158
Issue of share capital under employee share plan	124	-	-	124
Tax effect of capitalised rights issue costs	86	-	-	86
Equity dividends	-	-	(17,988)	(17,988)
At 31 December 2008	**177,409**	**176,680**	**27,103**	**381,192**
Profit for the period	-	-	(9,862)	(9,862)
Other comprehensive income	-	(284)	-	(284)
Total comprehensive income for the period	**-**	**(284)**	**(9,862)**	**(10,146)**
Transactions with owners in their capacity as owners:				
Cost of share-based payment	-	56	-	56
Transfer of capital profits to retained earnings	-	(12,659)	12,659	-
At 31 December 2009	**177,409**	**163,793**	**29,900**	**371,102**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 December 2009

1 CORPORATE INFORMATION

The financial report of Australian Agricultural Company Limited (the Company) for the year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 10 February 2010.

Australian Agricultural Company Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principle activities of the Consolidated Entity are described in the Directors' Report.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

It is recommended that the financial report be considered together with any public announcements made by Australian Agricultural Company Limited and its controlled entities during the year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for land and buildings, livestock and derivative financial instruments that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000), unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

(c) Changes in accounting policies

Since 1 January 2009 the Consolidated Entity has adopted the following Standards and Interpretations, mandatory for annual reporting periods beginning on or after 1 January 2009. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

- AASB 8 *Operating Segments;*
- AASB 123 (revised) *Borrowing Costs;*
- AASB 101 (revised) *Presentation of Financial Statements;*
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (AASB 2);*
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 and 1038);*
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (AASB 1, 118, 121, 127 and 136);*
- AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments (AASB 4, 7, 1023 and 1038);*
- AASB 2009-3 *Amendments to Australian Accounting Standards – Embedded Derivatives (AASB 139 and Interpretation 9)*
- AASB 2009-6 *Amendments to Australian Accounting standards (AASB 3)*
- Interpretation 16 *Hedges of a Net Investment in a Foreign Operation.*

There are a number of Standards and Interpretations that will be mandatory in future reporting periods. The Consolidated Entity has not elected to early adopt these Standards and Interpretations and does not expect them to have a material effect on the reported financial position or performance of the Consolidated Entity.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates on historical liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and other various factors it considers to be reasonable under the circumstances, the result of which form the basis of the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following accounting policies for which significant judgements, estimates and assumptions have been made. Please refer to the individual accounting policy notes for further details:

- Classification of pastoral leases refer note 2(e)(v);
- Fair value determination of land refer note 2(e)(v);
- Fair value determination of livestock refer note 2(e)(iii); and
- Fair value determination of derivative financial instruments refer note 2(e)(xx).

(e) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Australian Agricultural Company Limited, and its subsidiaries (as outlined in note 26) as at December each year, referred to collectively throughout these financial statements as the "Consolidated Entity".

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

Investments in subsidiaries held by Australian Agricultural Company Limited are accounted for at cost in the separate financial statements of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(ii) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where shares are issued in a business combination, the fair value of the shares is the market price on the date of issue of the Consolidated Entity. The transaction costs relating to the issue of shares are recognised directly in equity.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Consolidated Entity's share of the identifiable net assets of the subsidiary acquired is recognised as goodwill.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Summary of significant accounting policies (continued)

(iii) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue on livestock is recognised in accordance with Accounting Standard AASB 141 *Agriculture,* which requires livestock to be measured at its net market value at each reporting date. The net market value is determined through price movements, natural increase and the weight of the herd.

Net increments or decrements in the market value of livestock are recognised as revenue or expense in the income statement, determined as:

(i) 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

(ii) Costs expected to be incurred in realising the market value (including freight and selling costs).

Effectively, the value of the Consolidated Entity's entire herd is formally marked to market each quarter.

Livestock

Determination of net market value of livestock:

At 31 December 2009, the Consolidated Entity has approximately 290,541 breeding cattle (31 December 2008: 362,686) and 217,135 non-breeding cattle (31 December 2008: 227,696).

The breeding cattle comprise principally females and breeding bulls, up to 10 years of age. The non-breeding cattle comprise trading cattle including feedlot cattle at Goonoo and Aronui feedlots. Trading cattle represent steers and heifers sold by the Consolidated Entity as at 31 December 2009 which are generally less than three years old.

The Consolidated Entity's herd profile is as follows:

	Number of Cattle	
	31 December 2009	31 December 2008
Breeding		
Commercial and bull breeding herd	290,541	362,686
Non-Breeding		
Trading cattle	217,135	227,696
Total	507,676	590,382

Market values for each herd type are determined after assessing a number of key market indicators, to ensure the values determined are representative of the Consolidated Entity's herd.

Broadly, net market values are determined as follows for the most significant types of cattle:

- Commercial breeding herd – prices for these cattle generally reflect a longer term view of the cattle market and, as such, are less volatile than movements in the spot cattle prices evident with trading cattle. The value of these cattle is determined by reference to prices received for large representative sales of breeding cattle similar to the Consolidated Entity's herd;
- Trading cattle – prices for these cattle generally reflect the shorter term spot prices available in the market place. Relevant market indicators used only as general reference include Roma store cattle prices, Queensland Cattle Market Index, and actual spot cattle prices received / quoted for the Company's cattle in and around balance date; and
- Bull breeding herd – these bulls were independently valued at 31 December 2009.

Other Livestock balances include the fair value of the Consolidated Entity's goat and working horses herd. These biological assets are measured at net market value at balance date, in accordance with Accounting Standard AASB 141 *Agriculture*.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Summary of significant accounting policies (continued)

(iii) Revenue recognition (continued)

Cropping Operations

Revenue on cropping operations is accounted for in accordance with AASB 141 *Agriculture,* which requires the market value of the harvest be brought to account as revenue.

Crops in the ground at balance date are measured at their fair value less estimated point of sale costs. The fair value is determined on an estimated yield per hectare basis less estimated harvesting and cartage costs. The value is only brought to account when it can be reliably measured and it is probable that the future economic benefits will be received by the Consolidated Entity.

Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the consumer.

Rendering of Services

Revenue is recognised on the rendering of services when the outcome of a contract to provide services can be measured reliably and the service is performed.

(iv) Foreign currency translation

Both the functional and presentation currency of Australian Agricultural Company Limited and its subsidiaries is Australian dollars (A$).

Foreign currency items are translated to Australian currency on the following bases:

- Transactions are converted at exchange rates approximating those rates in effect at the date of each transaction; and
- Amounts payable and receivable are translated at the average of the buy and sell rates available on the close of business at balance date.

Exchange differences relating to monetary items are included in the Income Statement, as exchange gains or losses, in the period when the exchange rate changes, except where the exchange difference relates to a transaction intended to hedge the purchases or sale of goods or services, in which case, the exchange difference is included in the measurement of the purchase or sale.

(v) Property, plant and equipment

Land, buildings and improvements are measured on a fair value basis, as determined by a Directors' valuation. At each reporting date, the value of each asset in these classes is reviewed to ensure that it does not materially differ from the asset's fair value at that date. Where necessary, the asset is revalued to reflect its fair value.

Plant and equipment is stated at cost less accumulated depreciation less any impairment in value.

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

Fixed Asset Type	Average Useful Life
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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Summary of significant accounting policies (continued)

(v) Property, plant and equipment (continued)

Impairment

The carrying values of plant and equipment are reviewed 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 such indication 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.

Revaluations

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 reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

All pastoral and perpetual property leases have been classified as property, plant and equipment in the balance sheet at 31 December 2009. Future payments on the leases are nominal. All payments have therefore been expensed in the financial report.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, unless it reverses a revaluation decrement of the same asset previously recognised in the income statement.

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, any revaluation reserve relating to the particular asset being sold is transferred to the Capital Profits Reserve.

Independent valuations are performed annually, to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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.

(vi) Finance costs

Finance costs are recognised as an expense when incurred.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Summary of significant accounting policies (continued)

(vii) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill is reviewed for impairment annually, or, more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed in this circumstance is measured on the basis of the relative values of the operation disposed and the portion of the cash-generating unit retained.

(viii) Intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and, from a business combination, are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and, in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(ix) Recoverable amount of assets

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell, and it does not generate cash inflows that are largely independent of other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Summary of significant accounting policies (continued)

(x) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity.

(xi) Inventories

Bulk stores of feed and grain, held for use in the Consolidated Entity's operations, have been valued at the lower of cost or 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.

(xii) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and, as well, through the amortisation process.

(xiii) Share-based payment transactions

The Consolidated Entity provides benefits to employees (excluding non-executive Directors) of the Consolidated Entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

(i) The Executive Option Plan (EOP), which provides benefits to the Managing Director/Chief Executive Officer, senior executives and middle management; and

(ii) The Employee Share Plan (ESP), which provides benefits to all employees, excluding Directors, senior executives and middle management.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by management using the Black Scholes model.

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').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense, recognised for equity-settled transactions at each reporting date until vesting date, reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Consolidated Entity, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met, as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Summary of significant accounting policies (continued)

(xiv) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with the original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined, net of outstanding bank overdrafts.

(xv) Trade and other receivables

Trade receivables, which generally have 14 day terms, are recognised and carried at original invoice amount.

An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(xvi) Leases

a) Pastoral and Perpetual property leases

Pastoral and perpetual property leases have been included in Property, Plant and Equipment at 31 December 2009. (Refer note 2(e)(v)).

b) Other leases

Finance leases, which transfer to the Consolidated Entity 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 property 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, to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the corresponding lease income.

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

(xvii) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Except where the deferred income tax liability 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.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets 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 assets and unused tax losses can be utilised:

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised; and

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Summary of significant accounting policies (continued)

(xvii) Income tax (continued)

- Except where 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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and relevant Australian tax laws that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Income Statement.

(xviii) Othertax es

Revenues, expenses and assets are recognised net of the amount of GST, except receivables and payables, which are stated with the amount of GST included and where the GST incurred on a purchase of goods and services is not recoverable from the Australian 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.

The net amount of GST recoverable from, or payable to, the Australian taxation authority is included as part of receivables or payables in the balance sheet.

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

Cash flows are included in the cash flow statement 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 Australian taxation authority is classified as operating cash flow.

(xix) Provisions

Provisions are recognised when the Consolidated Entity has 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.

Where the Consolidated Entity expects some or all of a provision to be reimbursed, it 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.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Summary of significant accounting policies (continued)

(xx) Derivative financial instruments

The Consolidated Entity uses derivative financial instruments, such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

Forward exchange contracts and currency options

Forward exchange contracts are entered into where agreements are made to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match a contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than 3 months. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Foreign exchange options are used in a similar manner to forward exchange contracts, as the Consolidated Entity has the option to buy specified foreign currencies in the future at a predetermined exchange rate. The objective of foreign exchange options is also to match a contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect against the possibility of loss from future exchange rate fluctuations. The foreign exchange options are usually for no longer than 6 months.

The Company does not apply hedge accounting, as it does not meet the strict requirements of the relevant accounting standard. The fair value of foreign currency contracts is recognised through the Income Statement. Any gains or losses arising from changes in fair value are taken directly to the Income Statement.

Interest rate swaps

Interest rate swap agreements are entered into and used to convert the variable interest rate of short-term borrowings to medium-term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates. The fair value of interest rate swaps is determined by reference to market values of similar instruments.

The Company does not apply hedge accounting, as it does not meet the strict requirements of the relevant accounting standard. The fair value of interest rate swaps is recognised through the Income Statement. Any gains or losses arising from changes in fair value are taken directly to the Income Statement.

	Consolidated		Parent	
	Year ended 31/12/09 $000	Year ended 31/12/08 $000	Year ended 31/12/09 $000	Year ended 31/12/08 $000
3. REVENUES AND EXPENSES				
(a) Revenue				
Cattle revenue (including revaluation)*	46,868	124,816	-	-
Other livestock revenue (including revaluation)	(1,256)	411	-	-
Crop revenue	4,198	8,565	-	-
Revenue from sale of goods of value-add businesses	104,280	99,337	-	-
	154,090	233,129	-	-
*Included in cattle revenue is a net decrement in market value of livestock of $21,337,000 (31/12/08: net increment $13,531,000)				
(b) Other revenues				
Dividends:				
– wholly owned group	-	-	-	70,000
Interest income:				
– unrelated parties	988	1,808	19	1,376
Other revenue	1,220	2,207	8	9
Total other revenue	2,208	4,015	27	71,385
Total revenues for operating activities	156,298	237,144	27	71,385
(c) Depreciation and amortisation				
Depreciation of:				
– Buildings and leasehold improvements	3,600	3,916	504	505
– Plant and equipment	5,961	6,884	293	305
	9,561	10,800	797	810
Amortisation of:				
– Other intangibles	4,111	815	-	-
Total depreciation and amortisation	13,672	11,615	797	810
(d) Interest and finance expenses				
Bank loans and overdrafts	28,619	32,952	28,580	32,916
Other financing charges	808	758	707	663
Finance charges payable under finance leases and hire purchase contracts	245	355	-	-
Total interest and finance expenses (on effective interest basis)	29,672	34,065	29,287	33,579
(e) Other expense items				
Provision for employee benefits				
– Annual leave	1,723	2,147	-	-
– Long service leave	260	108	-	-
Total provision for employee benefits	1,983	2,255	-	-
Operating lease rentals	3,071	2,111	-	-
Research and development costs	121	121	-	-
Net gain/(loss) from mark to market valuation of foreign currency contracts	1,256	(785)	-	-

	Consolidated		Parent	
	Year ended 31/12/09 $000	Year ended 31/12/08 $000	Year ended 31/12/09 $000	Year ended 31/12/08 $000
3. REVENUES AND EXPENSES (continued)				
(f) Employee expenses				
Salaries and wages	23,118	26,879	-	-
Workers' compensation costs	872	1,052	-	-
Superannuation costs	1,901	2,328	-	-
Post-employment benefits	1,177	822	-	-
Expense of share-based payments	224	1,282	-	-
Payroll tax	1,341	1,532	-	-
	28,633	33,895	-	-

4. INCOME TAX

Major components of income tax expense for the years ended 31 December 2009 and 31 December 2008 are:

	Consolidated 31/12/09	Consolidated 31/12/08	Parent 31/12/09	Parent 31/12/08
Income Statement				
Current income tax				
Current income tax charge	(873)	3,372	(10,804)	(9,838)
Deferred income tax				
Relating to origination and reversal of temporary differences	(22,199)	(18,074)	4,262	(6,756)
Income tax (benefit)/expense reported in income statement	(23,072)	(14,702)	(6,542)	(16,594)
Statement of changes in equity				
Deferred income tax				
Net (gain)/loss on revaluation of land and buildings	9,971	(25,008)	179	103
Tax effect of capitalised rights issue costs	-	86	-	86
Income tax benefit/(expense) reported in equity	9,971	(24,922)	179	189

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Consolidated Entity's effective income tax rate for the years ended 31 December 2009 and 31 December 2008 is as follows:

	Consolidated 31/12/09	Consolidated 31/12/08	Parent 31/12/09	Parent 31/12/08
Profit from continuing operations	(76,809)	(53,418)	(16,404)	11,825
At the statutory income tax rate of 30% (2008: 30%)	(23,043)	(16,025)	(4,921)	3,548
Non-assessable dividends	-	-	-	(21,000)
Non-assessable capital gain	477	1,138	-	1,138
Amortisation of intangible assets	1,231	247	-	-
Building depreciation not deductible	1,899	1,202	151	151
Capital allowance on buildings	(1,980)	(910)	(97)	(98)
Over provision in prior years	-	(669)	-	336
Other items (net)	(1,656)	315	(1,675)	(669)
Income tax (benefit)	(23,072)	(14,702)	(6,542)	(16,594)

	Balance Sheet		Income Statement	
			Year ended	Year ended
	31/12/09	31/12/08	31/12/09	31/12/08
	$000	$000	$000	$000
4. INCOME TAX (continued)				
Deferred income tax				
Deferred income tax at 31 December relates to the following:				
CONSOLIDATED				
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	127	173	46	91
Revaluations of land and buildings to fair value	(75,171)	(103,771)	(18,653)	-
Revaluations of trading stock for tax purposes	(34,023)	(41,809)	(7,785)	(11,543)
	(109,067)	(145,407)		
CONSOLIDATED				
Deferred income tax assets				
Capitalised expenses accelerated for book purposes	88	94	6	106
Investments	8	8	-	-
Leave entitlements	877	970	93	25
Other employee costs	20	333	313	36
Interest rate swaps	2,252	6,850	4,598	(6,850)
Accruals and other	951	40	(839)	61
	4,196	8,295	(22,221)	(18,074)
PARENT				
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(41)	(40)	1	(9)
Revaluations of land & buildings to fair value	(15,948)	(16,128)	-	-
	(15,989)	(16,168)		
PARENT				
Deferred income tax assets				
Capitalised expenses accelerated for book purposes	-	3	3	103
Investments	7	8	-	-
Interest rate swaps	2,252	6,850	4,598	(6,850)
Accruals and other	340	-	(340)	-
	2,599	6,861	4,262	(6,756)

Tax consolidation

Australian Agricultural Company Limited and its 100% owned subsidiaries are a tax consolidated group. Members of the 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 balance date, the possibility of default is remote. The head entity of the tax consolidated group is Australian Agricultural Company Limited.

		Consolidated		Parent	
		Year ended	Year ended	Year ended	Year ended
		31/12/09	31/12/08	31/12/09	31/12/08
	Note	$000	$000	$000	$000
5. DIVIDENDS PAID ON ORDINARY SHARES					
Dividends declared and paid during the year					
Nil final dividend (2008: 7.00 cents per share, 0% franked)		-	17,988	-	17,988
Franking Credits					
The amount of franking credits available for the subsequent financial year are:					
– franking account balance as at the end of the financial year at 30% (2008: 30%)				-	(5,388)
– franking credits that will arise from the payment of income tax payable as at the end of the financial year				-	5,388
				-	-

Franking Account

The tax rate at which dividends have been franked is 30%.

Dividend History

Ordinary Dividend

Dividend Type	Cents per Share	Franked %	Pay Date
Final	7.00	0	1 Oct 2008
Final	7.00	0	5 Oct 2007
Interim	2.00	0	12 Apr 2007
Final	7.00	0	16 Oct 2006
Final	7.00	20	14 Oct 2005
Final	6.00	70	13 Oct 2004
Final	4.00	100	28 Nov 2003
Interim	2.00	100	13 Jun 2003
Final	6.08	100	04 Oct 2002

	Consolidated		Parent	
	31/12/09	31/12/08	31/12/09	31/12/08
	$000	$000	$000	$000
6. RECEIVABLES (CURRENT)				
Trade debtors	6,650	10,087	-	-
Sundry debtors	2,052	1,328	-	180
	8,702	11,415	-	180

Trade debtors are non interest bearing and are generally on 14 day terms.

7. INVENTORIES (CURRENT)				
Bulk stores – at cost	6,496	8,498	-	-
Feedlot commodities – at cost	8,996	11,281	-	-
Other – at cost	2,552	3,051	-	-
Total current inventories	18,044	22,830	-	-

	Consolidated		Parent	
	31/12/09	31/12/08	31/12/09	31/12/08
	$000	$000	$000	$000
8. BIOLOGICAL ASSETS – LIVESTOCK				
Current				
Cattle at net market value				
(31 December 2009: 174,727 head, 31 December 2008: 180,450 head)	116,684	129,011	-	-
Other livestock at net market value	28	116	-	-
Total current livestock	116,712	129,127	-	-
Non-Current				
Livestock at net market value				
(31 December 2009: 332,949 head, 31 December 2008: 409,932 head)	234,410	289,310	-	-
Other livestock at net market value	2,104	3,368	-	-
Total non-current livestock	236,514	292,678	-	-
	353,226	421,805	-	-
Livestock Movement				
Carrying amount at 1 January	421,805	426,504	-	-
Gain/(loss) from changes to fair value less estimated point of sale costs	34,458	149,410	-	-
Purchases of livestock	55,283	40,563	-	-
Sale of livestock	(158,320)	(194,672)	-	-
Carrying amount at 31 December	353,226	421,805	-	-
9. RECEIVABLES (NON-CURRENT)				
Non-trade amounts owing by:				
Related parties				
– Wholly owned group	-	-	542,904	708,084
Other receivables	29	89	29	89
Total non-current receivables	29	89	542,933	708,173

		Consolidated		Parent	
	Note	31/12/09 $000	31/12/08 $000	31/12/09 $000	31/12/08 $000
10. PROPERTY, PLANT AND EQUIPMENT					
Freehold Land					
Opening balance, at fair value		103,506	103,438	5,517	5,173
Disposals		(5,445)	-	-	-
Net amount of revaluation increments less decrements		1,367	68	417	344
Closing balance, at fair value	(a)	99,428	103,506	5,934	5,517
Pastoral Leases					
Opening balance, at fair value		620,217	580,633	55,688	56,240
Disposals		(118,807)	-	-	-
Net amount of revaluation increments less decrements		(17,971)	39,584	(880)	(552)
Closing balance, at fair value	(b)	483,439	620,217	54,808	55,688
Buildings and Improvements					
Opening balance, at fair value		117,792	113,885	12,733	12,733
Additions		939	4,016	-	-
Disposals		(16,970)	(109)	-	-
Closing balance, at fair value	(a)	101,761	117,792	12,733	12,733
Accumulated Depreciation					
Opening balance		(22,535)	(18,637)	(3,891)	(3,386)
Depreciation for the year		(3,600)	(3,916)	(504)	(505)
Disposals		3,967	18	-	-
Closing balance	(a)	(22,168)	(22,535)	(4,395)	(3,891)
Fair Value		101,761	117,792	12,733	12,733
Accumulated depreciation and impairment		(22,168)	(22,535)	(4,395)	(3,891)
Net carrying amount		79,593	95,257	8,338	8,842
Net freehold land, pastoral leases, buildings and improvements		662,460	818,980	69,080	70,047
Plant and Equipment					
Opening balance, at cost		61,997	59,286	4,317	4,449
Additions		739	4,626	-	-
Disposals		(7,489)	(1,915)	(79)	(132)
Closing balance, at cost		55,247	61,997	4,238	4,317
Accumulated Depreciation					
Opening balance		(33,723)	(28,208)	(1,974)	(1,725)
Depreciation for the year		(5,961)	(6,884)	(292)	(305)
Disposals		3,708	1,369	39	56
Closing balance		(35,976)	(33,723)	(2,227)	(1,974)
Net plant and equipment		19,271	28,274	2,011	2,343
Total property, plant and equipment, net		681,731	847,254	71,091	72,390

10. PROPERTY, PLANT AND EQUIPMENT (continued)

a) The fair values of freehold land, pastoral leases, buildings and improvements have been determined by reference to director valuations, based upon independent valuations performed by Herron Todd White in December 2009. Fair value was determined by reference to an open market basis, being the amount for which the asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction at the valuation date. The controlled entity has developed a process where properties are independently valued on a three year rolling basis. Each year approximately one third of properties covering all regions are valued. The basis of valuation was existing use.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet. Any revaluation deficit directly offsetting a previous surplus in the same asset is directly offset against the surplus in the asset revaluation reserve, otherwise it is charged to the net profit or loss.

The effective date of the revaluation was 31 December 2009.

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:

	Consolidated		Parent	
	31/12/09	31/12/08	31/12/09	31/12/08
	$000	$000	$000	$000
Deemed cost	250,441	305,467	11,690	11,690
Accumulated depreciation	(22,168)	(22,535)	(4,395)	(3,891)
Net carrying amount	228,273	282,932	7,295	7,799

b) The consolidated entity's 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 held by the consolidated entity 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, the Directors are not presently aware of any reason why leases would not be renewed on substantially the same terms based upon practise by the Queensland Government.

	Consolidated		Parent	
	31/12/09	31/12/08	31/12/09	31/12/08
	$000	$000	$000	$000
11. INVESTMENTS AT COST (NON-CURRENT)				
Investments:				
Investment in controlled entities, at cost	-	-	73,311	73,255
Impairment to recoverable amount	-	-	(1,119)	(1,119)
Total investments	-	-	72,192	72,136

	Consolidated		Parent	
	31/12/09 $000	31/12/08 $000	31/12/09 $000	31/12/08 $000
12. INTANGIBLE ASSETS (NON-CURRENT)				
Goodwill				
At 1 January (net of accumulated amortisation)	4,303	4,303	1,176	1,176
At 31 December (net of accumulated amortisation)	4,303	4,303	1,176	1,176
Goodwill	9,932	9,932	1,268	1,268
Accumulated amortisation	(5,629)	(5,629)	(92)	(92)
Goodwill, net	4,303	4,303	1,176	1,176
Agistment rights				
At 1 January (net of accumulated amortisation)	4,100	4,915	-	-
Amortisation	(4,100)	(815)	-	-
At 31 December (net of accumulated amortisation)	-	4,100	-	-
Agistment rights	-	8,162	-	-
Accumulated amortisation	-	(4,062)	-	-
Agistment rights, net	-	4,100	-	-
Other intangibles				
At 1 January (net of accumulated amortisation)	1,727	1,727	1,078	1,078
At 31 December (net of accumulated amortisation)	1,727	1,727	1,078	1,078
Other intangibles	2,619	2,619	1,664	1,664
Accumulated amortisation	(892)	(892)	(586)	(586)
Other intangibles, net	1,727	1,727	1,078	1,078
Total intangible assets, net	6,030	10,130	2,254	2,254

For the year ended 31 December 2008, agistment rights were capitalised at cost. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of ten years. During the period the lease was not renewed, therefore it was fully amortised at 31 December 2009.

Intangibles are tested for impairment annually or where an indicator of impairment arises.

13. PAYABLES (Current)

Trade creditors	12,992	12,939	54	-
Other creditors and accruals	5,629	17,752	851	11,490
Total current payables	18,621	30,691	905	11,490

Trade creditors are non-interest bearing and are normally settled on 30 day terms. Other creditors are non-interest bearing and have an average term of three months.

The net of GST payable and GST receivable is remitted to the appropriate tax body on a monthly basis.

	Consolidated		Parent	
	31/12/09	31/12/08	31/12/09	31/12/08
	$000	$000	$000	$000
14. PROVISIONS				
At 1 January	3,234	3,318	-	-
Arising during year	3,001	2,255	-	-
Utilised	(2,294)	(2,339)	-	-
At 31 December	3,941	3,234	-	-
Employee benefits:				
– annual leave	1,662	1,791	-	-
– long service leave	707	843	-	-
Provision for Crystalbrook	1,018	-	-	-
Total current provisions	3,387	2,634	-	-
Employee benefits:				
– long service leave	554	600	-	-
Total other non current provisions	554	600	-	-
	3,941	3,234	-	-

The consolidated entity employed 360 full-time equivalent employees as at 31 December 2009 (31 December 2008: 415 employees).

	Consolidated		Parent	
15. INTEREST BEARING LOANS AND BORROWINGS				
Current				
Obligations under finance leases	1,714	2,320	-	-
$60,000,000 bank loan	25,809	-	25,809	-
	27,523	2,320	25,809	-
Non-current				
Obligations under finance leases	595	1,850	-	-
Other Loans:				
$270,000,000 bank loan	268,582	-	268,582	-
$200,000,000 bank loan	-	174,537	-	174,537
$250,000,000 bank loan	-	250,000	-	250,000
	269,177	426,387	268,582	424,537

$60,000,000 bank loan

This is a club loan facility which is secured. The loans are repayable on 30 November 2010. The effective interest rate is 8.09%. It is intended that this loan will be renewed prior to the maturity date.

$270,000,000 bank loan

This is a club loan facility which is secured. The loans are repayable on 30 November 2012. The effective interest rate is 8.09%. It is intended that this loan will be renewed prior to the maturity date.

$200,000,000 bank loan

This was a syndicated loan which was unsecured. The loans were repayable on 31 January 2010 but were renegotiated and have subsequently been replaced by the club facility above. The effective interest rate was 8.44%. .

$250,000,000 bank loan

This was a syndicated loan which was unsecured. The loans were repayable on 31 January 2011 but were renegotiated and have subsequently been replaced by the club facility above. The effective interest rate was 8.44%.

Refer to note 25 for financing facilities available.

	Consolidated		Parent	
	31/12/09	31/12/08	31/12/09	31/12/08
	$000	$000	$000	$000
16. ISSUED CAPITAL				
Ordinary shares (a)	172,785	172,785	177,409	177,409
Total contributed equity	172,785	172,785	177,409	177,409

(a) Movements in issued capital for the period:

Consolidated	31/12/09		31/12/08	
	Number of shares	$000	Number of shares	$000
Beginning of the financial period	264,264,459	172,785	256,679,183	154,070
Issued for cash on exercise of share options	-	-	305,759	532
Tax adjustment for rights issue costs	-	-	-	86
Dividend reinvestment plan	-	-	7,217,517	17,973
Employee share plan	-	-	62,000	124
End of the financial period	264,264,459	172,785	264,264,459	172,785

At 31 December 2009 the issued capital of Australian Agricultural Company Limited was $177,409,000 and the Consolidated Entity was $172,785,000.

(b) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The debt leverage of the Consolidated Entity (Debt/(Debt + Equity) as at 31 December 2009 is 32% (2008: 38%).

During 2008 the DRP was fully underwritten by ABN AMRO Morgans and resulted in the issue of 7,217,517 ordinary shares at an issue price of $2.49.

For the Consolidated Entity's financial risk management objectives and policies refer note 20.

17. RESERVES

	Consolidated			
	Asset revaluation reserve $000	Capital profits reserve $000	Employee equity benefits reserve $000	Total $000
31 December 2007	419,431	77,719	3,467	500,617
Revaluation of land and buildings	28,035	-	-	28,035
Adjustment to reset tax cost bases	(11,513)	-	-	(11,513)
Share based payment	-	-	1,158	1,158
31 December 2008	435,953	77,719	4,625	518,297
Revaluation of land and buildings	(11,276)	-	-	(11,276)
Adjustment to reset tax cost bases	4,643	-	-	4,643
Share based payment	-	-	224	224
Transfer of realised capital profits	(110,827)	110,827	-	-
Transfer of capital profits to retained earnings	-	(110,827)	-	(110,827)
31 December 2009	318,493	77,719	4,849	401,061

	Parent			
	Asset revaluation reserve $000	Capital profits reserve $000	Employee equity benefits reserve $000	Total $000
31 December 2007	56,718	113,566	3,467	173,751
Revaluation of land and buildings	(106)	-	-	(106)
Adjustment to reset tax cost bases	1,877	-	-	1,877
Share based payment	-	-	1,158	1,158
31 December 2008	58,489	113,566	4,625	176,680
Revaluation of land and buildings	(284)	-	-	(284)
Share based payment	-	-	56	56
Transfer of realised capital profits	(12,659)	12,659	-	-
Transfer of capital profits to retained earnings	-	(12,659)	-	(12,659)
31 December 2009	45,546	113,566	4,681	163,793

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.

Employee equity benefits reserve

The employee share option and share plan reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 29 for further details of these plans.

	Consolidated		Parent	
	31/12/09 $000	31/12/08 $000	31/12/09 $000	31/12/08 $000
18. RETAINED PROFITS				
Retained Profits				
Retained profits at the beginning of the financial period	14,173	70,877	27,103	16,672
Transfer of realised capital profits	110,827	-	12,659	-
Net profit /(loss) for the financial period	(53,737)	(38,716)	(9,862)	28,419
Total available for appropriation	71,263	32,161	29,900	45,091
Dividends paid	-	(17,988)	-	(17,988)
Retained profits at the end of the financial period	71,263	14,173	29,900	27,103

19. CASH AND CASH EQUIVALENTS

(a) Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks.

Cash on hand	1,686	14,369	10	415
Call deposits with banks	7,893	5,678	-	-
Total	9,579	20,047	10	415

The fair value of cash assets is $9,579,000 (2008: $$20,047,000).
Cash on hand earns interest at 3.15% (2008: 6.45%).
Short term deposits are for one day and earn interest at the respective short term deposit rates.

(b) Reconciliation of Net Profit after Income Tax to Net Cash Provided by Operating Activities

	Consolidated		Parent	
	12 months ended 31/12/09 $000	12 months ended 31/12/08 $000	12 months ended 31/12/09 $000	12 months ended 31/12/08 $000
Net profit after income tax	(53,737)	(38,716)	(9,862)	28,419
Adjustments for non-cash income and expense items:				
Depreciation and amortisation	13,672	11,615	797	810
(Gain)/loss on sale of property, plant and equipment	(1,251)	264	-	76
Increment in net market value of livestock	29,434	4,698	-	-
Movement in:				
– Income tax payable	(6,188)	7,062	(6,188)	18,685
– Deferred taxes	(22,271)	(16,109)	4,263	(4,793)
Changes in assets & liabilities net of effects from purchase and sale of controlled entities:				
(Increase)/decrease in assets:				
– Accounts receivable	2,773	1,464	(2,925)	(88,087)
– Inventories	4,786	2,552	-	-
– Prepayments and other assets	(152)	528	-	705
Increase/(decrease) in liabilities:				
– Trade/sundry creditors	(9,274)	13,474	(10,584)	11,334
– Interest rate swaps	(14,143)	22,834	(14,143)	22,834
– Provisions – employee	(18)	1,075	-	-
Net cash provided by/(used in) operating activities	(56,368)	10,741	(38,643)	(10,017)

19. CASH AND CASH EQUIVALENTS (continued)

(c) Non-Cash Financing and Investing Activities

During the year ended 31 December 2009, the consolidated entity did not acquire any vehicles by means of finance leases (year ended 31 December 2008: $1,082,713).

(d) Cash flows from Investing Activities

Cashflow from investing activities included $39,145,000 for the sale of livestock herds as part of the disposal of three properties in the Queensland Gulf region during the period.

Proceeds from sale of property plant and equipment and other assets of $141,296,000 includes proceeds from the sale of the aforementioned three gulf properties and for one property sold in the Barkly Tableland region of the Northern Territory.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Australian Agricultural Company Limited and its controlled entities use basic derivative instruments to manage financial risk. The group does not use or issue derivative or financial instruments for speculative or trading purposes.

The Consolidated Entity's principal financial instruments, other than derivatives, comprise bank loans, finance leases and cash.

The main purpose of these financial instruments is to partially finance the Consolidated Entity's operations.

The Consolidated Entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Consolidated Entity also enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Consolidated Entity's operations and its sources of finance.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

The consolidated entity has a policy objective to ideally maintain the percentage of fixed and variable rate debt within controlled limits. Interest rate swaps are entered into to maintain mix of the fixed and variable rate debt.

The consolidated entity does not currently hedge its beef commodity price exposure, however, it has a policy whereby it will forward sell a significant proportion of its feedlot cattle sales for a period of up to six months.

The majority of the consolidated entity's revenue is received in Australian dollars, although the prices received are influenced by movements in exchange rates, particularly that of the US dollar and Japanese yen relative to the Australian dollar. The consolidated entity does not currently hedge any of this indirect currency exposure.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Consolidated Entity's long term debt obligations.

At balance date, the Consolidated Entity had the following financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges. The interest rate swap agreements reduce the Consolidated Entity's exposure to variable interest rate risk at 31 December 2009:

	Consolidated		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Financial Assets				
Cash assets	9,579	20,047	10	415
	9,579	20,047	10	415
Financial Liabilities				
Club loan facility:				
$60,000,000 bank loan	(16,000)	-	(16,000)	-
$270,000,000 bank loan	-	-	-	-
Previous loan facility:				
$200,000,000 bank loan	-	-	-	-
$250,000,000 bank loan	-	(95,000)	-	(95,000)
Interest rate swaps	(8,691)	(22,834)	(8,691)	(22,834)
	(24,691	(117,834)	(24,691)	(117,834)
Net exposure	(15,112)	(97,787)	(24,681)	(117,419)

For details on the loan facilities please refer to Note 15.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The other financial instruments of the Consolidated Entity and Parent that are not included in the above table are non-interest bearing and are therefore not subject to interest rate risk.

The Consolidated Entity's policy is to manage its interest cost using a mix of fixed and variable rate debt, keeping at least 50% of its borrowings at fixed rates of interest.

To manage this mix in a cost-efficient manner, the Consolidated Entity enters into interest rate swaps and other derivatives, in which the Consolidated Entity agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

At 31 December 2009, after taking into account the effect of interest rate swaps, approximately 95% of the Consolidated Entity's borrowings are at a fixed rate of interest.

The Consolidated entity regularly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative positions and the mix of fixed and variable interest rates.

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

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)	
	2009 $000	2008 $000
Consolidated:		
+1% (100 basis points)	4,897	7,307
-0.5% (50 basis points)	(2,449)	(3,653)
Parent:		
+1% (100 basis points)	4,682	7,239
-0.5% (50 basis points)	(2,341)	(3,620)

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.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Consolidated Entity also has transactional currency exposures. Such exposure arises from sales by the Wholesale Beef segment in currencies other than in Australian dollars.

The Consolidated Entity undertakes 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.

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

At 31 December 2009, the Consolidated Entity had the following exposure to US$ foreign currency that is not designated in cash flow hedges:

	Consolidated		Parent	
	2009	2008	2009	2008
	$000	$000	$000	$000
Financial Assets				
Forward currency contracts	450	-	-	-
	450	-	-	-
Financial Liabilities				
Forward currency contracts	-	816	-	-
Net Exposure	450	(816)	-	-

At 31 December 2009 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 balance sheet date.

At 31 December 2009, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)	
	2009	2008
	$000	$000
Consolidated:		
AUD/USD +10%	949	1,335
AUD/USD -5%	(549)	(773)
Parent:		
Nil		

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.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Credit Risk

The credit risk of financial assets of the consolidated entity which have been recognised on the Balance Sheet is generally the carrying amount, net of any provisions of doubtful debts.

With respect to receivables, the majority of the consolidated entity's credit risk is in Australia and is generally concentrated in the meat processing industry. The group manages its 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.

There are no significant concentrations of credit risk within the Consolidated Entity.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance leases.

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

The Consolidated Entity monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

Consolidated **Year ended 31 December 2009**	**≤6 months** **$000**	**6-12 months** **$000**	**1-2 years** **$000**	**2-5 years** **$000**	**Total** **$000**
Consolidated financial assets					
Cash & cash equivalents	9,579	-	-	-	9,579
Receivables	8,702	-	-	-	8,702
	18,281	-	-	-	18,281
Consolidated financial liabilities					
Payables	18,621	-	-	-	18,621
Interest bearing liabilities	6,962	36,982	18,901	288,434	351,279
Derivatives	3,273	3,273	6,546	2,123	15,215
	28,856	40,255	25,447	290,557	385,115
Net maturity	(10,575)	(40,255)	(25,447)	(290,557)	(366,834)
Year ended 31 December 2008					
Consolidated financial assets					
Cash & cash equivalents	20,047	-	-	-	20,047
Receivables	11,355	60	60	29	11,504
	31,402	60	60	29	31,551
Consolidated financial liabilities					
Payables	30,691	-	-	-	30,691
Interest bearing liabilities	18,387	10,449	187,393	261,707	477,936
Derivatives	3,956	4,084	8,168	10,596	26,804
	53,034	14,533	195,561	272,303	535,431
Net maturity	(21,632)	(14,473)	(195,501)	(272,274)	(503,880)

Parent **Year ended 31 December 2009**	**≤6 months** **$000**	**6-12 months** **$000**	**1-2 years** **$000**	**2-5 years** **$000**	**Total** **$000**
Parent financial assets					
Cash & cash equivalents	10	-	-	-	10
Receivables	-	-	29	-	29
	10	-	29	-	39
Parent financial liabilities					
Payables	905	-	-	-	905
Interest bearing liabilities	6,962	36,982	18,901	288,434	351,279
Derivatives	3,273	3,273	6,546	2,123	15,215
	11,140	40,255	25,447	290,557	367,399
Net maturity	(11,130)	(40,255)	(25,418)	(290,557)	(367,360)
Year ended 31 December 2008					
Parent financial assets					
Cash & cash equivalents	415	-	-	-	415
Receivables	120	60	60	29	269
	535	60	60	29	684
Parent financial liabilities					
Payables	11,490	-	-	-	11,490
Interest bearing liabilities	16,904	9,612	186,125	261,125	473,766
Derivatives	3,956	4,084	8,168	10,596	26,804
	32,350	13,696	194,293	271,721	512,060
Net maturity	(31,815)	(13,636)	(194,233)	(271,692)	(511,376)

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Price Risk

The Consolidated Entity's exposure to commodity price risk is minimal.

The Consolidated Entity enters into forward purchase contracts for grain commodities. This practice mitigates the price risk for the Consolidated Entity. As at 31 December 2009 the Consolidated Entity had forward purchased approximately 52% (2008: 63%) of its expected grain usage for the coming twelve months.

21. FINANCIAL INSTRUMENTS

Fair Values

The Consolidated Entity uses 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 December 2009 and 2008, the only financial instruments recognised at fair value were interest rate swaps and forward currency contracts. These are valued using a level 2 method.

The gain or loss from the mark to market valuation of interest rate swaps is disclosed on the face of the income statement. The gain or loss from the mark to market valuation of foreign currency contracts is disclosed in note 3.

Set out below is a comparison by category of carrying amounts and fair values of all of the consolidated Entity's financial instruments that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	31/12/09 $000	31/12/08 $000	31/12/09 $000	31/12/08 $000
CONSOLIDATED				
Financial assets				
Cash	9,579	20,047	9,579	20,047
Current receivables	8,702	11,415	8,702	11,415
Non current receivables	29	89	29	89
Financial liabilities				
Payables	18,621	30,691	18,621	30,691
Interest rate swaps	8,691	22,834	8,691	22,834
Interest-bearing loans and borrowings:				
Obligations under finance leases	2,309	4,170	2,309	4,170
Bank loans	294,391	424,537	294,391	424,537
PARENT				
Financial assets				
Cash	10	415	10	415
Receivables	29	180	29	180
Financial liabilities				
Payables	905	11,490	905	11,490
Interest rate swaps	8,691	22,834	8,691	22,834
Interest-bearing loans and borrowings:				
Bank loans	294,391	424,537	294,391	424,537

The fair value of derivative items has been calculated by discounting the expected future cash flows at prevailing interest rates.

21. FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments used by the Consolidated Entity

Forward Currency Contracts and Currency Options

The Consolidated entity has entered into forward exchange contracts and currency options which are economic hedges but do not satisfy the requirements for hedge accounting.

	Notional Amounts ($AUD)		Average Exchange Rate	
	2009	2008	2009	2008
	$000	$000	AUD/USD	AUD/USD
Sell USD/Buy AUD				
Sell USD Maturity 0-12 Months - Consolidated	9,711	13,870	0.8527	0.7240
Sell JPY Maturity 0-12 Months - Consolidated	1,181	-	79.07	-
Buy USD/Sell AUD				
Buy USD Maturity 0-12 Months – Consolidated	-	-	-	-

Parent – Nil

These contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value gain on foreign currency derivatives during the year was $1,256,000 (2008: $785,000 loss) for the Consolidated Entity (Parent: Nil)

Interest rate swaps

The Consolidated entity has entered into interest rate swaps which are economic hedges but do not satisfy the requirements for hedge accounting.

As at 31 December 2009, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	$000	$000	$000	$000
0-1 years	-	50,000	-	50,000
1-3 years	280,000	200,000	280,000	200,000
3-5 years	-	80,000	-	80,000

These swaps are subject to mark to market valuations so that they are recorded at fair value. The valuation takes into account interest differentials between fixed rate and market variable rate and time to maturity. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value profit on interest rate swaps during the year was $14,143,000 (2008: $24,850,000 loss) for the Consolidated Entity and $14,143,000 (2007: $24,850,000 loss) for the Company.

Refer to Note 20 for further information regarding interest rate and credit risk exposure.

	Consolidated		Parent	
	31/12/09	31/12/08	31/12/09	31/12/08
	$000	$000	$000	$000

22. COMMITMENTS

(a) Future minimum lease payments under non-cancellable operating leases at 31 December are as follows:

	31/12/09 $000	31/12/08 $000	31/12/09 $000	31/12/08 $000
Leased land and buildings:				
Not later than one year	1,262	2,031	-	-
Later than one year but not later than five years	1,822	3,082	-	-
Total leased land and buildings	3,084	5,113	-	-
Leased plant and equipment:				
Not later than one year	1,082	1,406	-	-
Later than one year but not later than five years	1,082	2,812	-	-
Total leased plant and equipment	2,164	4,218	-	-

Property, plant and equipment lease rental payments are generally fixed. Except for motor vehicles, purchase options exist in relation to some operating leases.

(b) Finance lease expenditure contracted for is payable as follows:

The consolidated entity has 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:

CONSOLIDATED	31/12/09 $000	31/12/08 $000	31/12/09 $000	31/12/08 $000
Within one year	1,714	2,320	-	-
After one year but not more than five years	595	1,850	-	-
Total minimum lease payments	2,309	4,170	-	-

(c) Capital Commitments

The Consolidated Entity had entered into forward purchase contracts for $3,033,000 worth of grain commodities as at 31 December 2009 (2008: $6,657,000). The contracts are expected to be settled within 12 months from balance date.

The Consolidated Entity had entered into forward purchase contracts for $1,954,000 worth of cattle as at 31 December 2009 (2008: $2,151,000). The contracts are expected to be settled within 12 months from balance date.

23. CONTINGENCIES

Contingent liabilities at balance date, not otherwise provided for in these financial statements are categorised as follows:

	31/12/09 $000	31/12/08 $000	31/12/09 $000	31/12/08 $000
Guarantees and indemnities:				
Bank guarantees provided in relation to premises	64	64	64	-

23. CONTINGENCIES (continued)

At 31 December 2009 there are a number of native title claims over some of the consolidated entity's cattle properties. Negotiations are continuing with stakeholders to resolve these claims. The Directors are not aware of any native title rights that may be found to co-exist with the consolidated entity's rights and as such they do not expect any impact on the business to result from native title claims.

In 2008, the Company commenced legal action against Elders Limited relating to the purchase of product during the period 2002 to 2005. The action progressed through the pleading stage in 2009 and the discovery phase will commence in 2010. The Company expects this litigation to progress during 2010 in accordance with the court rules, unless a settlement is reached through mediation or negotiation. The Company is unable to quantify any potential impact at the date of this report.

24. IMPAIRMENT TESTING OF ASSETS

Goodwill acquired through business combinations and acquisitions has been allocated to their respective cash generating units (CGUs) for impairment testing based on a value in use calculation. The CGU's tested for impairment have been calculated on cash flow projections approved by senior management over a five year period, including a terminal value, which is appropriate given the nature of the CGU. The pre-tax discount rate applied was 15.0%. The growth rate used to extrapolate the cash flows was 3.0%. No impairment was indicated at 31 December 2009.

25. FINANCING ARRANGEMENTS

The Consolidated Entity has access to the following financing facilities:

	31/12/09					
	Consolidated			Parent		
	Accessible $000	Drawn-down $000	Unused $000	Accessible $000	Drawn-down $000	Unused $000
$60,000,000 bank loan	60,000	26,000	34,000	60,000	26,000	34,000
$270,000,000 bank loan	270,000	270,000	-	270,000	270,000	-
Guarantee facility	65	64	1	65	64	1
Total financing facilities	330,065	296,064	34,001	330,065	296,064	34,001

	31/12/08					
	Consolidated			Parent		
	Accessible $000	Drawn-down $000	Unused $000	Accessible $000	Drawn-down $000	Unused $000
$200,000,000 bank loan	200,000	175,000	25,000	200,000	175,000	25,000
$250,000,000 bank loan	250,000	250,000	-	250,000	250,000	-
Guarantee facility	4,500	64	4,436	4,500	64	4,436
Total financing facilities	454,500	425,064	29,436	454,500	425,064	29,436

The facilities are provided on a secured basis, with security given over all fixed and floating assets. Financial covenants in place include debt cover ratios and consolidated net worth.

26. CONTROLLED ENTITIES

The consolidated financial statements at 31 December 2009 include the following controlled entities.

Name of controlled entity	Notes	Place of Incorporation	31/12/09 % of shares held	31/12/08 % of shares held
Parent Entity				
Australian Agricultural Company Limited	(a)	Australia		
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
Polkinghornes Stores Pty Limited		Australia	100	100

The parent entity, Australian Agricultural Company Limited, a public company, is domiciled in Brisbane, Australia.

The registered office and principal place of business is located at:	Level 1 299 Coronation Drive Brisbane Qld 4064

(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 at footnote (b).

26. CONTROLLED ENTITIES (continued)

(b) Financial information for class order closed group.

	Consolidated	
	31/12/09	31/12/08
	$000	$000
Current Assets		
Cash and cash equivalents	9,579	20,047
Receivables	11,529	14,242
Inventories	18,044	22,830
Biological assets – livestock	116,712	129,127
Other assets	592	451
Total Current Assets	**156,456**	**186,697**
Non-Current Assets		
Receivables	29	89
Biological assets – livestock	236,514	292,678
Property, plant and equipment	681,731	847,254
Investment – at cost	50	50
Deferred tax assets	4,196	8,295
Intangible assets	6,030	10,130
Total Non-Current Assets	**928,550**	**1,158,496**
Total Assets	**1,085,006**	**1,345,193**
Current Liabilities		
Payables	18,621	30,691
Provisions	3,387	2,634
Interest bearing liabilities	27,523	2,320
Interest rate swaps	8,691	22,834
Current tax liabilities	-	6,188
Total Current Liabilities	**58,222**	**64,667**
Non-Current Liabilities		
Provisions	554	600
Interest bearing liabilities	269,177	426,387
Deferred tax liabilities	109,067	145,407
Total Non-Current Liabilities	**378,798**	**572,394**
Total Liabilities	**437,020**	**637,061**
Net Assets	**647,986**	**708,132**
Equity		
Issued capital	172,785	172,785
Reserves	401,061	518,297
Retained profits/(accumulated losses)	74,140	17,050
Total Equity	**647,986**	**708,132**

26. CONTROLLED ENTITIES (continued)

	31/12/09 $000	31/12/08 $000
Income Statement of the Closed Group:		
Revenue	157,549	236,880
Employee expenses	(28,633)	(33,895)
Cattle Expenses	(13,608)	(19,735)
Cattle agistment costs	(3,044)	(5,967)
Feedlot cattle expenses	(31,124)	(33,375)
Fuel expenses	(6,528)	(9,499)
Farming expenses	(2,697)	(4,544)
Other station operating costs	(8,376)	(9,684)
Lease and property related costs	(5,762)	(4,651)
Business development and other non station operating costs	(771)	(778)
Cost of goods sold of value add business	(90,860)	(86,402)
Administration and other costs	(13,754)	(11,238)
Earnings before interest expense, income tax, depreciation and amortisation	(47,608)	17,112
Depreciation and amortisation	(13,672)	(11,615)
Finance costs	(15,529)	(58,915)
Profit/(loss) from continuing operations before income tax	(76,809)	(53,418)
Income tax benefit/(expense)	23,072	14,702
Profit/(loss) from continuing operations after related income tax expense	**(53,737)**	**(38,716)**

27. SEGMENT INFORMATION

Identification of reportable segments

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer 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

Live Cattle

The Live Cattle group operates an integrated cattle production system across 18 cattle stations, 2 feedlots and 2 farms, located throughout Queensland and the Northern Territory. The Live Cattle group produces beef cattle that are processed for a range of uses from prime cuts typically sold in restaurants and supermarkets to manufacturing beef, which is typically used for hamburgers. As the only significant product produced for external sale is beef cattle, the operation of the Live Cattle group is considered to be one reportable segment.

Wholesale Beef

The Wholesale Beef group markets and distributes branded beef and other portion controlled meat products to restaurants and supermarkets, both internationally and domestically. The Wholesale Beef group operates from a facility at Morningside in Brisbane. As the only significant product sold is branded meat, the operations of the Wholesale Beef group are considered to be one reportable segment.

27. SEGMENT INFORMATION (continued)

Accounting policies and inter-segment transactions

The accounting policies used by the Consolidated Entity in reporting segments are the same as those contained in Note 1 to the accounts and in the prior period, except as follows:

- *Inter-entity sales*
  Inter-entity sales are recognised based on an internally set transfer price. The price is set at least annually and aims to reflect what the business operation could achieve if they sold their output to external parties at arm's length.
- *Corporate Charges*
  It is the Consolidated Entity's policy that items of revenue and expense that are not directly attributable to the Wholesale Beef group are allocated to the Live 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 Live Cattle group.

The following table presents the revenue and profit information regarding operating segments for the years ended 31 December 2009 and 31 December 2008.

	Continuing Operations		
	Live Cattle	**Wholesale Beef**	**Total**
	$'000	**$'000**	**$'000**
31 December 2009			
Segment revenue	51,892	104,406	156,298
Segment result	(65,982)	4,702	(61,280)
Unallocated finance costs			(15,529)
Profit/(loss) before income tax			(76,809)
31 December 2008			
Segment revenue	137,687	99,457	237,144
Segment result	2,588	2,909	5,497
Unallocated finance costs			(58,915)
Profit/(loss) before income tax			(53,418)

28. REMUNERATION OF AUDITORS

	Consolidated		Parent	
	Year ended 31/12/09 $000	**Year ended 31/12/08 $000**	**Year ended 31/12/09 $000**	**Year ended 31/12/08 $000**
Remuneration received, or due and receivable, by the auditor, Ernst & Young, of the parent entity for:				
Audit or review of the financial statements	469	349	469	349
Other services comprise:				
Ernst & Young				
Risk advisory services	16	-	16	-

29. EMPLOYEE BENEFITS

(a) Executive Option Plan

The Consolidated Entity 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.

Chief Executive Officer – Executive Options

No options were issued to Mr. D. Farley in 2009.

CEO, Mr. D. Farley was appointed on 1 December 2009 and under the terms of his executive service agreement, he will be entitled to an LTI benefit up to a maximum of 50% of fixed remuneration. The specific terms of the LTI benefit, including related performance hurdles, will be finalised after due consideration of the current legislative changes and a review of best practice guidelines.

Former Chief Executive Officer – Executive Options

No options were issued to Mr. S. Toms in 2009.

On 30 October 2008, 300,000 options were granted to Mr. S. Toms in three equal tranches with a fair value per option of $0.18, $0.22 and $0.25 respectively. These options were issued in relation to the 2007 financial year and Mr. S. Toms' former role of Chief Financial Officer. Options issued were to vest one third each 1 January, commencing 2009. Mr. S. Toms' executive service agreement was terminated on 10 August 2009 and as per his agreement all unvested options vested effective on that date and the expiry date of all options held by Mr. S. Toms was extended for a period of five years from the original expiry date. The exercise price of these options is fixed at $3.27. Upon exercise, these options will be settled in ordinary shares of the consolidated entity.
No options were issued to Mr. S. Toms in his role as CEO.

Former Managing Director/Chief Executive Officers – Executive Options

On 11 March 2005, 1,500,000 options were granted to Mr. D. Mackay (resigned as Chief Executive Officer 22 January 2008) in three equal tranches with a fair value of $0.39 each. Options issued were to vest when the following conditions were met:

The earnings per share of the consolidated entity had increased by a minimum of 5% per annum compound for each of the three years ended 31 December 2005, 2006 and 2007. Earnings per share did not increase by a minimum of 5% for the three years ended 31 December 2007. The exercise price of these options is fixed at $1.39 being the 30 day trading average prior to 25 November 2004. Any vested options that are unexercised, for each tranche, on 31 March 2010, 31 March 2011 and 31 March 2012 will expire. Upon exercise, these options will be settled in ordinary shares of the consolidated entity.

The first two tranches of this scheme vested on satisfaction of the vesting conditions. The third tranche of options granted on 11 March 2005 did not vest on 1 January 2008 as the vesting conditions were not met. The 500,000 options granted in this tranche were forfeited and no expense for these options was recognised during the period.

Mr. N. Burton Taylor performed the dual role of Chairman and Chief Executive Officer from 22 January 2008 to 21 May 2008. During this period no options were granted to the Chief Executive Officer.

Senior Executive – Executive Options

No options were issued to senior executives in 2009.

On 30 October 2008, 806,060 options were granted in three equal tranches with a fair value per option of $0.18, $0.22 and $0.25 respectively. Options issued will vest one third each 1 January commencing 2009. There are vesting conditions relating to cessation of employment, death and permanent disability. The exercise price of these options is fixed at $3.27. Any vested options unexercised on 1 January 2014 will expire. Upon exercise, these options will be settled in ordinary shares of the consolidated entity.

In addition, on 2 January 2008, 76,000 options were granted as a single tranche to the company secretary/general counsel with a fair value per option of $0.76. These options vested immediately on grant date. The exercise price of these options is fixed at $3.15. Any options unexercised on 1 January 2013 will expire. Upon exercise, these options will be settled in ordinary shares of the consolidated entity. These options were issued in relation to the 2007 financial year.

Middle Management – Executive Options

No options were granted to middle management in 2009.

On 30 October 2008, 2,077,091 options were granted in three equal tranches with a fair value per option of $0.18, $0.22 and $0.25 respectively. Options issued will vest one third each 1 January commencing 2009. There are vesting conditions relating to cessation of employment, death and permanent disability. The exercise price of these options is fixed at $3.27. Any vested options unexercised on 1 January 2014 will expire. Upon exercise, these options will be settled in ordinary shares of the consolidated entity.

The fair value of the options are estimated at the date of grant using the Black Scholes model. As no options were granted in 2009 the following table gives the assumptions made in determining the fair value of the options granted in the year to 31 December 2008.

29. EMPLOYEE BENEFITS (continued)

(a) Executive Option Plan (continued)

2008	CEO	Company Secretary/ General Counsel	Senior Exec	Middle Management
Date of grant	30/10/2008	02/01/2008	30/10/2008	30/10/2008
Dividend yield (%)	2.70	2.10	2.70	2.70
Expected volatility (%)	38.00	30.00	38.00	38.00
Risk-free interest rate (%)	4.70	6.60	4.70	4.70
Expected life of option (years)	2.67	2.50	2.67	2.67
Option exercise price ($)	3.27	3.15	3.27	3.27
Share price at grant date ($)	1.94	3.24	1.94	1.94

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

During the year ended 31 December 2009, no options were exercised over ordinary shares (31 December 2008: 305,759) and no cash consideration was received by the Consolidated Entity (31 December 2008: $532,000).

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

	2009 No.	*2009 WAEP*	*2008 No.*	*2008 WAEP*
Outstanding at the beginning of the year	10,788,194	2.04	7,958,603	1.53
Granted during the year	-	-	3,259,151	3.27
Forfeited during the year	1,153,354	2.66	123,801	2.09
Exercised during the year	-	-	305,759	1.74
Outstanding at the end of the year	9,634,840	1.97	10,788,194	2.04
Exercisable at the end of the year	7,634,681	1.72	5,737,799	1.35

The outstanding balance as at 31 December 2009 is represented by:

- 2,585,000 options over ordinary shares with an exercise price of $1.00 each;
- 1,800,000 options over ordinary shares with an exercise price of $1.39 each;
- 360,001 options over ordinary shares with an exercise price of $1.50 each;
- 33,335 options over ordinary shares with an exercise price of $1.61 each;
- 2,182,530 options over ordinary shares with an exercise price of $2.09 each;
- 76,000 options over ordinary shares with an exercise price of $3.15 each; and
- 2,597,974 options over ordinary shares with an exercise price of $3.27 each

Included within this balance are options over 2,335,000 shares (2008: 2,335,000 shares) that have not been recognised in accordance with AASB 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with AASB 2.

29. EMPLOYEE BENEFITS (continued)

(a) Executive Option Plan (continued)

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

Expiry Date	*Exercise Price ($)*	*2009 No*	*2008 No*
31 March 2010	1.39	950,000	1,300,000
31 March 2010	1.50	360,001	403,335
31 March 2010	1.61	33,335	53,371
31 March 2011	1.39	500,000	500,000
6 August 2011	1.00	2,585,000	2,585,000
1 January 2013	2.09	1,891,905	2,687,337
1 January 2013	3.15	76,000	76,000
1 January 2014	3.27	2,297,974	3,183,151
31 March 2015[1]	1.39	350,000	-
1 January 2018[1]	2.09	290,625	-
1 January 2019[1]	3.27	300,000	-
Total		9,634,840	10,788,194

[1] These options were held by S. Toms in 2008, however, upon his employment terminating in 2009 the options' expiry date was extended as per his employment contract.

(b) Employee share plan

On 12 September 2005 the consolidated entity 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 in 2009. On 30 October 2008 shares were issued to 124 (2007: 129) employees at $2.00 being the weighted average share price at that date. The fair value of each share at this date was $2.00.

At 31 December 2009, the ESP holds 96,596 ordinary shares in Australian Agricultural Company Limited (31 December 2008: 96,596).

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

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation for key management personnel

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	3,076,622	2,696,283	-	-
Post-employment benefits	219,446	214,916	-	-
Other long-term benefits	-	297,500	-	-
Termination benefits	989,780	505,463	-	-
Share-based payment	136,341	500,029	-	-
Total	4,422,189	4,214,191	-	-

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Option holdings of Key Management Personnel (consolidated)

	Balance at beginning of period	Granted as Remuneration	Options Forfeited	Options Exercised	Balance at end of period	Not Vested & Not exercisable	Vested & Exercisable
	31/12/08				31/12/09		
Executives							
S N Toms[1]	940,625	-	-	-	940,625	-	940,625
B Bennett	227,896	-	-	-	227,896	98,613	129,283
H Burke[2]	224,949	-	-	-	224,949	62,862	162,087
D R Connolly[1]	555,326	-	178,290	-	377,036	-	377,036
P Dempsey	347,633	-	-	-	347,633	174,464	173,169
T Gallagher	407,647	-	-	-	407,647	154,318	253,329
G Gibbons[2]	136,166	-	-	-	136,166	68,070	68,096
A Jones	299,953	-	-	-	299,953	150,490	149,463
Total	3,140,195	-	178,290	-	2,961,905	708,817	2,253,088

[1] S N Toms and D R Connolly's contracts were terminated on 10 August 2009.

[2] H Burke and G Gibbons did not meet the definition of key management personnel under AASB 124 for the 2008 financial year but are key management personnel for 2009 as a result of a management restructure.

	Balance at beginning of period	Granted as Remuneration	Options Forfeited	Options Exercised	Balance at end of period	Not Vested & Not exercisable	Vested & Exercisable
	31/12/07				31/12/08		
Directors							
D J Mackay[1]	2,386,000	-	-	-	2,386,000	-	2,386,000
Executives							
S N Toms	640,625	300,000	-	-	940,625	493,750	446,875
B Bennett	7,957	219,939	-	-	227,896	149,244	78,652
D R Connolly	375,781	179,545	-	-	555,326	296,732	258,594
P Dempsey	171,875	175,758	-	-	347,633	290,341	57,292
A Jones	148,438	151,515	-	-	299,953	250,474	49,479
T Gallagher	252,344	155,303	-	-	407,647	256,866	150,781
Total	3,983,020	1,182,060	-	-	5,165,080	1,737,407	3,427,673

[1] D J Mackay resigned as Managing Director and CEO on 22 January 2008.

No other directors or executives held options during the period.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(c) Share holdings of Key Management Personnel (consolidated)

	Balance at beginning of period	Granted as Remuneration	Exercise of Options	Net Change Other	Balance at end of period
	31/12/08				31/12/09
Directors					
S Lonie[1]	-	-	-	93,750	93,750
N Burton Taylor[2]	7,348,530	-	-	-	7,348,530
P Hughes[1]	-	-	-	100,000	100,000
C Roberts[2]	-	-	-	50,000	50,000
Executives					
P Dempsey	161,705	-	-	-	161,705
Total	7,510,235	-	-	243,750	7,753,985

[1] S Lonie and P Hughes were appointed Directors on 28 April 2009

[2] N Burton Taylor and C Roberts were appointed Directors on 12 June 2009

	Balance at beginning of period	Granted as Remuneration	Exercise of Options	Net Change Other	Balance at end of period
	31/12/07				31/12/08
Directors					
C E Bright[1]	60,000	-	-	-	60,000
B Heading[2]	-	-	-	15,421	15,421
Executives					
P Dempsey	161,705	-	-	-	161,705
Total	221,705	-	-	15,421	237,126

[1] C E Bright resigned as a Director on 17 May 2009

[2] B Heading retired as a Director on 12 June 2009. B Heading purchased 125,000 shares on 11 May 2009 whilst still a Director of the Company.

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.

31. RELATED PARTY DISCLOSURES

(a) Other Director transactions

Directors of the consolidated entity and directors of its related parties, or their director-related entities, conduct transactions with entities within the consolidated entity 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. N. Burton Taylor is a Principal of Hillgrove Pastoral Company (Hillgrove). Hillgrove has entered into sale arrangements with the consolidated entity with respect to livestock on commercial terms and conditions no more favourable than those available to other suppliers.

During the prior year the Consolidated Entity also entered into a livestock lease agreement whereby breeding cattle are leased to Hillgrove for a 12-month period. This lease transaction is made both at market prices and on normal commercial terms. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. This lease agreement is still in place in the current period.

Mr. P. Hughes is a minor shareholder in Mort & Co. Limited, a management and marketing company within the lot feeding industry. Mort & Co. Limited also act as a feeding and marketing agent for cattle produced by Mr. P. Hughes' pastoral interests. Subsidiaries of Australian Agricultural Company Limited have purchased cattle from Mort & Co. Limited during the period. Purchases from Mort & Co. Limited were made on commercial terms and conditions no more favourable than those available to other suppliers.

Mr. B. Heading was appointed as a Director of Australian Agricultural Company Limited on 17 June 2008 and retired on 2 June 2009. Mr. B. Heading is also Chairman of law firm McCullough Robertson Lawyers and wine producer Clovely Estate Limited. Australian Agricultural Company Limited engages McCullough Robertson Lawyers to provide legal advice in relation to commercial transactions. Clovely Estate Limited purchased meat products from the Group during the current period, as disclosed in the following table.

The former Chairmen, Mr. C. Bright (resigned 17 May 2009) and Mr. L. Wozniczka (resigned 15 October 2008) are directors of the Futuris Group which owned 42.9% of Australian Agricultural Company Limited until February 2009. Futuris own 100% of Elders Australia Limited and a number of other Elders Australia subsidiaries. Elders Australia is one of the largest providers of farm services in Australia. The Australian Agricultural Company Limited and Elders Australia have entered into an agreement under which the latter provides livestock and grain procurement (as an agent to the ultimate vendor), merchandise and marketing services to the consolidated entity (on a non-exclusive basis) and on either a fee per head or percentage of sale price basis (depending on the method of sale) on a contracted arms length basis. As noted above, during the year the consolidated entity purchased cattle and grain from vendors who contracted with members of the Futuris Group to act as their agent.

31. RELATED PARTY DISCLOSURES (continued)

(a) Other Director transactions (continued)

The following table provides the total amount of transactions that were entered into with related parties for the years ended 31 December 2009 and 2008. Amounts relevant to former director related entities have only been included up to 30 June 2009, by which time they were no longer related to the Company. Transactions involving current director-related entities have been included for the full year-ended 31 December 2009, despite each person/entity being a related party for only part of the period.

Related party		*Sales to related parties* **$'000**	*Purchases from related parties* **$'000**	*Lease payments from related parties* **$'000**	*Amounts owed by related parties* **$'000**	*Amounts owed to related parties* **$'000**
Mr. N. Burton Taylor and associated entities[1]	*2009*	-	1,344	44	-	-
	2008	-	155	9	-	-
Mr. P. Hughes and associated entities[2]	*2009*	-	841	-	-	-
	2008[2]	-	-	-	-	-
Mr. B. Heading and associated entities[3]	*2009*	-	523	-	N/A[5]	N/A[5]
	2008	1	147	-	-	19
Elders Limited (formally Futuris Corporation)[4]	*2009*	6,216	9,931	-	N/A[5]	N/A[5]
	2008	56,345	19,717	-	1,812	883

Notes:

1. *Mr. N. Burton Taylor was re-elected to the Board of Directors on 12 June 2009 and had previously held the position of Chairman to 21 May 2008.*
2. *Mr. P. Hughes was elected to the Board of Directors on 28 April 2009 and was not a related party in 2008.*
3. *Mr. B. Heading was a Director from 17 June 2008 to 12 June 2009.*
4. *Elders Limited sold their remaining shareholding in the Company on 11 May 2009. 5. Not applicable as no longer a related party at balance date.*

(b) *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 December 2008: $nil). The parent entity does not expect to call these loans within the next 12 months and therefore they are not disclosed as current assets at 31 December 2009.

(c) *Transactions with other related parties*

Loans

No loans were made with other related parties during the year ended 31 December 2009 (31 December 2008: $nil).

All transactions with other related parties are conducted on commercial terms and conditions.

(d) *Ultimate parent entity*

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

32. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the Consolidated Entity's basic and diluted earnings per share computations:

	Consolidated	
	31/12/09	31/12/08
Net profit attributable to equity holders of the parent ($)	(53,737,000)	(38,716,000)
Basic earnings per share (cents per share)	(20.3)	(15.0)
Diluted earnings per share (cents per share)	(20.3)	(15.0)
Weighted average number of ordinary shares used as denominator		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	264,264,459	258,671,233
Effect of dilutive executive options	-	-
Adjusted weighted average number of ordinary shares used in the calculation of diluted earnings per share	264,264,459	258,671,233
Weighted average number of converted ordinary shares used in the calculation of diluted earnings per share	-	-

Details of options are set out in note 29. The earnings used for basic and dilutive earnings per share is net profit.

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

33. SUPERANNUATION COMMITMENTS

The Consolidated Entity contributes on behalf of employees to superannuation funds covering substantially all of its employees, which provide benefits on a cash accumulation basis, for employees on retirement, resignation or disablement, or to their dependents on death.

In addition, the consolidated entity is required to provide a minimum level of superannuation support for employees under the Australian Superannuation Guarantee legislation.

34. SUBSEQUENT EVENTS

There have been no 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, notes and the additional disclosures included in the directors' report designated as audited, of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
      (i) Giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date.
      (ii) Complying with Accounting Standards and Corporations Regulations 2001.
   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.
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 financial year ended 31 December 2009.

On behalf of the Board

S. Lonie
Chairman

Brisbane
10 February 2010

Independent Audit Report

ERNST & YOUNG

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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 statement of financial position as at 31 December 2009, the income statement, statement of changes in equity, statement of comprehensive income and statement of cashflows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 financial report. The procedures selected depend on our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the 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.

Independence

In conducting our audit we have met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the 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 financial position of Australian Agricultural Company Limited and the consolidated entity at 31 December 2009 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 38 of the directors' report for the year ended 31 December 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Australian Agricultural Company Limited for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

M J Hayward

Mark Hayward
Partner
Brisbane
10 February 2010

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 31 March 2010.

(a) Distribution of equity securities

(i) Ordinary share capital

All ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding are:

Number of Shares	Number of Shareholders
1 to 1,000	1,453
1,001 to 5,000	3,906
5,001 to 10,000	1,480
10,001 to 100,000	1,442
100,001 and Over	82
TOTAL	**8,363**

(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	54,914,811	20.78%
IFFCO POULTRY CO SDN BHD	52,849,668	20.00%
CITICORP NOMINEES PTY LIMITED	14,984,578	5.67%
NATIONAL NOMINEES LIMITED	12,685,836	4.80%
J P MORGAN NOMINEES AUSTRALIA LTD	9,995,358	3.78%
ANZ NOMINEES LIMITED (CASH INCOME A/C)	8,960,669	3.39%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	5,578,522	2.11%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – GSCO ECA	5,320,501	2.01%
CVC LIMITED	5,260,000	1.99%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	3,531,044	1.34%
NBT PTY LIMITED (ASTOR SUPER FUND A/C)	3,394,078	1.28%
ANZ NOMINEES LIMITED (INCOME REINVEST PLAN A/C)	2,529,294	.96%
ABBEY HOLDINGS PTY LTD (THE GLYNN FAMILY A/C)	2,192,435	.83%
QUEENSLAND INVESTMENT CORPORATION	2,085,498	.79%
MIRRABOOKA INVESTMENTS LIMITED	1,750,000	.66%
NBT PTY LTD	1,532,405	.58%
JANVIN PTY LIMITED	1,187,898	.45%
CHARLES STREET INTERNATIONAL HOLDINGS LIMITED	1,153,600	.44%
CVC PRIVATE EQUITY LIMITED	1,000,000	.38%
WARRENGLEN NOMINEES PTY LTD	1,000,000	.38%

(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
IFFCO Poultry Co SDN BHD (and associated entities)	52,849,668
Wellington Management Company, LLP, and its related bodies corporate	19,713,099
Deutsche Bank AG and its related bodies corporate	16,976,467
Dimensional	13,329,974

(d) Marketable Shares

The number of security investors holding less than a marketable parcel of 349 securities ($1.435 on 30 March 2010) is 363 and they hold 52,211 securities.


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Share Registry
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www.linkmarketservices.com.au

AAco shares are quoted on the Australian Stock Exchange under listing Code AAC.

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