AUSTRALIAN AGRICULTURAL COMPANY LIMITED

ANNUAL REPORT 2013

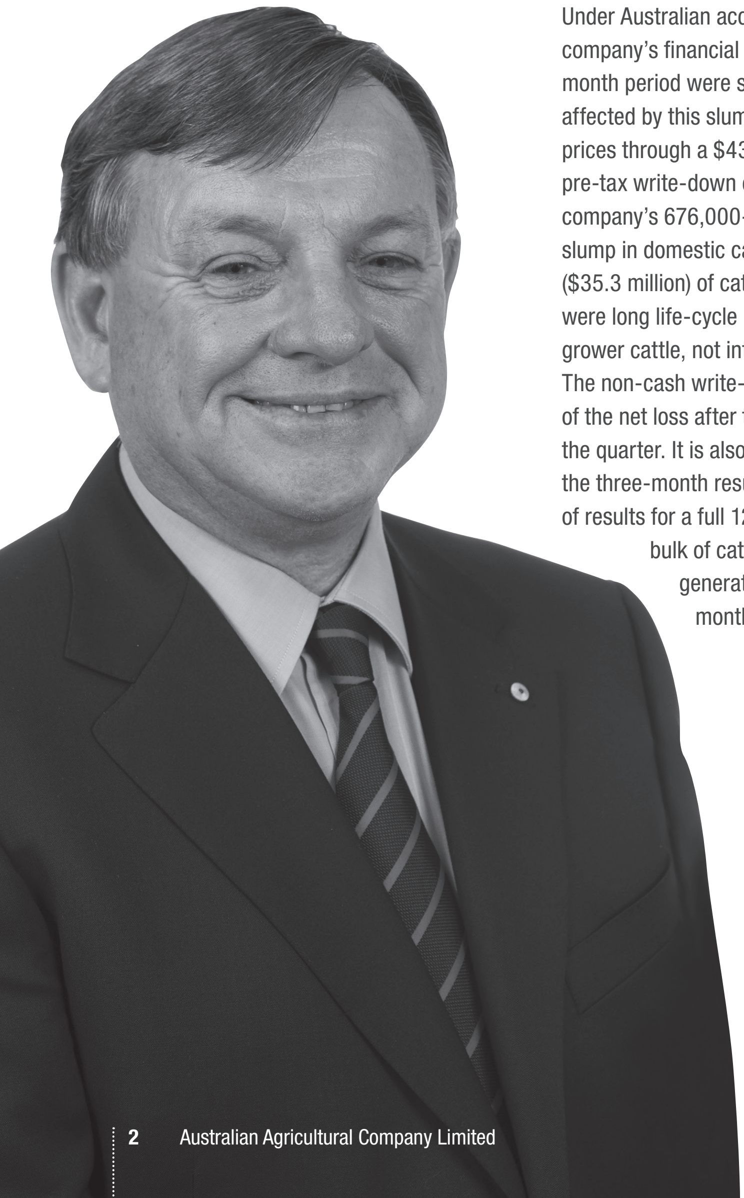
CONTENTS

Annual General Meeting

The Annual General Meeting of the Company will be held at 2.00pm on Wednesday 21 August 2013 in the Bowman Room, Christies Conference Centre, Level 1, 320 Adelaide Street, Brisbane.

CHAIRMAN'S REPORT

The Australian Agricultural Company announced at the start of the year its intention to move its year-end reporting date from December to March. This better aligns the company's reporting with its business cycle, including the end of the wet season. As a consequence of this decision, the company is required to produce this annual report for the three-month period January to March 2013.



During this three-month period the northern Australian cattle industry experienced one of the worst droughts in decades, with a lack of grass forcing an oversupply of cattle onto the domestic market, with a corresponding dramatic drop in cattle prices. This oversupply was exacerbated by the continuing fallout from the Federal Government's 2011 suspension of live cattle exports to Indonesia.

Under Australian accounting standards, the company's financial results for the three-month period were significantly adversely affected by this slump in domestic cattle prices through a $43.2 million non-cash, pre-tax write-down of the market value of the company's 676,000-head herd, due to this slump in domestic cattle prices. The majority ($35.3 million) of cattle written down in value were long life-cycle breeding cows and young grower cattle, not intended for immediate sale. The non-cash write-down was the key driver of the net loss after tax of $46.5 million for the quarter. It is also important to note that the three-month result is not representative of results for a full 12-month period as the bulk of cattle sales and profit are generated outside of this three-month period.

During the three-month period AACo increased both cattle sales and wholesale beef revenue, at significantly lower prices, with operating cash flows remaining approximately in line with the previous corresponding period ended 31 March 2012.

The slump in domestic cattle prices is at odds with continuing higher global beef prices and reinforces the company's decision to capture these higher global prices through the construction of the company's Darwin Abattoir. This state-of-the-art facility will open up new channels to international markets as well as reducing total logistics costs currently incurred by moving cattle from the north to eastern Australian abattoirs.

Stage One civil works have been completed for the facility and in April AACo announced that it intended to fund construction from its own balance sheet. The completion of this facility should go some way to insulating AACo from volatility in domestic and live export markets by accessing generally higher and more stable global beef prices.

In March the company also announced its future strategy, building on the turnaround of the company accomplished in the past three years. AACo is now clearly focused on driving shareholder value by building a global, vertically integrated red meat supply chain, with particular focus on Asian markets, servicing the rising demand for red meat protein. The Darwin Abattoir will be a key part of this strategy.

Donald McGauchie
Chairman

FINANCIAL REPORT

DIRECTORS' REPORT

The Australian Securities and Investments Commission (ASIC) acknowledged the Company's year-end change from 31 December to 31 March. This change more closely aligns the Company's reporting period with its sales cycles, assisting with forecasting, cash flow management and investment decisions. The Board has determined this change was in the best interests of the Company. The change also means the financial year of the Company is a transitional one from 1 January 2013 to 31 March 2013 (three months). Hereafter the Company will report its results using a 31 March financial year end.

Your Directors submit their report for the three month period to 31 March 2013.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Donald McGauchie AO, FAICD (Non-executive Chairman)

Mr. McGauchie was appointed a Director on 19 May 2010 and subsequently Chairman on 24 August 2010. Mr. McGauchie is the Chairman of the Nomination Committee, a member of the Audit Committee, the Staff and Remuneration Committee and was a member of the Risk and Compliance Committee for the period to 31 January 2013.

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

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

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

*Denotes current Directorship

David Farley (Managing Director/Chief Executive Officer)

Mr. Farley was appointed Managing Director/Chief Executive Officer on 1 December 2009. Mr. Farley attends all Board Committee meetings by invitation.

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

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

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

- Tandou Limited - Appointed November 2007; Resigned March 2010.

DIRECTORS (CONTINUED)

Arunas Paliulis BA

Mr. Paliulis was appointed a Director on 12 June 2009. Mr. Paliulis is the CEO and board member of Felda IFFCO LLC in Cincinnati, Ohio, United States of America. He is a member of the Staff and Remuneration Committee, the Nomination Committee and the Risk and Compliance Committee.

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

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

Dato' Sabri Ahmad BSc (Hons), MSc (resigned on 15 March 2013)

Dato' Sabri Ahmad joined the Board to act as an alternate Director for Datuk Abdul Samad from 22 November 2010 and resigned on 26 January 2011. He was subsequently appointed a Director on 4 April 2011 and resigned on 15 March 2013. Dato' Sabri Ahmad was a member of the Nomination Committee.

Dato' Sabri Ahmad is the current Group President/Chief Executive Officer of Felda Global Ventures Holdings and Felda Holdings Berhad, the parent company of all the commercial entities of Felda (a land development agency that was formed by an Act of Parliament in 1956). He holds a BSc (Hons) Agricultural from the University of Malaya and an MSc in Agricultural Economics from the University of London. He also holds an Advanced Diploma in International Studies from the University of Rhode Island and an Advanced Diploma in Management from the University of Oxford. Previously, he was the Chairman of Malaysian Palm Oil Board (MPOB), and also served as the Chief Executive Officer of Golden Hope Plantations Berhad. He has held several key positions at Golden Hope Plantations Berhad. Dato' Sabri Ahmad has also experienced serving companies such as Harrisons Malaysia Plantations Berhad, Fisheries Development Authority (MAJUIKAN) and Ministry of Agriculture. Additionally, he is a member of the Policy Advisory Committee of MPOB and Vice President of Business Council of Sustainable Development Malaysia.

During the past three years Dato' Sabri Ahmad has not served as a Director on any other listed company.

* 'Dato' is an honorific title awarded by the Federal/State Governments in Malaysia to recognise those who have made a significant contribution to the Federal/State or community.

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

Mr. Black was appointed a Director on 5 October 2011. Mr. Black is Chairman of the Audit Committee and is a member of the Risk & Compliance Committee (appointed 31 January 2013) and the Nomination Committee.

Mr. Black has extensive experience in agribusiness. He is a current non-executive director of Coffey International Limited, NetComm Wireless Limited and a Past President of the Institute of Chartered Accountants of Australia. He was the inaugural Chair and is a current Board Member of the Accounting Professional and Ethical Standards Board. Mr Black is the representative of the Australian accounting bodies on the International Federation of Accountants Small Medium Practice Committee, Chairman of the Chartered Accountants Benevolent Fund Limited and a director of Country Education Foundation of Australia Limited. In 2012 he was appointed a member of the Order of Australia for services to the profession of accounting, to ethical standards, as a contributor to professional organisations, and to the community.

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

- Coffey International Limited – Appointed March 2002; and
- NetComm Wireless Limited – Appointed March 2013.

David Crombie BEcon (UQ)

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

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

DIRECTORS (CONTINUED)

***David Crombie BEcon (UQ)* (continued)**

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

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

- FKP Property Group - Resigned November 2010.

Tom Keene B Ec, FAICD

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

Mr. Keene has an extensive career in agriculture and is the former Managing Director of GrainCorp Limited, where he established the company as a listed entity. He is currently a director of Cotton Seed Distributors Limited and Midway Limited. In 2007 Mr Keene received the NAB Agribusiness Leader of the Year Award.

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

Dr. Shehan Dissanayake Ph.D.

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

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

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

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

Dr. Mohd Emir was appointed a director on 10 April 2013. Dr. Mohd Emir is currently the CEO Designate for Felda Global Ventures Holdings Berhad (FGV). He will take over the role of CEO of FGV in mid July 2013.

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

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

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

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

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

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

Mr Denys Collin Munang is the Head of Strategy, Business and Corporate for Felda Global Ventures Holdings Berhad’s Global Plantations division. He is also a member of Board of Directors for several FGV companies in Indonesia. He is a graduate in Economics from the University of Sydney, Australia.

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

DIRECTORS (CONTINUED)

Adil Allana (alternate Director for A. Paliulis) (appointed 14 May 2013)

Mr Adil Allana is a member of the Supervisory Board of IFFCO, a United Arab Emirates (UAE) based business house which manufactures and markets a well-integrated range of mass market consumer products.

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

Mr. Adil Allana joined the Board to act as an alternate Director for Arunas Paliulis from 14 May 2013.

COMPANY SECRETARY

Bruce Bennett BCom, LLB, ACIS, MAICD

Mr. Bennett was appointed Company Secretary and General Counsel in November 2006. Before joining the Company, he 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 20 years' experience in legal practice, having practised in both Queensland and New South Wales. Mr. Bennett is a Chartered Secretary and a member of the Australian Institute of Company Directors.

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

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

	Ordinary Shares	Options over Ordinary Shares	Performance Rights
Current Directors			
D. McGauchie	398,689	Nil	Nil
D. Farley	448,666	Nil	469,091
A. Paliulis	Nil	Nil	Nil
S. Black	10,000	Nil	Nil
D. Crombie	Nil	Nil	Nil
T. Keene	Nil	Nil	Nil
Dr. S. Dissanayake	Nil	Nil	Nil
Dr. Mohd Emir	Nil	Nil	Nil
A. Allana (alternate)	Nil	Nil	Nil
D. Munang (alternate)	Nil	Nil	Nil
Former Directors			
Dato' Sabri Ahmad	Nil	Nil	Nil
I. Allana (alternate)	Nil	Nil	Nil

DIVIDENDS AND EARNINGS PER SHARE

Earnings Per Share	3 months to 31 Mar 2013 Cents	12 months to 31 Dec 2012 Cents
Basic loss per share	(14.9)	(2.7)
Diluted loss per share	(14.9)	(2.7)

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

CORPORATE INFORMATION

Nature of Operations and Principal Activities

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

- Ownership and 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 Group employed 438 employees calculated on a full time equivalent basis as at 31 March 2013 (31 December 2012: 432 employees; 31 March 2012: 381 employees).

OPERATING AND FINANCIAL REVIEW

The Group operates an integrated cattle production system across 18 owned cattle stations, 5 agisted properties, 2 owned feedlots, 5 external feedlots, and 2 owned and 2 external farms located throughout Queensland and the Northern Territory, covering approximately 6.9 million hectares.

The operating and financial review is presented under the following sections:

1. Review
2. Seasonal Conditions
3. Cattle Operations
4. Farming Operations
5. Wholesale Beef Operations
6. Other Cost Areas
7. Shareholder Returns

1. Review

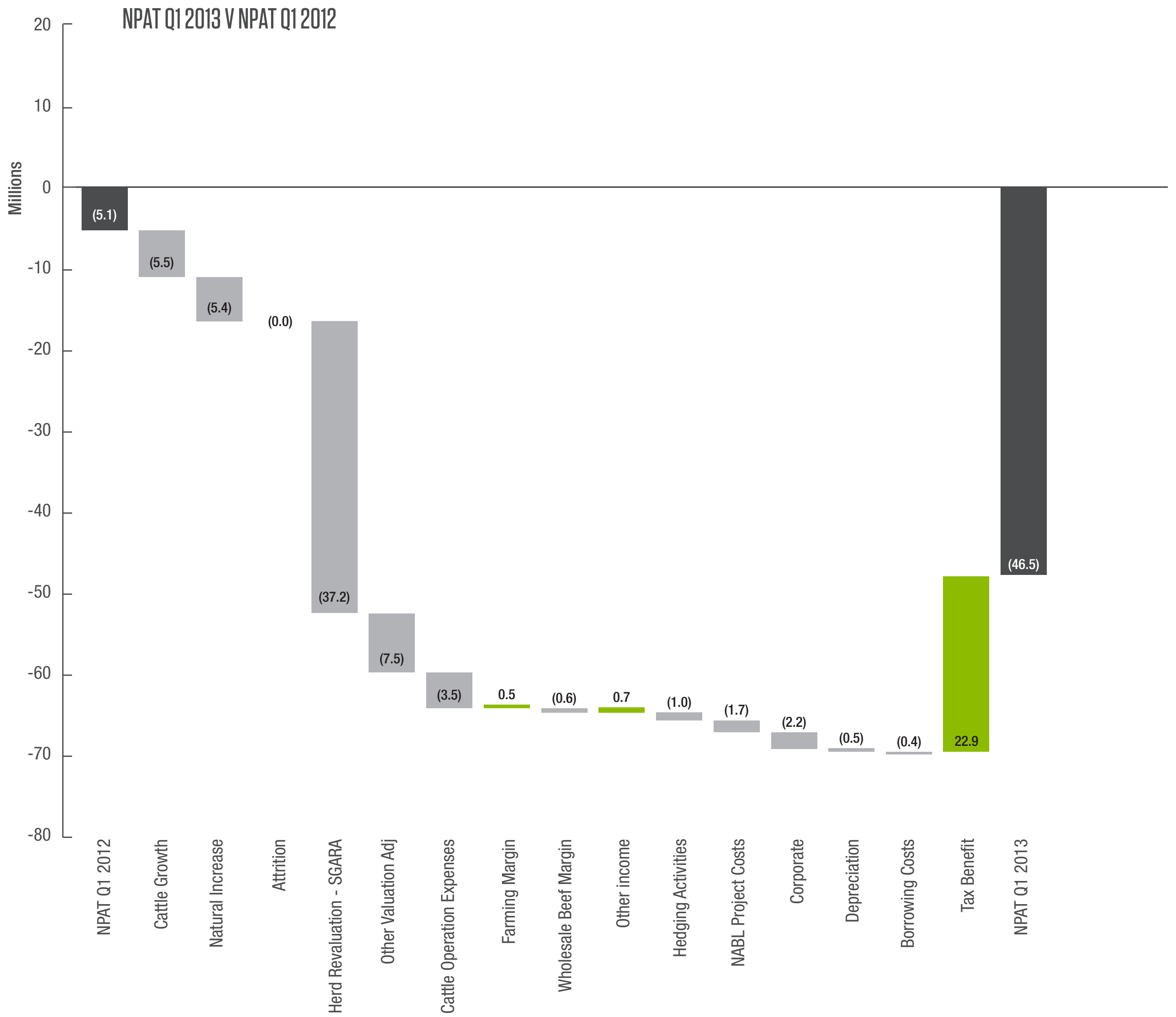
The Company has modified its year end from 31 December to 31 March. This change more closely aligns the Company's reporting period with its sales cycles, assisting with forecasting, cash flow management and investment decisions. Generally, the majority of profit and cash flow is generated outside the three months to 31 March. The results for the three months to 31 March 2013 are therefore not directly comparable with the results for the 12 months ended 31 December 2012. As a result comparative information for the three months to 31 March 2012 (prior corresponding period) has been included.

Three Months to 31 March 2013 Financial Highlights

- Cattle sales revenue up 13.1% to $22.1 million compared to the prior corresponding period.
- Wholesale beef revenues up 60.8% to $38.1 million compared to the prior corresponding period.
- Herd fair value changes down 402.5% to a loss of $37.7 million compared to the prior corresponding period.
- Loss after tax down 816.2% to a loss of $46.5 million (prior corresponding period – a loss of $5.1 million).

OPERATING AND FINANCIAL REVIEW (CONTINUED)

1. Review (continued)



Results

	3 months to 31 Mar 2013 $'000	3 months to 31 Mar 2012 (reviewed) (11) $'000	Favourable/ (Unfavourable) Movements $'000
Finished & store cattle			
Cattle sales (1)	22,114	19,561	2,553
Cattle growth (2)	9,556	15,013	(5,457)
Cattle fair value adjustments (3)	(37,666)	12,452	(50,118)
Deemed cost of cattle sold (4)	(22,114)	(19,561)	(2,553)
Cattle expenses (5)	(6,881)	(4,209)	(2,672)
Feedlot cattle expenses (6)	(7,535)	(6,825)	(710)
Finished & store cattle gross margin	**(42,526)**	**16,431**	**(58,957)**

OPERATING AND FINANCIAL REVIEW (CONTINUED)

1. Review (continued)

	3 months to 31 Mar 2013 $'000	3 months to 31 Mar 2012 (reviewed) [11] $'000	Favourable/ (Unfavourable) Movements $'000
Wholesale beef			
Sales [7]	38,134	23,709	14,425
Cost of meat sold	(37,532)	(22,926)	(14,606)
Wholesale beef gross margin	**602**	**783**	**(181)**
Farming			
Sales [7]	899	-	899
Crop costs less changes in fair value [9]	613	(895)	1,508
Farming gross margin	**1,512**	**(895)**	**2,407**
Gross operating margin	**(40,412)**	**16,319**	**(56,731)**
Other revenue and other income	**1,151**	**403**	**748**
Expenses			
Administration and other non-station operating costs	(5,994)	(3,261)	(2,733)
Employees	(10,291)	(7,156)	(3,135)
Lease and property related costs	(2,595)	1,557)	(1,038)
Other station operating costs	(6,409)	(5,901)	(508)
Operating expenses	**(25,289)**	**(17,875)**	**(7,414)**
Earnings from operations – EBITDA [10]	**(64,550)**	**(1,153)**	**(63,397)**
Depreciation	(2,728)	(2,203)	(525)
Impairment of property, plant and equipment, and goodwill	-	-	
Earnings from operations – EBIT [10]	**(67,278)**	**(3,356)**	**(63,922)**
Net finance costs	(6,711)	(6,310)	(401)
Loss before income tax	**(73,989)**	**(9,666)**	**(64,323)**
Income tax benefit	27,512	4,593	22,919
Net loss after tax	**(46,477)**	**(5,073)**	**(41,404)**

(1) Cattle sales are sales from cattle physically delivered to market.
(2) Cattle growth is the value change in the herd arising from increased weight as the cattle grow.
(3) Cattle fair value adjustments arise from market value changes in the herd, natural increase (8), attrition and rations. These fair value adjustments are non-cash.
(4) In accordance with the Agriculture accounting standard the value changes that determine gross margin occur prior to the point of sale and these are reflected in 2 & 3 above. As the asset is always biologically changing no sales margin emerges under the accounting standard.
(5) Direct costs associated with managing non-feedlot cattle.
(6) Direct costs associated with managing feedlot cattle.
(7) Sales are recognised when the product has been delivered and invoiced.
(8) Natural increase is the value change from calves and brandings.
(9) Crops are valued at spot market prices at the time of harvest and this value is applied against the cropping costs to date and a margin recognised. As the crop is delivered against forward or spot contracts the revenue is recognised when the crop risk is transferred to a third party.
(10) EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation) are non-IFRS financial information and have been reviewed by the Company's auditors.
(11) The Company's auditor has performed a review (which is not an audit) of the 31 March 2012 prior corresponding period.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

1. Review (continued)

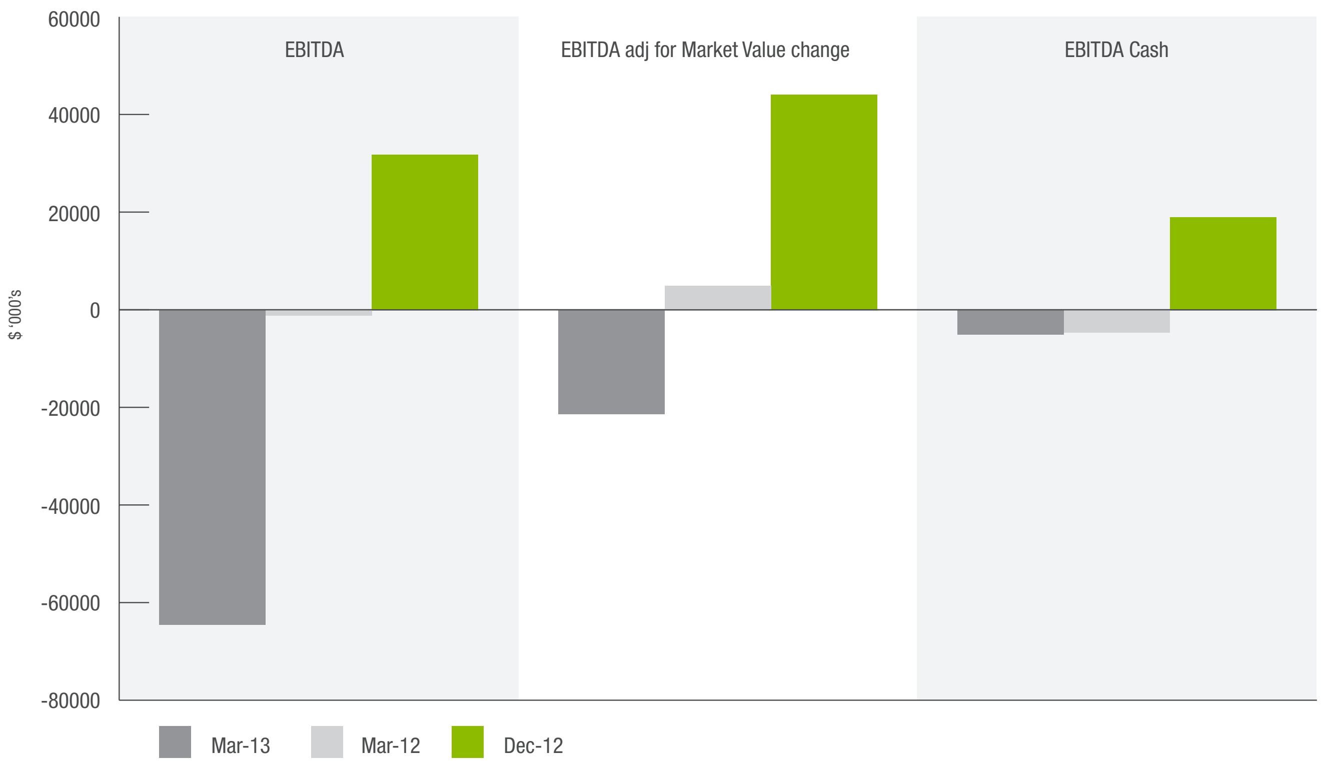
The table below shows the main elements of Cattle fair value adjustments:

	3 months to 31 Mar 2013 $'000	3 months to 31 Mar 2012 $'000
Biological transformation [1]	1,116	8,952
Market value changes	(43,179)	(6,002)
Natural increase	7,897	12,974
Attrition	(3,448)	(3,433)
Other	(52)	(39)
	(37,666)	**12,452**

(1) Biological transformation in accordance with Australian Accounting Standard AASB 141 Agriculture, includes reclassification of an animal as it moves from being a branded calf and progresses through the various stages to become either a trading animal (grass and then feedlot in some cases) and then as it ages. All these changes occur and are measured before the ultimate sale (cash realisation).

The table below shows the underlying performance measures of the Group based on EBITDA. The table reports:

1. EBITDA per the statutory accounts (refer page 11 for definition).
2. EBITDA per the statutory accounts adjusted for the market value changes from the table above.
3. A measure called Cash EBITDA. This is a measure of the cashflow from operations that AACo's businesses create by removing the impact of the Cattle Fair Value Adjustments which are non-cash items. This measure is intended to demonstrate underlying cash performance from operations.



OPERATING AND FINANCIAL REVIEW (CONTINUED)

1. Review (continued)

Cash EBITDA reconciliation	**3 months to 31 Mar 2013 $'000**	**3 months to 31 Mar 2012 $'000**	**12 months to 31 Dec 2012 $'000**
Cattle sales	40,569	37,463	236,812
Cattle purchases at cost	(5,683)	(10,848)	(62,131)
Cost of purchasing & selling cattle	(3,569)	(2,711)	(23,101)
Finished & store cattle revenue	**31,317**	**23,904**	**151,580**
Cattle expenses & feedlot cattle expenses	(14,416)	(11,034)	(66,944)
Finished & store cattle gross margin (1)	**16,901**	**12,870**	**84,636**
Wholesale beef gross margin	602	783	4,141
Farming gross margin	1,512	(895)	7,841
Group gross margin	**19,015**	**12,758**	**96,618**
Other revenue	1,151	403	4,601
Operating expenses	(25,289)	(17,875)	(81,848)
Cash EBITDA	**(5,123)**	**(4,714)**	**19,371**

Summarised operating results are as follows:

Operating Segments	**Revenues**			**Earnings before finance costs and income tax expense**		
	3 months to 31 Mar 2013	**12 months to 31 Dec 2012**	**3 months to 31 Mar 2012**	**3 months to 31 Mar 2013**	**12 months to 31 Dec 2012**	**3 months to 31 Mar 2012**
	$M	$M	$M	$M	$M	$M
Finished & store cattle	40.6	236.8	37.5	(63.2)	15.0	0.4
Wholesale beef	38.1	140.4	23.7	(0.3)	1.1	-
Farming	0.9	24.1	-	(3.0)	(0.6)	(2.8)
Meat processing	-	-	-	(0.7)	(0.7)	(0.9)

AACo determined during the last quarter of 2012 not to sell cattle into an over-supplied domestic market where possible, focusing on retaining and improving a young herd and converting its cattle into beef for sale into a strong global thematic for red meat protein.

This strategy has meant that AACo held substantial numbers of cattle as market prices in Australia fell throughout 2012 and into 2013. In accordance with Australian Accounting Standard AASB 141 Agriculture, the estimated market value of AACo's herd has fallen in the 3 months to 31 March 2013. This change in the valuation of the current herd has significantly affected the Consolidated Income Statement. The difference in market value price movements between 31 March 2013 and the prior corresponding period is a reduction of $37.2 million. The main impact on this market value price movement was the breeder herd value decline of $35.3 million, based on independent valuations, since 31 December 2012. AACo sees the breeder herd as a significant and necessary asset. These cattle will be held for long periods of time as they are essential to the development of an integrated supply chain and hence non-cash movements in the valuation of this herd are not expected to be realised in the short term.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

1. Review (continued)

Climatic conditions affecting AACo's property portfolio have been poor compared to recent seasons. The lack of rainfall has depressed producer confidence and cattle prices in the region, the impact of which is reflected in these financial results for the three months to 31 March 2013.

The AACo Group result for the 3 months to 31 March 2013 continued to be seriously impacted by the decision of the Australian Government in June 2011 to suspend live cattle exports to Indonesia. The flow-on effects from this decision continue to be felt today, particularly by the sector in Northern Australia.

Australia's suspension of live exports prompted Indonesia to respond by restricting imports and accelerating its own strategy to achieve self-sufficiency in beef production. This resulted in almost a halving of cattle import permits issued by Indonesia. The timing of the issuance of import permits meant cattle had to be shipped when the permits were available causing cattle to be exported at lower weights than usual.

This reduction in import permits has also meant cattle which would otherwise have been destined for the Indonesian market have remained in the domestic market, with the increase in supply causing a drop in domestic cattle prices.

AACo continues to work closely with Government and our supply chain partners in Indonesia to ensure compliance with the new live export regime.

AACo has sold and delivered 41,186 head for the 3 months to 31 March 2013 (3 months to 31 March 2012 – 29,646 head) to drive operating cashflows during this period. As at 31 March 2013 AACo had 55,024 head contracted for sale but not delivered at prices generally higher than the spot price at 31 March 2013.

Based on a review of the market conditions for the 3 months to 31 March 2013 no further impairment to AACo's property values is required at 31 March 2013.

The stage 1 civil works for the development of AACo's Darwin abattoir have been completed. The Company announced to the ASX on 19 April 2013 that it intends to fund the construction from its own balance sheet. The completion of this facility will go some way to insulating AACo from movements in domestic pricing and live export fluctuations by opening up another marketing channel. It will be well positioned to take advantage of the current continued rising global beef price.

2. Seasonal Conditions

Rainfall was well below average for AACo's Northern Australia properties, and during the current season is now lower than the 2007 drought.

The drier conditions have given rise to increased feed costs over the 3 months to 31 March 2013. The chart below shows the cumulative rainfall probabilities for Wet Seasons (defined as October to March the following year) across AACo's property portfolio excluding Darwin. The dots represent where the most recent Wet Season fell on this probability curve.

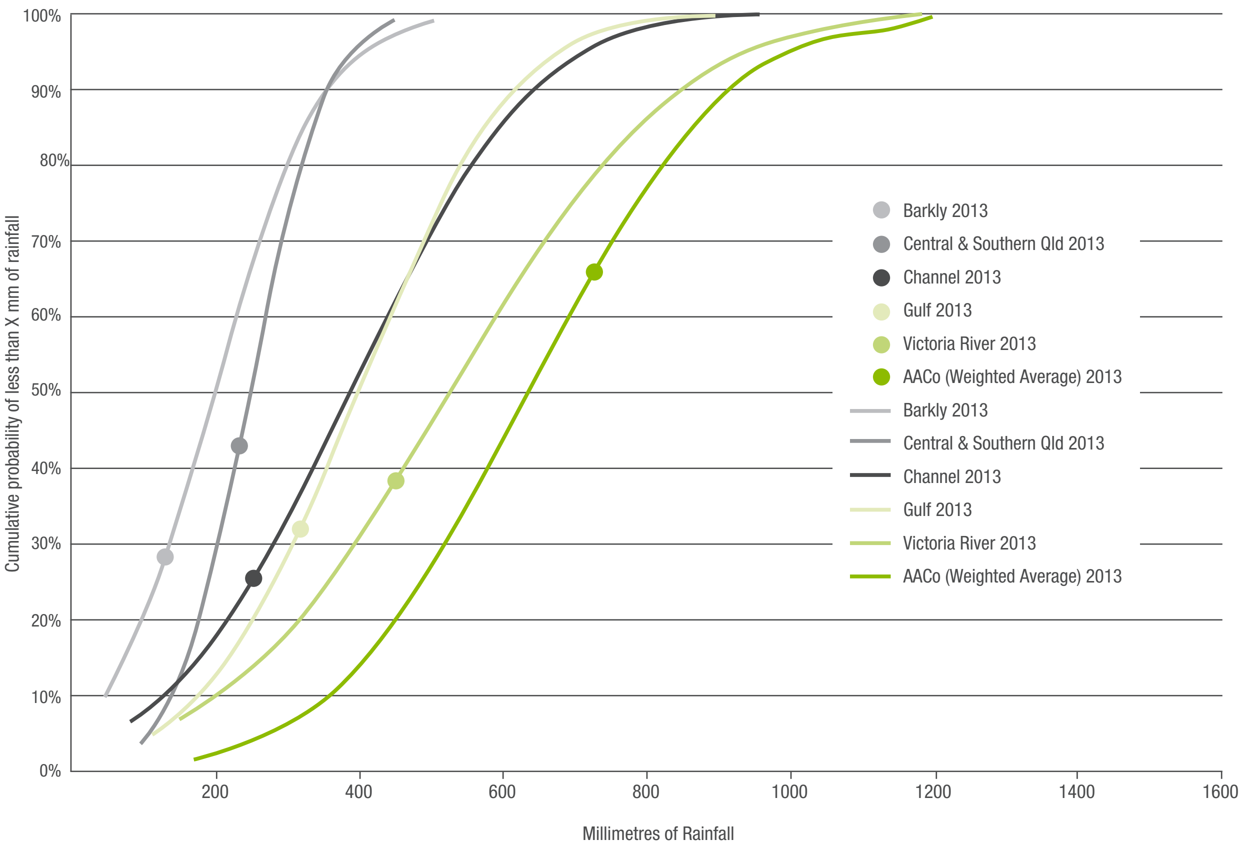
The chart implies that on all properties, other than Victoria River Group, rainfall has been below average and in some cases (e.g. Channel Group) well below average. Apart from Aronui, all southern stations are well below average rainfall.

The cumulative probability of the AACo weighted average rainfall (weighted by relative size of properties) being lower than the most recent Wet season is 31%, which implies that rainfall has been greater than the most recent Wet Season in 69% of occasions over the last approximately 30 years (Source AACo).

OPERATING AND FINANCIAL REVIEW (CONTINUED)

2. Seasonal Conditions (continued)

AACo HISTORICAL RAINFALL CHART



3. Cattle Operations

The Group continues to drive the herd improvement process through an ongoing focus on genetic breed types, age profile and fertility. This has allowed the Group to achieve a more balanced exposure to grass finished cattle, Wagyu long grain fed, finished breeder cattle and live exports.

During the 3 month period to 31 March 2013 the Company delivered 41,186 head (prior corresponding period – 29,646 head) of cattle as set out in the table below.

	Grass Finished	Shortfed Grain Finished		Wagyu		Breeder and Feeder	Live Export	Total sales	Average Sale ($/head)
	Head	Internal Head	External Head	Internal Head	External Head	Head	Head	Head	
3 months to 31 Mar 13	9,248	1,111	2,115	7,129	1,022	11,968	8,593	41,186	980
3 months to 31 Mar 12	2,860	179	4,063	6,972	1,986	1,082	12,504	29,646	1,255

OPERATING AND FINANCIAL REVIEW (CONTINUED)

3. Cattle Operations (continued)

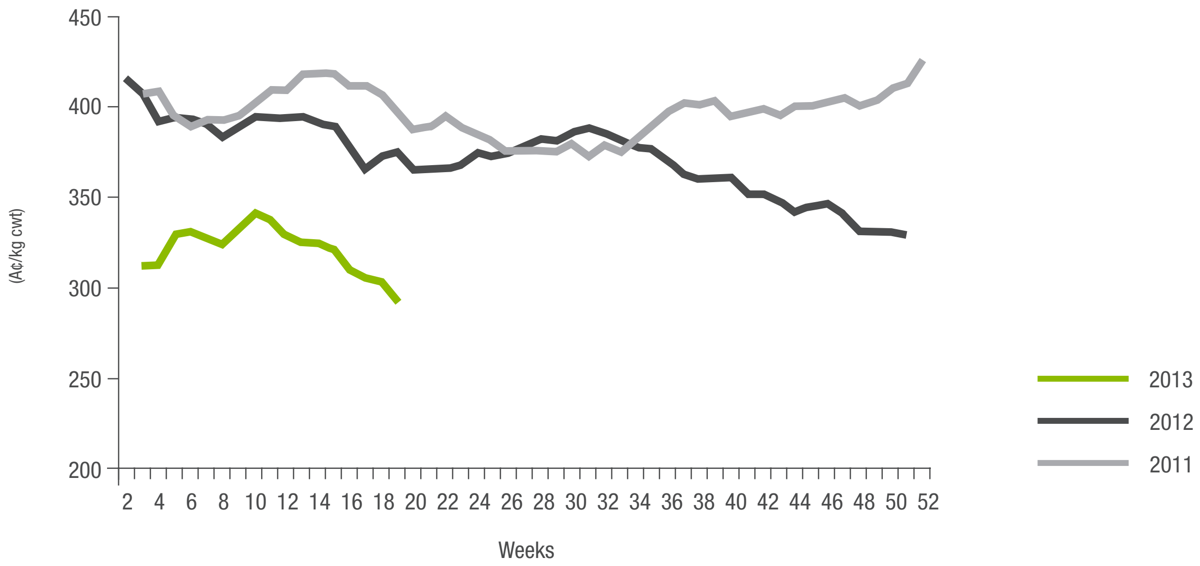
Market conditions

The weather continued to affect domestic cattle prices, with the benchmark Eastern Young Cattle Indicator (EYCI) tracking well below 2012 prices due mainly to a decline in demand for re-stocking cattle.

Prices also continue to be affected by the Federal Government's 2011 suspension of live exports to Indonesia and Indonesia's subsequent reduction in live cattle import permits, together with the adverse impact of the continued high Australian dollar. Cattle which would have been destined for Indonesia are continuing to pressure the domestic market. All market categories have fallen significantly in value.

Market conditions for all market categories of cattle apart from longfed Wagyu have declined in value over the three month period. Slaughter cattle prices also declined and have been driven by increased supply due to dry conditions. The negative market value movement was also exarcebated by the dry conditions and reduced numbers able to be exported to Indonesia.

EASTERN YOUNG CATTLE INDICATOR



The tables below summarise the potential impact of market price moves on the trading herds and the breeding herds.

Trading Herd (Branded Cattle)	Eastern Trading Herd	Northern Trading Herd	Feedlot	Total Trading Herd
Head at 31 March 2013 ('000)	115	82	39	236
Average Weight at 31 March 2013	344 LW kg	313 LW kg	522 LW kg	363 LW kg
Average Book Value at 31 March 2013	$1.54 /LW kg	$1.37 /LW kg	$3.43 /LW kg	$1.94 /LW kg
Sensitivity value to change in price per kg:	**$ mil**	**$ mil**	**$ mil**	**$ mil**
$0.10 /LW kg	$4.0	$2.6	$2.1	$8.7
$0.20 /LW kg	$7.9	$5.2	$4.1	$17.2
$0.50 /LW kg	$19.8	$12.9	$10.3	$43.0

Breeding Herd (Branded Cattle)	Breeding Herd
Head at 31 March 2013 ('000)	316
Average Book Value at 31 March 2013	$778 /Head
Sensitivity value to change in price per head:	**$ mil**
$100 /Head	$31.6

OPERATING AND FINANCIAL REVIEW (CONTINUED)

3. Cattle Operations (continued)

Kilograms produced during the 31 March 2013 quarter were 8.5 million down from 11.1 million kilograms produced in the prior corresponding period. The lower kilograms produced was largely due to the dryer conditions affecting all large trading herds.

Wagyu cattle

The herd continued to add value and perform well. External Wagyu sales also proved profitable.

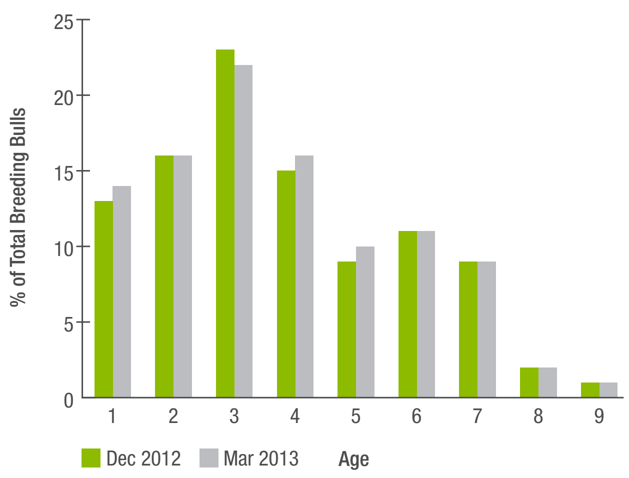
Herd

The herd composition is shown in the table below:

Herd Composition	31 Mar 2013	31 Dec 2012
Composites/Bos Indicus	487,979	520,913
Wagyu	64,546	64,504
Unbranded calves	123,692	96,323
Totals	**676,217**	**681,740**
Feedlot	38,831	40,338
Trading	198,026	189,204
Breeders/Bulls/Stud	315,668	355,875
Unbranded calves	123,692	96,323
Totals	**676,217**	**681,740**

The age profile of the productive bulls and productive cows is shown below:

AGE PROFILE OF PRODUCTIVE BULLS



AGE PROFILE OF PRODUCTIVE COWS

The drier conditions have meant that the Group faced higher operating expenses, including increased water pumping costs, in the 3 months to 31 March 2013 than in the prior corresponding period due to the earlier start of cattle and cropping operations.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

4. Farming Operations

Farming yields continued to perform and farmgate prices were within budget expectation. The table below sets out the crops harvested:

	Cotton (bales) Harvested
3 months to 31 Mar 13	15,120
3 months to 31 Mar 12 (1)	Nil

(1) Cotton harvest in 3 months to 31 March 2012 was delayed due to seasonal conditions.
(2) Ginning is yet to be completed on the 2013 cotton harvest. The yield estimates are based on current cotton ginning turnouts.
(3) Wheat, chickpeas and sorghum not harvested in the three months to 31 March 2013.

The accounting standard for Agriculture only permits the value of the 15,120 bales of cotton harvested, but not yet ginned or delivered, to be recognised in these financial statements. This value recognition is derived from market spot prices at the time of harvest. The estimated 2013 cotton harvest at 31 March 2013 is forward sold at an average bale price that is $22 per bale above the spot market at the time of harvest.

5. Wholesale Beef Operations

AACo's Wholesale Group had a 65 per cent increase in kilograms sold for the first quarter. The major contributors were larger numbers of AACo's signature "1824" beef brand and improved inventory management due to new customer and market development.

	Wagyu (kg)	Shortfed Grain Finished (kg)	Average Selling Price (per kg) on total sales
3 months to 31 Mar 13	1,909,227	2,386,270	$8.76
3 months to 31 Mar 12	1,834,132	769,162	$9.00

The development of an integrated supply chain from the feedlots to the wholesale beef operations continues. This development will be furthered with the commencement of the Darwin abattoir operations and provide the Group's wholesale beef division with broader market access.

The division continues to perform on lower than desired margins due mainly to the high AUD/USD exchange rate.

6. Other Cost Areas

Overheads in the three months to 31 March 2013 have increased over the prior corresponding period due in part to the expansion of the senior management team as operations are being established and expanded to manage the Darwin abattoir and the expanded sales in the Beef Group that will arise from the anticipated abattoir production.

These cost increases have also come about due to increased compliance costs, the further progress of the Darwin abattoir project, IT infrastructure costs, as well as increased satellite usage and other telecommunication costs. Some of these cost increases are transitionary and as systems are developed the Group expects to enjoy increased productivity per indirect cost person.

7. 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 shown in net profit after tax but is reflected in the Statement of Comprehensive Income and directly into equity in the Statement of Financial Position.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

7. Shareholder Returns (continued)

	3 months to 31 Mar 2013 (3)	12 months to 31 Dec 2012	12 months to 31 Dec 2011	12 months to 31 Dec 2010	12 months to 31 Dec 2009
Asset based returns					
Increase/(decrease) in land values (net of tax) represented in movements in the asset revaluation reserves as a percentage of property values	-	(4)%	1%	(9)%	(1)%
EBITDA (2) return on average herd value post valuation	(14)%	6%	14%	11%	(12)%
Combined return on gross assets after notional tax at 30%	(4)%	(3)%	1%	(5)%	(6)%
Profit based returns					
Return on sales: EBITDA (2)/revenue	(68)%	10%	15%	16%	(30)%
3 year compound total shareholder return (TSR) (4)	(4)%	(8)%	(11)%	(23)%	(4)%
3 year compound growth in ASX Small Ordinaries index (1) (4)	(4)%	10%	9%	(5)%	(1)%
Per share statistics					
(Loss)/Earnings per share	(14.9) cents	(2.7) cents	3.6 cents	0.3 cents	(20) cents
Dividend paid during the period / share	-	-	-	-	-
Net Tangible Assets (NTA) per share	1.90	2.04	2.15	2.23	2.42
NTA per share growth compounded over 3 years (4)	(7)%	(5)%	(7)%	(7)%	1%

(1) 2008 – 2010 S&P Accumulation Index used.
(2) EBITDA (earnings before interest, tax, depreciation and amortisation) is non-IFRS financial information. (refer page 6 for definition)
(3) Three month period as the company transitions to a 31 March financial year end.
(4) 3 year compound calculations have assumed a start date of December 2009 and compounded over 3.25 years.

REVIEW OF FINANCIAL CONDITION

Liquidity and Capital Resources

The Group's debt facilities are adequate to address working capital requirements and stay in business capital expenditure for the 2014 financial year.

At 31 March 2013 the Group had total drawn down term debt facilities of $400 million which is repayable on 9 March 2015.

Asset and Capital Structure	**31 Mar 2013 $000**	**31 Dec 2012 $000**	**31 Mar 2012 $000**
Debt:			
Current interest-bearing loans and borrowings	15,316	2,919	1,153
Non-current interest-bearing loans and borrowings	407,464	407,627	378,863
Gross debt	**422,780**	**410,546**	**380,016**
Total equity	**595,418**	**638,639**	**668,991**
Total capital employed	**1,018,198**	**1,049,185**	**1,049,007**
Gearing (Gross debt/gross debt+equity)	**41.5%**	**39.1%**	**36.2%**

REVIEW OF FINANCIAL CONDITION (CONTINUED)

Dividend Reinvestment Plan

There were no dividends declared or paid during the three months to 31 March 2013 and therefore the Company's Dividend Reinvestment Plan (DRP) was inactive throughout the period.

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.

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 commenced application of hedge accounting principles for interest rate swaps during 2011.

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 frameworks ensure that all risks and compliance obligations are properly identified and managed, that insurances are adequate and that processes are in place to ensure compliance with regulatory requirements.

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

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

The Company's risk and compliance frameworks are 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 is reviewed and submitted to the Board for approval. The Enterprise 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 upon which they are rewarded are limited to the Company's 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 Compliance Report informs the Board of any regulatory, legal or compliance related issues.

The Board approved Risk Management Framework includes the following elements:

- The Board approved Risk Management Policy (published on the Company's website);
- The consolidated Enterprise Risk Register, detailing key Strategic, Operational, Financial, Commercial & Asset Continuity, Legal & Compliance and People & Culture Risk Factors; and
- The Board Risk & Compliance Committee.

The Company faces a number of risks during the operation of the business. A sample of key risks faced by the company include:

- Workplace Health and Safety – given the physical and often remote nature of the Company's operations and interaction with animals, workplace health and safety is of paramount importance to the Company. Significant effort and attention has been placed on internal policies and processes to ensure that employees are aware of their legal obligations and the productivity benefits that come from working safely. A tone of safety first is set at the top of the organization and is reinforced through the commitment of resources to a dedicated safety team and appointment of site safety coordinators for each location.

REVIEW OF FINANCIAL CONDITION (CONTINUED)

Risk Management and Compliance (continued)

- Representation and Reporting – given the Company is listed on the ASX full, timely and correct representation and reporting to the market is vital. Management and the Board carefully monitor all communication with shareholders and the market to remain compliant with the Continuous Disclosure requirements and ensure stakeholders are aware of material impacts on the business.
- Accreditations, industry codes, licences and food safety – given the Company's involvement in the beef supply chain, food safety and associated regulations are critically important. Many areas of the Company's operations are accredited or licensed by a state or national regulator. These accreditations and licences are critical to the Company's ability to operate and access profitable markets. When choosing business partners and suppliers the Company also takes into account their accreditations, licenses and food safety standards.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 3 months to 31 March 2013 total equity decreased to $595 million from $639 million (31 December 2012), a decrease of $44 million.

The main movements giving rise to this decrease were market value changes predominantly in the breeding herd of $35.3 million, based on independent valuations, since 31 December 2012. AACo sees the breeder herd as a significant and necessary asset. These cattle will be held for long periods of time as they are essential to the development of an integrated supply chain and hence non-cash movements in the valuation of this herd are not expected to be realised in the short term.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 18 April 2013 the Company announced it would sell two non-strategic Queensland properties, Brighton Downs and Adelong.

On 20 May 2013 the Company announced it had exchanged a contract for the sale of subdivisions of its Goonoo aggregation, including Adelong, in Central Queensland for $23.0 million.

The contract is subject to conditions including Minister's consent, regulatory approval and financier approvals. The expected completion date for the contract is late June 2013. The sale represented a gain over the carrying book value, based on a recent independent valuation. The properties consist of three adjacent dry land farming and grazing properties within the Goonoo aggregation, totalling 19,404 hectares (48,000 acres) - Adelong, Marilla and Rhudanna.

Under the sale agreement, AACo will lease back 7,800 hectares (19,200 acres) of mostly high quality cropping land for a five-year period at a commercial rate. In addition, AACo will sell the purchaser 4,000 steers at an average price of $1.64 per live-weight kilo. AACo will retain 8,400 hectares (20,700 acres) of property within the Goonoo aggregation, including all water licences, irrigation infrastructure, feedlots and feed mills and the major balance of housing and capital works.

The Brighton Downs sale is being conducted by Elders Real Estate and was passed in at auction on 22 May 2013 for $10.25 million, with negotiations continuing with interested parties.

Both properties are presented in the Finished & Store Cattle operating segment in note 6 to the financial statements.

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 Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Some regulated areas of operation are:

- The operations of Goonoo and Aronui Feedlots are regulated by licences issued under the Environmental Protection Act 1994 and administered by the Queensland Department Agriculture, Fisheries and Forestry (DAFF). Each feedlot is required to report to the National Pollution Inventory each year with respect to water, air and soil quality. DAFF conducts audits of compliance with licence requirements at regular intervals. The Company recorded no breaches of licence requirements in the three months to 31 March 2013.
- The pumping of water from the Comet River for irrigation and feedlot use at Goonoo Station is subject to licensing under the Sustainable Planning Act 1997 and the Water Act 2000. Regulations specify minimum water flows and heights in the river to allow sufficient environmental flows. Wylarah has a licence to harvest water from the Balonne River for irrigation purposes.

ENVIRONMENTAL REGULATION AND PERFORMANCE (CONTINUED)

- The pumping of underground water for the prescribed purpose of 'Livestock Intensive' requires licensing and regular reporting and monitoring. The Company has several licences allowing this pumping subject to these regulations and conditions being met.
- Stock watering facilities, which utilise bores, require licensing in Queensland, and registration in the Northern Territory.
- Stock water facilities shared with Queensland Stock Routes are administered by local governments, guided by legislation and framework developed by the Queensland Government. Shared water facilities need to comply with registered Stock Route water agreement requirements. A Permit to Occupy is also required if this facility is unfenced within a station grazing area.
- Vegetation Clearing Permits are sought under the Vegetation Management Act 1999 (Queensland) for any clearing required for ongoing operations including but not limited to the development of areas for land use change and the installation of infrastructure such as fence lines and water development.
- The Company continues to be involved in consultation processes for example in the areas of Water Resource Planning, Wild Rivers legislation, and the conversion of land titles in relevant areas.
- The Company must abide by environmental and other obligations contained in Queensland's State Rural Leasehold Land Strategy in respect of the Company's pastoral leasehold interests in Queensland. The State Rural Leasehold Land Strategy is a framework of legislation, policies and guidelines supporting the environmentally sustainable, productive use of rural leasehold land for agribusiness.
- Northern Australian Beef Limited (NABL), a wholly owned subsidiary of the Group has been issued with an Exceptional Development Permit (EDP) to build an abattoir on land owned by NABL at Livingstone Farm, Noonamah, Stuart Highway, NT. That EDP contains stringent and detailed environmental monitoring requirements overseen and administered by Department of Lands, Planning and Environment (NT). NABL is not aware of any breaches of the EDP requirements to date, and strives to comply in all respects with the terms of the EDP.

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

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

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

SHARE OPTIONS

Unissued Shares

As at the date of this report, there were 2,798,343 unissued ordinary shares under options and performance rights (3,217,157 at reporting date).

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

Shares Issued as a Result of the Exercise of Options

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

At the Company's Annual General Meeting on 11 May 2011, shareholders approved a new Performance Rights Plan, which has taken the place of the option plan for future incentive awards comprising performance rights. There will be no further grants of options under the option plan in the future. The rights of the existing option holders will remain until such time as the options are either exercised or the rights lapse.

There were no Performance Rights exercised under the AACo Performance Rights Plan during the three months to 31 March 2013.

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 three months to 31 March 2013 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

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

The remuneration report is presented under the following sections:

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

1. Individual Key Management Personnel disclosures

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

(i) Directors

Mr. D. McGauchie	Chairman (non-executive)
Mr. D. Farley	Managing Director and Chief Executive Officer
Mr. A. Paliulis	Director (non-executive)
Mr. S. Black	Director (non-executive)
Mr. D. Crombie	Director (non-executive)
Mr. T. Keene	Director (non-executive)
Dr. S. Dissanayake	Director (non-executive)
Dr. M. Abdullah (appointed 10 April 2013)	Director (non-executive)
Mr. I. Allana (resigned 14 May 2013)	Alternate Director
Mr. D. Munang	Alternate Director

REMUNERATION REPORT (AUDITED) (CONTINUED)

1. Individual Key Management Personnel disclosures (continued)

(ii) Directors who resigned or retired during the period

Dato' Sabri Ahmad (resigned 15 March 2013)	Director (non-executive)

(iii) Executives

Mr. T. Setter	Chief Operating Officer
Mr. P. Beale	Chief Financial Officer
Mr. B. Bennett	Company Secretary/General Counsel
Mr. G. Dober	General Manager People and Culture
Mr. P. Dempsey	General Manager – Beef Group
Mr. S. Cruden	General Manager – Northern Australian Beef
Mr. J. Strong (appointed on 1 November 2012)	General Manager – Marketing

On 25 January 2013, Mr. P. Beale (Chief Financial Officer) tendered his resignation and ceased employment with the Company during the month of April 2013. Mr. Craig White was appointed Chief Financial Officer on 15 April 2013. Mr Adil Allana replaced Mr. Irfan Allana as an alternate director for Mr. Arunas Paliulis on 16 May 2013. There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

2. Remuneration at a glance

Remuneration strategy and policy

CEO and Key Management Personnel (KMP)

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

Specific objectives of this policy include the following:

- Provide fair and competitive fixed remuneration for all positions under transparent policies and review procedures. This is tested on a regular basis by independent benchmark assessment. The Company aims to position fixed remuneration in the 3rd quartile of selected comparators;
- Link CEO rewards to shareholder value accretion by providing appropriate equity (or equivalent) incentives linked to long-term Company performance and core values;
- Link senior executive rewards to achieving short and medium term key performance criteria;
- Provide Deferred Equity Awards (DEA) based on key short term objectives but defer vesting subject to service to support retention. The Board increased the service expectation under DEA from one and two years to two and three years for additional retention impact in 2013;
- Provide competitive total rewards to attract and retain high calibre employees and executives;
- Have a meaningful portion of remuneration "at risk", dependent upon meeting pre-determined performance benchmarks, both short term (annual), and long term (3+ years) for the CEO; and
- Establish appropriate, demanding performance hurdles for any executive incentive remuneration.

The broad remuneration policy will be executed by the Company under a Total Targeted Reward framework. Appropriate remuneration policy settings will be achieved by consistently applying a clear remuneration strategy directed at supporting the Board approved business strategy with appropriate and flexible processes, policies and procedures established by the Board from time to time.

REMUNERATION REPORT (AUDITED) (CONTINUED)

2. Remuneration at a glance (continued)

This senior executive remuneration strategy can be represented broadly, as follows:

	Total Fixed Remuneration (TFR) %	Short Term Incentives (STI) % [1]	Long Term Incentive (LTI) %	Total Targeted Reward (TTR) %
CEO	51	23	26	100
Key Management	40 - 80	20 - 60	0	100

1 Includes a Deferred Equity Award (DEA) opportunity component if awarded.

Only the CEO participates in the LTI plan. The Board believes incentives for the other executives are more effective when directed to key annual group and divisional objectives. Equity participation for these other executives and therefore alignment with shareholders and retention is achieved by deferring a portion of the short term incentive subject to service. For 2012 allocations the deferral was one and two years in equal proportion. Effective from 2013 the deferral period has been extended to be two and three years in equal proportions.

Board remuneration

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

Use of Remuneration Consultants

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

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

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

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

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

The fees paid to CRA in the 3 months to 31 March 2013 for all remuneration consulting services was $27,365 (excluding GST and out-of-pocket expenses). Other services provided by CRA included employee share scheme (ESS) administration and share based payment valuation services. Fees paid to CRA in the three months to 31 March 2013 for all other services totalled $33,390 (excluding GST and out-of-pocket expenses).

3. Board oversight of remuneration

Staff and Remuneration Committee

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

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. Board oversight of remuneration (continued)

Staff and Remuneration Committee (continued)

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

Remuneration approval process

The Board is responsible for determining the remuneration of the Managing Director/Chief Executive Officer on the advice of the Staff and Remuneration Committee, which obtains independent remuneration advice as necessary. The Board approves the remuneration arrangements for the Managing Director/Chief Executive Officer and executives and all awards made under any long-term incentive (LTI) plan, which are then subject to shareholder approval, following recommendations from the Staff and Remuneration Committee. During the 2014 financial year commencing 1 April 2013, the Company will be undertaking a review of its LTI plan to ensure this incentive 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 April 2013, and will be presented to shareholders for consideration and approval at the 2013 AGM to be held in or about 8 August 2013.

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

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

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

Voting and comments made at the company's 15 March 2013 Annual General Meeting ('AGM')

The company received 97% of 'for' votes in relation to its remuneration report for the year ended 31 December 2012. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

4. Non-executive Director (NED) remuneration arrangements

Remuneration policy

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

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

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

Structure

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

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

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

The remuneration of NEDs for the 3 months ended 31 March 2013 and for the 12 months ended 31 December 2012 is detailed in table 1 on page 33 of this report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. Executive remuneration arrangements

Structure

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

In the three months to 31 March 2013, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable or 'at risk' remuneration comprising:
  - STI including the Deferred Equity Award (DEA); and
  - LTI for the Managing Director/CEO only.

The Company currently grants Performance Rights, subject to shareholder approval as a Long Term Incentive to the Managing Director/Chief Executive Officer. Deferred Equity Awards are provided to Senior Executives based on the level of STI earned each year. The DEA is granted as Performance Rights and subject to one (50%) and two (50%) year service vesting conditions. The last offer under this plan was made on 27 April 2012.

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

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

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

The following table illustrates the structure of the Company's executive remuneration arrangements in 2013:

Remuneration Component	Vehicle	Purpose	Link to performance
Total fixed remuneration (TFR).	Comprises base salary, superannuation contributions and any 'packaged' benefits including FBT grossed-up on a Total Employment Cost (TEC) basis.	To reward executives market competitive remuneration with reference to role, market and experience and internal relativities.	No link to Company performance although it is reviewed annually and consideration is given to the performance of the Company and business unit in the remuneration review.
Short term incentive (STI) component.	Paid in cash and Deferred Equity (Performance rights).	Rewards executives for their contribution to achievement of Company and business unit outcomes, as well as individual key performance indicators (KPIs).	STI is calculated based on 50% Company performance where Profit after Tax is the key financial metric and 50% performance linked to relevant performance across internal measures of Financial, Safety, Compliance, and Operational drivers.
Long term incentive (LTI) component. (CEO only)	Performance rights.	To reward the CEO if the Company outperforms over the vesting period to align the CEO to shareholders and for retention purposes.	Both internal (EPS) and external (TSR) measures are applied as detailed below.

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, reflects current market conditions, the individual's seniority and internal relativities.

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. Executive remuneration arrangements (continued)

Total fixed remuneration (continued)

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

The fixed component of executives' base fixed remuneration is detailed in the tables 1 and 2 (refer pages 33 and 34).

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 which are set at the commencement of the performance period.

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

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

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

Under the arrangements approved by the Board the general principles that will apply are that the executive will receive a Short Term cash Incentive and be granted a Deferred Equity Award that is generally set at 50%, subject to existing contractual conditions, of the Short Term cash Incentive earned. The Short Term cash Incentive will be paid within three months of the financial year end on which the executive's performance is being measured.

The Deferred Equity Award vests over the two years after the year the Short Term cash incentive is paid. The policy is that the Short Term cash Incentive will be determined and 50% of the Short Term cash Incentive will be granted as a Deferred Equity Award for which half vests 12 months after the payment of the Short Term cash incentive and the remaining half 24 months after the payment of the Short Term cash incentive. Vesting of the DEA is subject to the executive still being employed by the Group.

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

The Board assesses the performance of the Managing Director/Chief Executive Officer against his targets and determines his actual STI payment based upon the recommendation of the Staff and Remuneration Committee. The Managing Director has a maximum annualised STI of $300,000 (including DEA, if any) in his existing contract. The senior executives have a maximum STI set as a percentage of their respective TFR.

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

There was no STI bonus awarded to executives for the three months to 31 March 2013.

Variable remuneration - long term incentive (LTI)

Only the Managing Director/CEO is currently offered an LTI. Board approved Performance Right grants are also subject to shareholder approval, as set out below.

The Managing Director/Chief Executive Officer

The Board has contractually determined a LTI entitlement equal to 50% of current total fixed remuneration for the Managing Director/Chief Executive Officer. Performance rights equal to this remuneration value are provided each year under the AACo Performance Rights Plan on terms approved by shareholders each year.

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. Executive remuneration arrangements (continued)

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

Under the LTI there are both internal (EPS) and external (TSR) performance benchmarks which are required to be achieved over a three year service vesting period for the Managing Director/Chief Executive Officer to receive any benefit. The Managing Director was not awarded any performance rights during the three months to 31 March 2013.

The performance conditions were as follows:

1. External Performance Condition (TSR outperformance)

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

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

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

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

2.Internal Performance Condition (EPS)

50% of the Performance Rights are subject to an internal Performance Condition based on the Company's earnings per share (EPS).

EPS is defined as Adjusted Net after Tax Profit per Ordinary Share, where Adjusted Net after Tax Profit is calculated as follows:

- Annual reported Net Profit after Tax
- Less: Valuation adjustments.
- Less: Any adjustment deemed fair and appropriate by the Board, in the Board's absolute discretion.

The Board in its absolute discretion may vary this formula from year to year to reflect the changing nature of the Group's operations and its operating environment.

Vesting of the Performance Rights subject to the EPS condition will be calculated based on the following compound % growth rates over the three financial years following the base year the Performance Rights are established.

EPS Compound Growth Rate	% of Performance Rights to vest
Compound growth rate of less than 7.5% p.a.	0% vest
Compound growth rate of at least 7.5% p.a.	50% vest
Compound growth rate between 7.5% p.a. and 10% p.a.	2% vesting on a straight line interpolation for each 0.1% increment in EPS
Compound growth rate of 10% p.a. or more	100% vest

Termination and change in control provisions

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

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. Executive remuneration arrangements (continued)

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

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

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

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

The existing options under the EOP have all vested.

There were no options granted in the three months to 31 March 2013 under the EOP and the Board does not intend to make further grants under this scheme (twelve months to 31 December 2012: Nil).

Tax exempt share plan

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

There were no shares issued under the TESP in the three months to 31 March 2013 and the twelve months to 31 December 2012.

Hedging of equity rewards

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

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

6. Company performance and link to remuneration

Company performance and its link to long term incentives

CEO LTI Performance Testing:

	Testing Date	TSR % Vesting	EPS % Vesting
2010 LTI	31 March 2013	0	0
2011 LTI	31 March 2014	N/A[1]	N/A[1]
2012 LTI	31 March 2015	N/A[1]	N/A[1]

[1] Vesting unlikely.

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

Per Share Statistics	3 months to 31 Mar 2013	12 months to 31 Dec 2012	12 months to 31 Dec 2011	12 months to 31 Dec 2010	12 months to 31 Dec 2009
Basic EPS (to the nearest 1/10 cent)	(14.9) cents	(2.7) cents	3.6 cents	0.3 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.

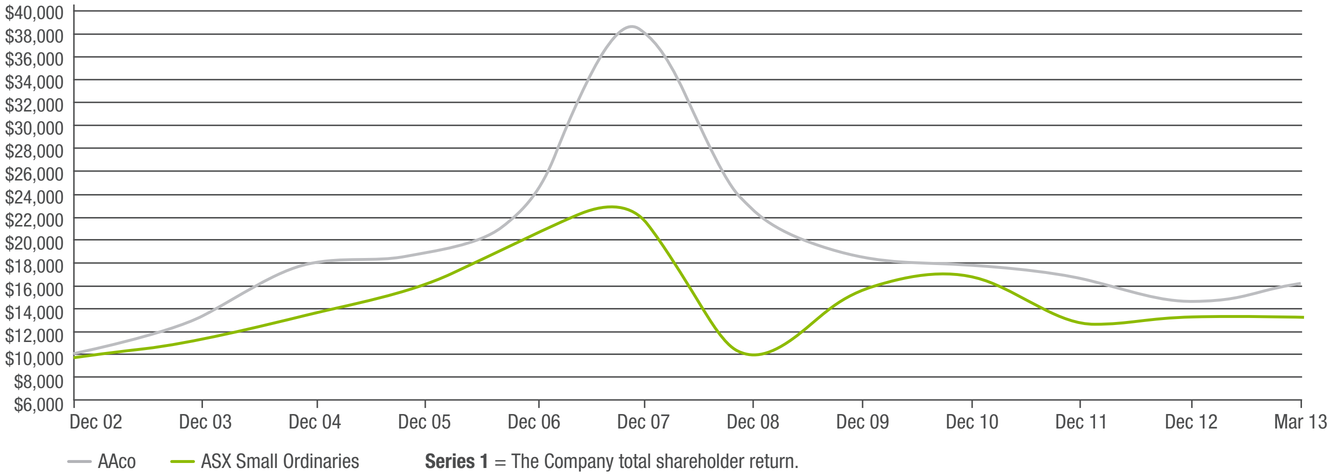
As a guide to TSR, the graph below demonstrates the shareholder wealth created since December 2002, as compared with the benchmark ASX small ordinaries.

REMUNERATION REPORT (AUDITED) (CONTINUED)

6. Company performance and link to remuneration (continued)

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

TOTAL SHAREHOLDER RETURN ON A $10,000 INVESTMENT OVER THE LAST TEN YEARS



Series 1 = The Company total shareholder return.
Series 2 = S&P ASX small ordinaries.

7. Executive contractual arrangements

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

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

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.

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:

- The Managing Director/Chief Executive Officer receives fixed remuneration of $633,600 per annum (excluding superannuation).
- The Managing Director/Chief Executive Officer's STI opportunity is a cash bonus up to a maximum of $200,000 per annum plus a DEA of 50% of the cash bonus awarded in any year as performance rights. The terms of this DEA are the same as for the KMP's. This means that two thirds of the total STI award for any year will be paid in cash and one third as a DEA.
- The Managing Director/Chief Executive Officer will be entitled to an LTI benefit up to a maximum of 50% of fixed remuneration.
- 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 Group 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 Group.

REMUNERATION REPORT (AUDITED) (CONTINUED)

7. Executive contractual arrangements (continued)

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

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer-initiated termination	6 months	Part or all of 6 months	Not eligible	Unvested portion terminates
Termination for serious misconduct	Nil	Nil	Not eligible	Unvested portion terminates
Employee-initiated termination	6 months	Part or all of 6 months	Not eligible	Unvested portion terminates

The Board has the discretion to determine that some or all of any unvested performance rights granted vest or cease to be restricted, or lapse or are deemed to be forfeited.

Other Key Management Personnel

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

Standard Key Management Personnel termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of unvested options granted under EOP upon termination
Employer-initiated termination	3 to 6 months	Part or all of 3 to 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)

Remuneration of Key Management Personnel

Table 1: Directors

Directors Financial period to (number of months in the period)	**Short Term**			**Post-Employment**	**Share based payment**		**Total**	**Performance Related**
	Salary & Fees	Cash Bonus (under STI)5	Non-Monetary Benefits	Superannuation	Short Term Incentive Shares	Performance Rights (under LTI)		
	$	$	$	$	$	$	$	%
Non-executive Directors								
D. McGauchie								
31/03/2013 (3)	46,672	-	-	4,117	-	-	50,789	-
31/12/2012 (12)	189,280	-		17,035	-	-	206,315	-
A.P. Paliulis								
31/03/2013 (3)	24,732	-	-	2,226	-	-	26,958	-
31/12/2012 (12)	100,304	-	-	9,027	-	-	109,331	-
S. Black								
31/03/2013 (3)	25,965	-	-	2,337	-	-	28,302	-
31/12/2012 (12)	93,228	-	-	8,390	-	-	101,618	-
D. Crombie								
31/03/2013 (3)	27,198	-	-	2,448	-	-	29,646	-
31/12/2012 (12)	104,320	-	-	9,389	-	-	113,709	-
T. Keene								
31/03/2013	27,198	-	-	2,448	-	-	29,646	-
31/12/2012	110,304	-	-	9,927	-	-	120,231	
Dr. S. Dissanayake [1]								
31/03/2013 (3)	17,335	-	-	-	-	-	17,335	-
31/12/2012 (12)	47,830	-	-	-	-	-	47,830	-
I. Allana (alternate)								
31/03/2013 (3)	-	-	-	-	-	-	-	-
31/12/2012 (12)	-	-	-	-	-	-	-	-
D. Munang [2] (alternate)								
31/03/2013 (3)	-	-	-	-	-	-	-	-
31/12/2012 (12)	-	-	-	-	-	-	-	-
Executive Directors								
D. Farley								
31/03/2013 (3)	160,883	-	-	4,118	-	77,030	242,031	31.83
31/12/2012 (12)	633,600	180,000	-	26,400	40,884	313,967	1,194,851	44.76
Former Directors								
Dato' Sabri[3] Ahmad								
31/03/2013 (3)	14,253	-	-	1,283	-	-	15,536	-
31/12/2012 (12)	70,304	-	-	6,327	-	-	76,631	-
N. Burton Taylor [4]								
31/03/2013 (3)	-	-	-	-	-	-	-	-
31/12/2012 (12)	20,828	-	-	1,875	-	-	22,703	-
C.I. Roberts [4]								
31/03/2013 (3)	-	-	-	-	-	-	-	-
31/12/2012 (12)	20,837	-	-	1,875	-	-	22,712	-
Total Remuneration: Directors								
31/03/2013 (3)	344,236	-	-	18,977	-	77,030	440,243	17.50
31/12/2012 (12)	1,390,835	180,000	-	90,245	40,884	313,967	2,015,931	26.53

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Key Management Personnel (continued)

Table 1: Directors (continued)

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

[2] D. Munang was appointed an alternate Director on 13 March 2012.

[3] Dato' Sabri Ahmad resigned on 15 March 2013.

[4] N. Burton Taylor and C Roberts resigned on 16 March 2012.

[5] The cash bonuses paid during 2013 and 2012 relate to performance during the 2012 and 2011 financial years respectively.

Table 2: Other Key Management Personnel (KMP)

Other Key Management Personnel	Short Term				Post-Employment	Termination	Share-based payment	Total	Performance Related
Financial period to (number of months in the period)	Salary & Fees	Cash Bonus (under STI)[2]	Non-Monetary Benefits	Other	Super-annuation	Termination Benefits	Performance Rights (under STI)		
	$	$	$	$	$	$	$	$	%
Current									
T. Setter									
31/03/2013 (3)	73,793	-	4,200	-	4,543	-	14,447	96,983	14.90
31/12/2012 (12)	285,584	182,630	16,800	-	43,651	-	70,185	598,850	42.22
P. Beale									
31/03/2013 (3)	105,973	-	-	-	4,118	-	7,967	118,058	6.75
31/12/2012 (12)	418,425	91,545	-	-	21,209	-	29,422	560,601	21.58
B. Bennett									
31/03/2013 (3)	67,179	-	-	-	6,046	-	5,425	78,650	6.90
31/12/2012 (12)	268,272	45,256	-	-	28,218	-	32,180	373,926	20.70
P. Dempsey									
31/03/2013 (3)	59,071	-	-	-	5,316	-	2,020	66,407	3.04
31/12/2012 (12)	235,895	18,833	-	-	22,925	-	14,733	292,386	11.48
G. Dober									
31/03/2013 (3)	54,474	-	-	-	4,902	-	3,150	62,526	5.04
31/12/2012 (12)	217,537	39,869	-	-	23,166	-	15,267	295,839	18.64
S. Cruden									
31/03/2013 (3)	51,929	-	5,000	-	4,674	-	3,404	65,007	5.24
31/12/2012 (12)	205,000	48,440	10,000	-	22,810	-	-	286,250	16.92
J. Strong[1]									
31/03/2013 (3)	75,000	-	-	-	6,750	-	-	81,750	-
31/12/2012 (12)	50,000	-	-	27,523	6,977	-	-	84,500	-
Total Remuneration: Other KMP									
31/03/2013 (3)	487,419	-	9,200	-	36,349	-	36,413	569,381	6.40
31/12/2012 (12)	1,680,713	426,573	26,800	27,523	168,956	-	161,787	2,492,352	23.61

[1] J. Strong was appointed General Manager Marketing on 1 November 2012 and received a sign-on fee of $27,523.

[2] All cash bonuses paid during 2013 and 2012 relate to performance during the 2012 and 2011 financial years respectively.

REMUNERATION REPORT (AUDITED) (CONTINUED)

8. Equity instrument disclosures

There were no performance rights and options granted during the three months to 31 March 2013. During the twelve months to 31 December 2012, 568,815 performance rights were granted.

There were no shares issued to key management personnel in relation to performance rights and on the exercise of options during the three months to 31 March 2013. Mr. David Farley had a tranche of his Deferred Equity Award benefit vest on 15 May 2013 in accordance with his terms and conditions of employment. Accordingly 32,353 ordinary AACo shares were issued to Mr. Farley on 15 May 2013.

DIRECTORS' MEETINGS (UNAUDITED)

The number of Meetings of Directors (including meetings of Committees of Directors) held during the three months to 31 March 2013 and the number of meetings attended by each Director is as follows:

	Directors' meetings		Audit Committee		Staff and Remuneration Committee		Risk and Compliance Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Mr. D. McGauchie	3	3	3	3	3	3	2	2	1	1
Mr. D. Farley β	3	3	*	3	*	3	*	2	*	1
Mr. A. Paliulis	3	3	*	2	3	3	2	2	1	1
Dato' Sabri Ahmad (resigned 15 March 2013)	3	-	*	-	*	-	*	-	1	-
Mr. T Keene	3	3	*	3	3	3	2	2	1	1
Mr. D Crombie	3	3	3	3	3	3		2	1	1
Mr. S Black	3	3	3	3	*	3	1	2	1	1
Dr. S. Dissanayake	3	3	*	1	*	-	*	-	1	1
Alternate Directors										
Mr. I. Allana	3	-	*	-	*	-	*	-	*	-
Mr. D. Munang	3	3	*	1	*	1	*	-	*	1

A = Number of meetings held during the time the Director held office or was a member of the committee during the year
B = Number of meetings attended
* Not a member of the relevant committee
β Mr Farley is invited to all Committee meetings but as an executive is not a member of those Committees

Committee membership

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

ROUNDING

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

AUDITOR INDEPENDENCE

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

ERNST & YOUNG

111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001
Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
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 period ended 31 March 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Mike Reid
Partner
24 May 2013

NON AUDIT SERVICES

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

	31 Mar 2013	31 Dec 2012	31 Mar 2012
	$	$	$
Advisory services	-	12,251	-
Tax related advice	-	-	-
	-	12,251	-

Signed in accordance with a resolution of the Directors

Donald McGauchie
Chairman

Brisbane
24 May 2013

CORPORATE GOVERNANCE STATEMENT

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

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

	Recommendation	Comply Yes / No	Reference / Explanation	ASX Listing Rule (LR) /CGC Recommendation
Principle 1 - Lay solid foundations for management and oversight				
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 42	ASX CGC 1.1
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Refer to remuneration report	ASX CGC 1.2
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	-	ASX CGC 1.3
Principle 2 - Structure the Board to add value				
2.1	A majority of the Board should be independent Directors.	No (50/50)	Page 42	ASX CGC 2.1
2.2	The chair should be an independent Director.	Yes	Page 42	ASX CGC LR 2.2
2.3	The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	Yes	Page 42	ASX CGC 2.3
2.4	The Board should establish a Nomination Committee.	Yes	Page 45	ASX CGC 2.4
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes	Page 44	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
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

	Recommendation	Comply Yes / No	Reference / Explanation	ASX Listing Rule (LR) /CGC Recommendation
Principle 3 - Promote ethical and responsible decision-making				
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measureable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	Page 44	ASX CGC 3.2
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Yes	Page 45	
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Page 45	
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	Page 45	ASX CGC 3.3
Principle 4 - Safeguard integrity in financial reporting				
4.1	The Board should establish an Audit Committee.	Yes	Page 46	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 46	ASX CGC 4.2 ASX LR 12.7
4.3	The Audit Committee should have a formal charter.	Yes	Page 46	ASX CGC 4.3
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Page 46 and Website	ASX CGC 4.4

Recommendation		Comply Yes / No	Reference / Explanation	ASX Listing Rule (LR) /CGC Recommendation
Principle 5 - Make timely and balanced disclosure				
5.1	Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website	ASX CGC 5.1
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	Page 48	ASX CGC 5.2
Principle 6 - Respect the rights of shareholders				
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 48	ASX CGC 6.1
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	-	ASX CGC 6.2
Principle 7 - Recognise and manage risk				
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 46	ASX CGC 7.1
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 46	ASX CGC 7.2
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (CEO) [or equivalent] and the Chief Financial Officer (CFO) [or equivalent] that the declaration provided in accordance with section 295A of the 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 47	ASX CGC 7.3
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Page 47 and website	ASX CGC 7.4

	Recommendation	Comply Yes / No	Reference / Explanation	ASX Listing Rule (LR) /CGC Recommendation
Principle 8 – Remunerate fairly and responsibly				
8.1	The Board should establish a Remuneration Committee.	Yes	Page 48	ASX CGC 8.1
8.2	The Remuneration Committee should be structured so that it: ▶ Consists of a majority of independent directors; ▶ Is chaired by an independent chair; and ▶ Has at least three members.	Yes	Page 48	-
8.3	Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.	Yes	Refer to remuneration report	ASX CGC 8.2
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Page 48 and website	ASX CGC 8.3

The Company's corporate governance practices were in place throughout the three months to 31 March 2013, except to the extent as may be noted in this statement.

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

Board Functions

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

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

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

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

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

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

Board Functions (continued)

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

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

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

Other functions reserved to the Board include:

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

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

Structure of the Board

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

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

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

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

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

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

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

Structure of the Board (continued)

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

Mr. A .Paliulis	Mr. A. Paliulis who was appointed on 12 June 2009, is not considered independent as he is an employee of a related entity of major (16.89%) shareholder IFFCO Poultry Co SDN BHD, a wholly owned subsidiary of FELDA IFFCO SDN BHD.
Dato' Ahmad Sabri	Dato' Ahmad Sabri who was appointed on 4 April 2011 is not considered independent as he is an officer of a related entity of major (16.89%) shareholder IFFCO Poultry Co SDN BHD, a wholly owned subsidiary of FELDA IFFCO SDN BHD. Dato' Ahmad Sabri resigned on 15 March 2013.
Dr. Shehan Dissanayake	Dr. Shehan Dissanayake who was appointed on 27 April 2012 is not considered independent as he is an officer of Tavistock Group which has an operating unit Southeast Point which is a major (13.51%) shareholder of the Company.
Mr. D. Farley	Mr. D. Farley who was appointed 1 December 2009 is not considered independent by virtue of his executive office as Managing Director and Chief Executive Officer.

For the period 1 January 2013 to 15 March 2013, the Board comprised an equal number of independent and non-independent directors (4:4).

For the period 16 March 2013 to 31 March 2013, the Board comprised a majority of independent directors (4:3). Following the appointment of Dr. Mohd Emir Mavani Abdullah as a Director of the Company subsequent to the end of the reporting period, the Board currently comprises an equal number of independent and non-independent directors (4:4).

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

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

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

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

Name	Term in office
Directors	
Mr. D. McGauchie	3 years 1 month
Mr. D. Farley	3 years 6 months
Mr. A. Paliulis	4 years
Dato' Sabri Ahmad (resigned 15 March 2013)	2 year 1 month
Mr. T. Keene	1 year 7 months
Mr. S. Black	1 year 7 months
Mr. D. Crombie	1 year 7 months
Dr. Shehan Dissanayake	1 year 1 month
Dr. Mohd Emir Mavani Abdullah (appointed 10 April 2013)	1 month
Alternate Directors	
Irfan Allana (resigned 14 May 2013)	2 years 7 months
Denys Collin Munang	1 year 2 months
Adil Allana (appointed 14 May 2013)	Less than 1 month

Structure of the Board (continued)

For further biographical details, refer to pages 5 to 8 inclusive.

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

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators.

Board Renewal and Succession Planning

Board succession planning is an important part of the governance process. An extensive evaluation, review and succession planning process was undertaken by the Board in 2011 with the assistance of independent professional consultants.

On 10 April 2013, Dr. Mohd Emir Mavani Abdullah was appointed a director.

In 2012 the Board undertook a review of the AACo Board evaluation process. A copy of the Company's Board Evaluation Process is available on the Company's website.

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

Trading Policy

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

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

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

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

Code of Conduct

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

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

Diversity Policy

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

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

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

Diversity Policy (continued)

Objectives	Plan	Outcome
Enhance reporting capability of broad diversity factors (in addition to gender)	Implement a Human Resources Information System to capture and report on data	Implementation will be completed in early 2013
Conduct development programs tailored for female employees	Women in Leadership Conference Establish relevant e-Learning programs	Program held in November 2012 Platform has been developed and numerous programs launched
Promote the hiring of females	Develop the AACo website to support this objective Develop AACo advertising and promotional material	New AACo website launched New advertising and promotional materials developed
Enhance the AACo Graduate Program	Increase numbers of graduates Develop editorial features (internal and external promotion)	86% of AACo graduates are female in 2013 Female graduates featured widely in internal and external media
Promote the AACo Parental Leave Policy	Policy was strengthened to include a company-funded return to work bonus	Policy implemented and applied in 2012

During the three months to 31 March 2013 no appointments were made which would alter the gender diversity within senior management. Whilst there are no female Directors on the AACo Board at the present time, the proportion of female employees to male employees within the AACo Group as at 31 March 2013 was 37% (31 December 2012: 36%) female and 63% (31 December 2012: 64%) male. There is strong female representation within the pastoral station workforce with 37% (31 December 2012: 31%) of employees at this level being female.

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

The duties of the Staff and Remuneration Committee include:

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

The setting of objectives and reporting to be provided in the 2013 financial report will be consistent with ASX Principle 3.

Nomination Committee

The Board has established a Nomination Committee, which is responsible for assessing the necessary and desirable competencies of Board members, reviewing Board succession plans and working with the Chairman in evaluating the Board's performance. The Nomination Committee comprises non-executive Directors and the following Directors were committee members during the three months to 31 March 2013:

Mr. D. McGauchie (Chair)
Mr. A. Paliulis
Mr. T. Keene
Mr. S. Black
Mr. D. Crombie
Dr. Shehan Dissanayake
Dato' Ahmad Sabri (resigned 15 March 2013)

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

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

Audit Committee

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

The members of the Audit Committee during the three months to 31 March 2013 were:

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

All members of the Audit Committee are non-executive directors.

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

The members of the Audit Committee and their qualifications are shown in this annual report on pages 5 to 8 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.

Risk and Compliance Committee

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

The Chief Risk Officer and Management have supported the Risk and Compliance Committee in helping the Board fulfil its commitment to oversee the Company's risk and compliance profile and respond quickly to changes in the risk and compliance landscape facing the Company. The Risk and Compliance Committee, made up of three Board members, met twice during the three months to 31 March 2013 and was attended by the Managing Director/CEO, the CRO and by other invited staff.

The members of the Risk and Compliance Committee during the three months to 31 March 2013 were:

Mr. T. Keene (Chair)
Mr. D. McGauchie (resigned on 30 January 2013)
Mr. A. Paliulis
Mr. S. Black (appointed on 30 January 2013)
Dr. Jeffrey Carmichael [1] (resigned on 8 February 2013)

[1] External consultant

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

At least once a year, the Company carries out a formal risk review, including revision of insurance policies that the Company has in place. Summaries of the Company's material business risks are kept in the Enterprise Risk Register which was reviewed and approved by the Board during the period. Each risk is linked to a business objective and a tolerance for risk is determined by the Board. The Register contains risk summaries which indicate the risk drivers, the inherent risk, the current controls, the mitigants in place to manage those risks and the residual risk after treatment. Also included in the Register is the plotting of risks on a risk matrix by inherent risk. The Company has a risk aware culture, and all members of the Management team have a responsibility for risk in their area.

Risk and Compliance Committee (continued)

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

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

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

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

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

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

The Board approved Risk Management Framework includes the following elements:

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

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

CEO and CFO Certification

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

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

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

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

Remuneration

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

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

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

Staff and Remuneration Committee

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

The members of the Staff and Remuneration Committee during the three months to 31 March 2013 were:

Mr. D. Crombie (Chair)
Mr. A. Paliulis
Mr. D. McGauchie
Mr. T. Keene

The members of the Staff and Remuneration Committee and their qualifications are shown in this annual report on pages 5 to 8 of the Directors' Report.

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

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

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

No Director or executive uses hedging instruments to limit their exposure to risk on either shares 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 and Shareholder Communication Policy is available on the Company's website, www.aaco.com.au.

Shareholder Communication Policy (continued)

The Company is committed to:

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

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

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

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

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

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

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

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CONSOLIDATED INCOME STATEMENT

For the three months to 31 March 2013

	Note	3 months to 31 Mar 2013 $000	12 months to 31 Dec 2012 $000	3 months to 31 Mar 2012 $000 *(reviewed)
Revenue				
Cattle sales		22,114	161,608	19,561
Meat sales		38,134	140,376	23,709
Crop income		899	19,188	-
		61,147	321,172	43,270
Cattle growth		9,556	76,840	15,013
Cattle fair value adjustments	15	(37,666)	87,550	12,452
		33,037	485,562	70,735
Deemed cost of cattle sold		(22,114)	(161,608)	(19,561)
Cattle expenses		(6,881)	(37,415)	(4,209)
Feedlot cattle expenses		(7,535)	(29,529)	(6,825)
Cost of meat sold		(37,532)	(136,235)	(22,926)
Crop costs		613	(11,347)	(895)
Gross operating margin		(40,412)	109,428	16,319
Other revenue	7(a)	1,037	2,681	331
Other income	7(b)	114	1,920	72
Expenses				
Administration and other non-station operating costs	8(e)	(5,994)	(14,939)	(3,261)
Business development		(405)	(2,121)	(329)
Depreciation	8(a)	(2,728)	(9,405)	(2,203)
Employee expenses	8(d)	(10,291)	(34,224)	(7,156)
Impairment of property, plant and equipment	16(a)	-	(8,085)	-
Lease and property related costs		(2,595)	(6,968)	(1,557)
Other station operating costs		(6,004)	(23,596)	(5,572)
(Loss)/Profit before finance costs and income tax expense		(67,278)	14,691	(3,356)
Net finance costs	8(b)	(6,711)	(27,132)	(6,310)
Loss before income tax		(73,989)	(12,441)	(9,666)
Income tax benefit	9	27,512	4,032	4,593
Net loss after tax		(46,477)	(8,409)	(5,073)
Earnings per share for profit attributable to the ordinary equity holders of the parent		**cents**	**cents**	**cents**
Basic loss per share	11	(14.9)	(2.7)	(1.6)
Diluted loss per share	11	(14.9)	(2.7)	(1.6)

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

** The Company's auditor has performed a review (which is not an audit) of the 31 March 2012 comparatives.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months to 31 March 2013

	Note	3 months to 31 Mar 2013 $000	12 months to 31 Dec 2012 $000	3 months to 31 Mar 2012 $000 *(reviewed)
Loss for the period		(46,477)	(8,409)	(5,073)
Other comprehensive income Items that will not be reclassified to profit and loss:				
Fair value revaluation of land and buildings	16	-	(32,735)	-
Income tax	9	-	10,081	-
Items that may be reclassified subsequently to profit and loss:				
Changes in the fair value of cash flow hedges		2,826	(3,830)	2,017
Other comprehensive income/(loss) for the period, net of tax		**2,826**	**(26,484)**	**2,017**
Total comprehensive loss for the period, net of tax		**(43,651)**	**(34,893)**	**(3,056)**

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

** The Company's auditor has performed a review (which is not an audit) of the 31 March 2012 comparatives.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 *(reviewed)
Current Assets				
Cash and cash equivalents	12	11,248	22,362	14,733
Trade and other receivables	13	16,829	17,372	9,830
Inventories and consumables	14	30,729	25,645	25,175
Biological assets – livestock	15	166,772	166,338	160,415
Derivative financial instruments	20	544	720	283
Other assets		545	1,944	1,665
Total Current Assets		226,667	234,381	212,101
Non-Current Assets				
Biological assets – livestock	15	270,296	330,156	326,828
Property, plant and equipment	16	603,157	602,933	610,776
Total Non-Current Assets		873,453	933,089	937,604
Total Assets		**1,100,120**	**1,167,470**	**1,149,705**
Current Liabilities				
Trade and other payables	17	26,055	32,795	10,893
Provisions	18	3,633	2,882	2,392
Interest bearing loans and borrowings	21	15,316	2,919	1,153
Derivative financial instruments	20	5,442	6,640	1,995
Current tax liabilities	9	-	101	-
Total Current Liabilities		50,446	45,337	16,433
Non-Current Liabilities				
Provisions	19	546	512	444
Interest bearing loans and borrowings	21	407,464	407,627	378,863
Deferred tax liabilities	9	46,246	75,355	84,974
Total Non-Current Liabilities		454,256	483,494	464,281
Total Liabilities		504,702	528,831	480,714
Net Assets		**595,418**	**638,639**	**668,991**
Equity				
Contributed equity	22	239,473	239,473	238,296
Reserves	23	328,139	324,883	353,076
Retained earnings	23	27,806	74,283	77,619
Total Equity		**595,418**	**638,639**	**668,991**

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

**The Company's auditor has performed a review (which is not an audit) of the 31 March 2012 comparatives*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months to 31 March 2013

	Contributed Equity (note 22) $000	Reserves (note 23) $000	Retained Earnings (note 23) $000	Total Equity $000
At 1 January 2012	238,296	350,999	82,692	671,987
Loss for the period	-	-	(5,073)	(5,073)
Other comprehensive loss	-	2,017	-	2,017
Total comprehensive loss for the period	-	2,017	(5,073)	(3,056)
Transactions with owners in their capacity as owners:				
Cost of share-based payment	-	60	-	60
At 31 March 2012 *(reviewed)	238,296	353,076	77,619	668,991
At 1 January 2012	238,296	350,999	82,692	671,987
Loss for the period	-	-	(8,409)	(8,409)
Other comprehensive loss	-	(26,484)	-	(26,484)
Total comprehensive loss for the period	-	(26,484)	(8,409)	(34,893)
Transactions with owners in their capacity as owners:				
Issue of share capital	1,308	-	-	1,308
Correction to prior period share costs	(131)	-	-	(131)
Cost of share-based payment	-	368	-	368
At 31 December 2012	239,473	324,883	74,283	638,639
At 1 January 2013	239,473	324,883	74,283	638,639
Loss for the period	-	-	(46,477)	(46,477)
Other comprehensive income	-	2,826	-	2,826
Total comprehensive loss for the period	-	2,826	(46,477)	(43,651)
Transactions with owners in their capacity as owners:				
Tax adjustment relating to prior period revaluations	-	300	-	300
Cost of share-based payment	-	130	-	130
At 31 March 2013	**239,473**	**328,139**	**27,806**	**595,418**

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

** The Company's auditor has performed a review (which is not an audit) of the 31 March 2012 comparatives.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months to 31 March 2013

	Note	3 months to 31 Mar 2013 $000	12 months to 31 Dec 2012 $000	3 months to 31 Mar 2012 $000 *(reviewed)
Cash flows from operating activities				
Receipts from customers		60,664	294,856	52,132
Payments to suppliers, employees and others		(76,189)	(276,942)	(58,731)
Interest received		31	412	125
Net GST received from ATO		3,719	12,098	1,587
Net operating cash flows before interest and finance costs		(11,775)	30,424	(4,887)
Payment of interest and finance costs		(6,828)	(31,195)	(11,752)
Net cash flows used in operating activities	12(i)	(18,603)	(771)	(16,639)
Cash flows from investing activities				
Payments for property, plant and equipment and other assets		(4,735)	(41,114)	(4,815)
Proceeds from sale of property, plant and equipment		37	1,222	103
Net cash flows used in investing activities		(4,698)	(39,892)	(4,712)
Cash flows from financing activities				
Proceeds from issue of shares net of transaction costs		-	1,177	-
Proceeds from borrowings		13,839	40,000	15,000
Repayment of borrowings		(1,652)	(1,521)	(2,285)
Net cash flows from financing activities		12,187	39,656	12,715
Net decrease in cash and cash equivalents		(11,114)	(1,007)	(8,636)
Cash and cash equivalents at the beginning of the period		22,362	23,369	23,369
Cash and cash equivalents at the end of the period	12	11,248	22,362	14,733

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

* The Company's auditor has performed a review (which is not an audit) of the 31 March 2012 comparatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2013

1. CORPORATE INFORMATION

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

The consolidated financial statements of Australian Agricultural Company Limited (the Company or parent Company) for the three months to 31 March 2013 were authorised for issue in accordance with a resolution of the Directors on 24 May 2013.

The Australian Securities and Investments Commission (ASIC) acknowledged the Company's year-end change from 31 December to 31 March. This change more closely aligns the Company's reporting period with its sale cycles, assisting with forecasting, cash flow management and investment decisions. The Board determined this change was in the best interests of the Company. The results for the three months to 31 March 2013 are therefore not directly comparable with the results for 31 December 2012. As a result we have also included comparative information for the three months to 31 March 2012, which has been reviewed (not audited) by the Company's auditor.

We recommend the financial statements be considered together with any public announcements made by the Company during the three months to 31 March 2013 in accordance with the Company's continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

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

2. BASIS OF PREPARATION

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

(a) Terminology used in the financial statements

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

Any references to subsidiaries or controlled entities in these financial statements refer to those entities that are controlled and consolidated by Australian Agricultural Company Limited.

The Company has a 31 March financial year end. The Company changed its financial year end date from 31 December to 31 March which means that the financial year of the Company is a transitional one from 1 January 2013 to 31 March 2013 (three months). Hereafter the Company will report its results as normal with respect to a 31 March financial year end. Where we refer to the reporting date, this means 31 March.

(b) Historical cost convention

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

(c) Compliance with IFRS

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

(d) Critical accounting estimates

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

(e) Rounding

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

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

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

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

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

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

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 9 Financial Instruments

(b) Basis of consolidation

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(d) Cash and cash equivalents

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

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

(e) Trade and other receivables

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

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

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

(f) Inventories and consumables

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Biological assets

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

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

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

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

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

(i) Livestock

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

	Valuation method
Commercial breeding herd (comprising principally females and breeding bulls)	The value of these cattle is determined by independent valuation and with reference to prices received for representative sales of breeding cattle similar to the Group's herd. Prices for these cattle generally reflect a longer term view of the cattle market. Independent valuations were undertaken by Landmark and Cameron Livestock Pty Ltd
Trading cattle (including feedlot cattle)	Relevant market indicators used include Roma store cattle prices, abattoir market prices, and cattle prices received/quoted for the Group's cattle at the reporting date. Prices for these cattle generally reflect the shorter term spot prices available in the market place and vary based on the weight and condition of the animal. AACo live export cattle (Victoria River Group, Anthony Lagoon & Darwin Group) are valued based on market quotes available at each reporting date. Short fed cattle in feedlots are valued based on market quotes for finished cattle. The value is based on the estimated exit price per kilogram and the value changes for the weight of each animal as it progresses through the feedlot program. Wagyu trading cattle are valued on the basis of independent valuation by Cameron Livestock Pty Ltd.
Stud breeding herd	Independent valuation by Landmark and Cameron Livestock Pty Ltd.

(ii) Crops

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

(h) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Initial recognition and subsequent measurement (continued)

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

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

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

(a) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

(b) Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

(c) Hedges of a net investment in a foreign operation.

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

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

Fair value hedges

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

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

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

Cash flow hedges

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

(i) Recognition and measurement

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

Fair value is determined by 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.

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

For the 31 December 2011 and prior financial years, land and buildings were valued by external independent valuers on a rotational, but at least triennial basis, to ensure that the carrying amount did not differ materially from the respective asset's fair value at each reporting date. Commencing with the 31 December 2012 financial year, the Directors decided that all land and buildings will be valued on an annual basis by independent valuers.

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

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

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

(ii) Depreciation

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

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

(iii) Impairment

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

(iv) Derecognition

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

(j) Leases & Agistment

AACo as a lessee

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

(i) Pastoral and perpetual property leases

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

(ii) Agistment agreements

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

(iii) Other leases

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

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

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

(k) Impairment

(i) Non-financial assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(i) Non-financial assets (continued)

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

(ii) Financial assets

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

(l) Intangible assets

Intangible assets are assets that have value, but do not have physical substance. In order to be recognised, an intangible asset must be either separable or arise from contractual or other legal rights.

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the net identifiable assets we have acquired and the liabilities we have assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses and is tested for impairment in accordance with note (k) on an annual basis, or when an indication of impairment exists.

(ii) Acquired intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note (k) for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. These intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(m) Trade and other payables

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowings

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

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

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

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

(o) Provisions

We recognise provisions when:

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

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

Employee benefits

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

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

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

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

(ii) Long service leave

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

(p) Share-based payment transactions

Equity settled transactions

We provide benefits to our employees (including key management personnel) in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Contributed equity

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

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

(r) Revenue recognition

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

(i) Livestock and crops

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

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

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

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

Livestock growth and fair value adjustments

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

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

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

Crops in the ground at the reporting date

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

(ii) Interest revenue

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax and other taxes

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

(i) Income tax

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

Tax consolidation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax and other taxes (continued)

(ii) Other taxes

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

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

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

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

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

(u) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk exposures and responses

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

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

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

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

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

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

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

(i) Interest rate risk

At the reporting date, we had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Financial Assets			
Cash assets	11,248	22,362	14,733
	11,248	22,362	14,733
Financial Liabilities			
Syndicate loan facility:			
$400,000,000 bank loan	(200,000)	(200,000)	(280,000)
Interest rate swaps	(4,650)	(6,079)	(1,674)
	(204,650)	(206,079)	(281,674)
Net exposure	**(193,402)**	**(183,717)**	**(266,941)**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

(i) Interest rate risk (continued)

Interest rate swap contracts outlined in note 20, with a fair value of $4,650,000 (31 December 2012: $6,079,000; 31 March 2012: $1,674,000) are exposed to fair value movements if interest rates change. Our policy is to manage our finance costs using a mix of fixed and variable rate debt. In accordance with our bank covenant obligations we maintain at least 50% of our borrowings at fixed rates which are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of our attempt to manage our cash flow volatility arising from interest rate changes. To manage this mix in a cost-efficient manner, we enter into interest rate swaps, in which we agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 March 2013, after taking into account the effect of interest rate swaps, approximately 50% (31 December 2012: 50%; 31 March 2012: 75%) of our borrowings are at a fixed rate of interest. We regularly analyse our interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

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

Judgements of reasonably possible movements:	Effect on profit before tax $000	Effect on equity (excluding profit) $000
31 March 2013		
+1% (100 basis points)	(485)	(4,000)
-1% (100 basis points)	485	4,000
31 December 2012		
+1% (100 basis points)	(1,783)	(4,000)
-1% (100 basis points)	1,783	4,000
31 March 2012 (reviewed)		
+1% (100 basis points)	391	(6,000)
-1% (100 basis points)	(391)	6,000

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

Significant assumptions used in the interest rate sensitivity analysis include:

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

In compliance with bank covenants we have hedged our interest rate exposure arising out of the bank facility agreement. In the 2011 year we entered into three year interest rate swaps of $200 million. This resulted in a $1,428,405 movement in other comprehensive income in the three months to 31 March 2013 (twelve months to 31 December 2012: $3,829,096; three months to 31 March 2012: $2,017,030).

(ii) Commodity price risk

We have transactional commodity price risk primarily in the sale of cattle and beef (refer note 20). Other exposures include cropping (principally cotton), feed inputs for its feedlot operations, and diesel. Purchases of commodities may be for a period of up to 12 months and partial hedging of these inputs may be for periods of up to 24 months.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

(ii) Commodity price risk (continued)

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

Judgements of reasonably possible movements:	Effect on profit before tax $000	Effect on equity (excluding profit) $000
31 March 2013		
Commodity Price +10%	184	-
Commodity Price -10%	(422)	-
31 December 2012		
Commodity Price +10%	366	-
Commodity Price -10%	(351)	-
31 March 2012 (reviewed)		
Commodity Price +10%	208	-
Commodity Price -10%	(196)	-

(iii) Foreign currency risk

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

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

At 31 March 2013 substantially all foreign currency receivables were covered by forward currency contracts or foreign exchange options. The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date.

At 31 March 2013, 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:	Effect on profit before tax $000	Effect on equity (excluding profit) $000
31 March 2013		
AUD/USD +10%	2,903	-
AUD/USD -10%	(3,548)	-
31 December 2012		
AUD/USD +10%	2,926	-
AUD/USD -10%	(3,577)	-
31 March 2012 (reviewed)		
AUD/USD +10%	923	-
AUD/USD -10%	(1,129)	-

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

(iii) Foreign currency risk (continued)

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

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

(iii) Price risk

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

We enter into forward purchase contracts for grain commodities. This practice mitigates the price risk for the Group. As at 31 March 2013 we had forward purchased approximately 66% (31 December 2012: 80%; 31 March 2012: 23%) of our expected grain usage for the coming 12 months. These contracts are entered into and continue to be held for the purpose of grain purchase requirements; and are classified as non-derivative, and are not required to be fair valued.

(iv) Credit Risk

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

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

(v) Liquidity risk

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

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

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

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 31 March 2013. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which we can be required to pay. When we are committed to make amounts available in instalments, each instalment is allocated to the earliest period in which we are required to pay.

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

(v) Liquidity risk (continued)

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

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

	Less than or equal to 6 months $000	6-12 Months $000	1-2 years $000	2-5 years $000	Total $000
31 March 2013					
Liquid financial assets					
Cash and cash equivalents	11,248	-	-	-	11,248
Trade and other receivables	16,829	-	-	-	16,829
Derivatives	544	-	-	-	544
	28,621	**-**	**-**	**-**	**28,621**
Financial liabilities					
Trade and other payables	(26,055)	-	-	-	(26,055)
Interest bearing loans and borrowings	(13,155)	(24,871)	(426,171)	(5,473)	(469,670)
Derivatives	(2,016)	(1,223)	(2,301)	-	(5,540)
	(41,226)	**(26,094)**	**(428,472)**	**(5,473)**	**(501,265)**
Net maturity	**(12,605)**	**(26,094)**	**(428,472)**	**(5,473)**	**(472,644)**
31 December 2012					
Liquid financial assets					
Cash and cash equivalents	22,362	-	-	-	22,362
Trade and other receivables	17,372	-	-	-	17,372
Derivatives	1,027	-	-	-	1,027
	40,761	**-**	**-**	**-**	**40,761**
Financial liabilities					
Trade and other payables	(32,795)	-	-	-	(32,795)
Interest bearing loans and borrowings	(12,015)	(11,917)	(23,286)	(414,390)	(461,608)
Derivatives	(1,611)	(1,049)	(2,099)	(415)	(5,174)
	(46,421)	**(12,966)**	**(25,385)**	**(414,805)**	**(499,577)**
Net maturity	**(5,660)**	**(12,966)**	**(25,385)**	**(414,805)**	**(458,816)**
31 March 2012 (reviewed)					
Liquid financial assets					
Cash and cash equivalents	14,733	-	-	-	14,733
Trade and other receivables	9,830	-	-	-	9,830
Derivatives	362				362
	24,925	**-**	**-**	**-**	**24,925**
Financial liabilities					
Trade and other payables	(10,893)	-	-	-	(10,893)
Interest bearing loans and borrowings	(8,728)	(12,686)	(23,730)	(401,437)	(446,581)
Derivatives	(1,490)	(1,597)	(2,448)	(2,300)	(7,835)
	(21,111)	**(14,283)**	**(26,178)**	**(403,737)**	**(465,309)**
Net maturity	**3,814**	**(14,283)**	**(26,178)**	**(403,737)**	**(440,384)**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

(vi) Fair Values

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

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

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

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

As at 31 March 2013, 31 December 2012 and 31 March 2012, 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 fair value of the financial instruments summarised in the table below have been estimated by applying the level 2 method described above.

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Financial assets			
Derivative instruments			
Commodity contracts	100	720	283
Foreign exchange contracts	444	-	-
	544	**720**	**283**
Financial liabilities			
Derivative instruments			
Commodity contracts	792	562	321
Interest rate swaps	**4,650**	**6,079**	**1,674**
	5,442	**6,641**	**1,995**

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

- Classification of perpetual and pastoral leases refer note 3 (j);
- Fair value determination of land refer note 3 (i);
- Fair value determination of livestock and crops refer note 3 (g);
- Fair value determination of derivative financial instruments refer note 3 (h);
- Impairment of non-financial and financial assets refer note 3 (k); and
- Income tax and other taxes refer note 3 (t).

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

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

6. OPERATING SEGMENTS

Identification of reportable segments

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

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

Types of products

(i) Finished & Store Cattle

The Finished & Store Cattle group operates an integrated cattle production system across 18 owned cattle stations, 5 agisted properties, 2 owned feedlots, 5 external feedlots, and 2 owned and 2 external farms located throughout Queensland and the Northern Territory. The Finished & Store Cattle group produces beef cattle that are either exported or sold for meat. As the only significant product produced for external sale is beef cattle, the operation of the Finished & Store Cattle group is considered to be one reportable segment. It is seasonable in nature with a distinct wet season.

(ii) Farming

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

(iii) Wholesale Beef

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

(iv) Meat Processing

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

Accounting policies and inter-segment transactions

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

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

The following table presents the revenue and profit information regarding operating segments for the three months to 31 March 2013 and 31 March 2012, and the twelve months to 31 December 2012. Segment liabilities are not reported to the Chief Executive Officer and therefore segment liabilities are not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT

6. OPERATING SEGMENTS (CONTINUED)

Segment information (continued)

3 months to 31 March 2013	Finished & Store Cattle $'000	Wholesale Beef $'000	Farming $'000	Meat Processing $'000	Adjustments and eliminations $'000	Total $'000
Segment revenue	40,569	38,134	899	-	(18,455)	61,147
Segment gross margin	(42,526)	602	1,512	-	-	(40,412)
Segment result (EBIT)	(63,221)	(328)	(2,983)	(746)	-	(67,278)
Net finance costs						(6,711)
Income tax benefit						27,512
Loss from continuing operations after related income tax benefit						(46,477)
Total segment assets	1,046,198	15,438	12,478	26,006	-	1,100,120
Total segment assets includes:						
Additions to non-current assets (other than financial assets and deferred tax)	2,866	11	70	41		2,988
12 months to31 December 2012						
Segment revenue	236,812	140,376	24,103	-	(80,119)	321,172
Segment gross margin	97,446	4,141	7,841	-	-	109,428
Segment result (EBIT)	14,966	1,097	(630)	(742)	-	14,691
Net finance costs						(27,132)
Income tax benefit						4,032
Loss from continuing operations after related income tax benefit						(8,409)
Total segment assets	1,127,413	15,841	449	23,767	-	1,167,470
Total segment assets includes:						
Additions to non-current assets (other than financial assets and deferred tax)	22,293	65	575	22,196	-	45,129
3 months to 31 March 2012 (reviewed)						
Segment revenue	37,463	23,709	-	-	(17,902)	43,270
Segment gross margin	16,431	783	(895)	-	-	16,319
Segment result (EBIT)	412	(34)	(2,795)	(939)	-	(3,356)
Net finance costs						(6,310)
Income tax benefit						4,593
Loss from continuing operations after related income tax benefit						(5,073)
Total segment assets	1,124,830	13,359	9,457	2,059	-	1,149,705
Total segment assets includes:						
Additions to non-current assets (other than financial assets and deferred tax)	2,763	-	-	-	-	2,763

6. OPERATING SEGMENTS (CONTINUED)

Segment revenue and non-current assets

Revenues from external customers	3 months to 31 Mar 2013 $000	12 months to 31 Dec 2012 $000	3 months to 31 Mar 2012 $000 (reviewed)
Australia	35,861	223,231	26,258
Korea	6,423	25,697	4,064
Japan	3,789	17,934	2,948
USA	3,858	17,677	3,777
Hong Kong	1,263	6,001	1,308
Other countries	9,953	30,632	4,915
Total revenue per income statement	**61,147**	**321,172**	**43,270**

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

Revenues from two single external customers amounted to $4,632,294 (31 December 2012: $34,828,540; 31 March 2012: $1,695,614) and $7,393,436 (31 December 2012: $32,422,619; 31 March 2012: $1,500,530) respectively arising from sales by the Finished and Store Cattle segment. No other single customer contributed 10% or more to the Group's revenue for 31 March 2013, 31 December 2012 and 31 March 2012.

All non-current assets are located in Australia.

7. OTHER REVENUE AND OTHER INCOME

(a) Other revenue			
Interest revenue – unrelated parties	32	404	125
Other revenue	1,005	2,277	206
	1,037	2,681	331
(b) Other income			
Net gain on disposal of property, plant and equipment	18	583	71
Insurance recovery relating to fire	22	1,282	-
Other	74	55	1
	114	1,920	72

8. EXPENSES

	3 months to 31 Mar 2013 $000	12 months to 31 Dec 2012 $000	3 months to 31 Mar 2012 $000 (reviewed)
(a) Depreciation			
Depreciation of:			
- Buildings and leasehold improvements	1,157	3,546	877
- Plant and equipment	1,571	5,859	1,326
Total depreciation	2,728	9,405	2,203
(b) Net finance costs			
Bank loans and overdrafts	6,459	28,061	6,583
Other financing charges	252	1,290	505
Total finance costs	6,711	29,351	7,088
Mark to market valuation of interest rate swaps	-	(2,219)	(778)
Net finance costs	**6,711**	**27,132**	**6,310**
(c) Other expenses			
Provision for employee benefits			
- Annual leave	337	1,083	301
- Long service leave	68	178	60
Total provision for employee benefits	405	1,261	361
Minimum lease payments – operating leases	2,186	5,433	1,095
Research and development expenses charged directly to administration expense	22	48	-
(d) Employee expenses			
Salaries and wages	8,344	27,052	5,715
Workers' compensation expense	477	1,493	357
Defined contribution superannuation expense	605	2,387	454
Other employment benefits	334	952	250
Share-based payments expense	130	751	60
Payroll tax	401	1,589	320
	10,291	**34,224**	**7,156**
(e) Administration and other non-station operating costs			
Administration and other	5,143	(352)	3,357
Commodity and foreign currency trading expense/(benefit)	851	(3,680)	(96)
	5,994	**(4,032)**	**3,261**

9. INCOME TAX

	3 months to 31 Mar 2013 $000	12 months to 31 Dec 2012 $000	3 months to 31 Mar 2012 $000 (reviewed)
(a) Income tax expense			
The major components of income tax (benefit)/expense are:			
Income Statement			
Current income tax			
Current income tax charge	(100)	(352)	(191)
Deferred income tax			
Relating to origination and reversal of temporary differences	(27,412)	(3,680)	(4,402)
Income tax (benefit)/expense reported in the income statement	**(27,512)**	**(4,032)**	**(4,593)**
(b) Amounts charged or credited directly to equity			
Deferred income tax	1,395	-	-
Net (loss)/(gain) on revaluation of land and buildings	303	(10,341)	-
Income tax (benefit)/expense reported in equity	**1,698**	**(10,341)**	-
(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate			
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:			
Accounting (loss)/profit before tax from continuing operations	**(73,989)**	**(12,441)**	**(9,666)**
At the statutory income tax rate of 30% (31 December 2012 and 31 March 2012: 30%)	(22,196)	(3,732)	(2,900)
Building depreciation not deductible	79	254	65
Excess devaluation of properties charged to profit and loss	-	2,425	-
Net taxable gain on disposal of property	(23)	-	-
Tax losses recognised as deferred tax asset	(67)	(2,949)	(1,836)
Franking tax benefit	(5,388)	-	-
Other items (net)	83	(30)	78
Income tax benefit reported in the Consolidated Income Statement	**(27,512)**	**(4,032)**	**(4,593)**

9. INCOME TAX (CONTINUED)

(d) Recognised deferred tax assets and liabilities

	Statement of financial position			Income statement		
Deferred income tax relates to the following:	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)	3 months to 31 Mar 2013 $000	12 months to 31 Dec 2012 $000	3 months to 31 Mar 2012 $000 (reviewed)
Deferred tax liabilities						
Accelerated depreciation for tax purposes	(4)	24	74	28	81	31
Revaluations of land and buildings to fair value	(41,255)	(41,558)	(51,638)	-	-	-
Revaluations of trading stock for tax purposes	(23,494)	(40,030)	(40,004)	(16,536)	(338)	(365)
Other	-	-	(55)	-	-	55
Offsetting deferred tax asset	18,507	6,209	6,649	-	-	-
	(46,246)	**(75,355)**	**(84,974)**			
Deferred tax assets						
Accruals and other	1,137	1,592	313	453	(1,226)	53
Tax losses carried forward	9,133	3,489	4,289	(5,643)	(3,489)	(4,289)
Capitalised expenses accelerated for book purposes	79	79	81	1	3	1
Impairment of property, plant and equipment	-	-	-	-	260	-
Interest rate swaps	235	(103)	453	(339)	849	293
Cash flow hedges	1,395	-	-	-	-	-
Investments	8	8	8	-	-	-
Leave entitlements	1,050	1,018	851	(32)	(192)	(25)
Franking deficit tax	5,388	-	-	(5,388)	-	-
Other employee costs	82	126	654	44	372	(156)
Total deferred tax asset (offset against deferred tax liability)	**18,507**	**6,209**	**6,649**	**(27,412)**	**(3,680)**	**(4,402)**

(e) Movements in tax balances

	Current Income tax 31 Mar 2013 $000	Deferred Income tax 31 Mar 2013 $000	Current Income tax 31 Dec 2012 $000	Deferred Income tax 31 Dec 2012 $000	Current Income tax 31 Mar 2012 $000 (reviewed)	Deferred Income tax 31 Mar 2012 $000 (reviewed)
Opening balance	(101)	(75,355)	(192)	(89,376)	(191)	(89,376)
(Charged)/credited to the income statement	(100)	27,512	(352)	3,680	191	4,402
(Charged)/credited to equity	-	1,698	-	10,341	-	-
Prior period under provision	201	(101)	443	-	-	-
Closing balance	**-**	**(46,246)**	**(101)**	**(75,355)**	**-**	**(84,974)**

9. INCOME TAX (CONTINUED)

(f) Tax consolidation

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

10. DIVIDENDS PAID AND PROPOSED

Dividends declared and paid during the period

No final or interim dividends were declared and paid during the three months to 31 March 2013 (twelve months to 31 December 2012: nil; three months to 31 March 2012: nil).

Franking credits

There are no franking credits available for the subsequent financial year (31 December 2012: nil; 31 March 2012: nil).

11. EARNINGS PER SHARE

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

	3 months to 31 Mar 2013 $000	12 months to 31 Dec 2012 $000	3 months to 31 Mar 2012 $000 (reviewed)
Earnings/(loss) used in calculating basic and diluted earnings per share			
Net loss attributable to ordinary equity holders of the parent for basic and diluted earnings	(46,477)	(8,409)	(5,073)

	Number	Number	Number
Weighted average number of ordinary shares used as denominator			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	312,905,085	312,894,038	312,861,135
Adjustments for calculation of diluted earnings per share:			
- Options and rights		-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	312,905,085	312,894,038	312,861,135

There were 2,197,281 share options and 1,019,876 performance rights excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for the current period presented.

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

(a) Information concerning the classification of securities

Options

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

12. CURRENT ASSETS — CASH AND CASH EQUIVALENTS

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Cash at bank and in hand	7,414	12,380	8
Call deposits with banks	3,834	9,982	14,725
	11,248	22,362	14,733
(i) Reconciliation of net (loss)/profit after tax to net cash flows from operations			
Net loss after income tax	(46,477)	(8,409)	(5,073)
Adjustments for:			
Depreciation	2,728	9,405	2,203
Impairment of property, plant and equipment	-	8,085	-
Gain on sale of property, plant and equipment	(18)	(583)	(67)
(Increment)/decrement in net market value of livestock	59,426	(12,811)	(3,560)
Changes in assets and liabilities:			
(Increase)/decrease in inventories	(5,084)	(499)	(29)
(Increase)/decrease in trade and other receivables	720	2,659	10,881
(Increase)/decrease in prepayments and other assets	1,399	(1,221)	(932)
(Decrease)/increase in deferred tax liabilities	(22,124)	(3,940)	(4,402)
(Decrease)/increase in current tax liability	(5,388)	(91)	(192)
(Decrease)/increase in trade and other payables	(4,250)	7,282	(15,357)
(Decrease)/increase in interest rate swaps	230	(1,658)	(253)
(Decrease)/increase in provisions	235	1,010	142
Net cash used in operating activities	**(18,603)**	**(771)**	**(16,639)**
(ii) Non-cash financing and investing activities			
Acquisition of assets by means of finance leases	-	6,787	-
Share-based payments (note 27)	130	601	60

13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivables	11,448	16,073	8,043
Other receivables	5,381	1,299	1,787
	16,829	**17,372**	**9,830**

(a) Allowance for doubtful debts

Trade receivables are non-interest bearing and are generally on 14 day terms. An allowance for doubtful debts is recognised when there is objective evidence that an individual trade receivable may not be collectible. Based on our assessment of the recoverability of trade receivables at the reporting date, we concluded that an allowance for doubtful debts was not required at 31 March 2013, 31 December 2012 and 31 March 2012.

13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Fair value and credit risk

Due to the short-term nature of trade and other receivables, their carrying value is assumed to approximate their fair value.

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

(c) Foreign exchange and interest rate risk

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

14. CURRENT ASSETS — INVENTORIES AND CONSUMABLES

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Bulk stores - recorded at cost	6,647	6,873	5,356
Feedlot commodities - recorded at cost	5,677	8,319	7,066
Cotton crop - recorded at cost	9,789	3,544	5,144
Horses and goats - recorded at net market value	2,221	2,221	2,181
Other - recorded at cost	6,395	4,688	5,428
	30,729	**25,645**	**25,175**

15. BIOLOGICAL ASSETS — LIVESTOCK

Current			
Cattle at net market value – trading cattle	166,772	166,338	160,415
Total current livestock	166,772	166,338	160,415
Non-Current			
Cattle at net market value – commercial and bull breeding herd	270,296	330,156	326,828
Total non-current livestock	270,296	330,156	326,828
Total livestock	**437,068**	**496,494**	**487,243**
Livestock movement			
Opening carrying amount	496,494	483,683	483,683
Gain from changes to fair value less estimated point of sale costs	(34,492)	129,804	19,464
Purchases of livestock	8,801	75,875	13,445
Sale of livestock	(33,735)	(192,868)	(29,349)
Closing carrying amount	**437,068**	**496,494**	**487,243**
Herd	**Number**	**Number**	**Number**
Current	236,857	229,542	207,066
Non-current	439,360	452,198	484,618
	676,217	**681,740**	**691,684**

15. BIOLOGICAL ASSETS – LIVESTOCK (CONTINUED)

Unbranded calves at 31 March 2013 have been estimated at 123,692 (31 December 2012: 96,323; 31 March 2012: 131,077).

Disclosure of livestock assets measured at fair value and their categorisation in the fair value hierarchy can be seen below:

Total Herd

Fair Value Input	Cattle Type	31 Mar 2013 $000	31 Mar 2013 Head	31 Dec 2012 $000	31 Dec 2012 Head	31 Mar 2012 $000 (reviewed)	31 Mar 2012 Head (reviewed)
Level 1	None	-	-	-	-	-	-
Level 2	All except Level 3	342,585	513,694	409,007	545,079	399,091	526,794
Level 3	Feedlots & Calves	94,483	162,523	87,487	136,661	88,152	164,890
		437,068	**676,217**	**496,494**	**681,740**	**487,243**	**691,684**
Average value per head			$646		$728		$704

Fair Value Inputs are summarised as follows:

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

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

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

During the 3 months to 31 March 2013 a cattle financing facility for $12.0 million (refer note 21) was entered into and drawn down. Cattle are provided as security for the facility and at balance date 7,071 (31 March 2012 – Nil) head were securing this facility.

Feedlot Cattle

Feedlot cattle are valued internally by the Group as there is no observable market for them. The value is based on the estimated exit price per kilogram and the value changes for the weight of each animal as it progresses through the feedlot program. The key factors affecting the value of each beast are price/kg, days on feed, and the feed conversion ratio. The average daily gain of weight is in the range of 0.8kgs to 2.0kgs. The value is determined by applying the average weight gain per day by the number of days on feed from induction to exit at which point the cattle are delivered to market. Based on the mix of cattle in the feedlot program at 31 March 2013 each 100,000 kg of weight movement in the feedlot program has a value impact of $342,000.

The value per animal is based on the breed and specifications of the animal and the market it is destined for. If the market price moves by 5% against the mix of cattle in the feedlot program at 31 March 2013 a value change of $3,500,000 would arise.

	3 months to 31 Mar 13 $000	3 months to 31 Mar 13 Head	12 months to 31 Dec 12 $000	12 months to 31 Dec 12 Head	3 months to 31 Mar 12 $000 (reviewed)	3 months to 31 Mar 12 Head (reviewed)
Opening values	68,101	40,338	62,951	40,532	62,951	40,532
Inductions	17,164	10,182	86,369	63,044	20,591	16,148
Sales	(17,923)	(11,533)	(84,899)	(62,721)	(21,984)	(17,603)
Attritions & rations	(262)	(156)	(758)	(517)	(223)	(160)
Fair value adjustments recognised*	2,799	-	4,438	-	(1,421)	-
	69,879	**38,831**	**68,101**	**40,338**	**59,914**	**38,917**
Average value per head		$1,800		$1,688		$1,540

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

15. BIOLOGICAL ASSETS — LIVESTOCK (CONTINUED)

Unbranded Calves

Calves are valued internally as there is no observable market for them. The value is based on the $/head market value for older trading cattle adjusted for weight differential. A 5% movement in $/head would give rise to a value change of $1,200,000. The number of head in the calf assessment is derived from the number of productive cows, the results of pregnancy testing, and the percentage of brandings assessed each year. A 5% change in the number of calves would give rise to a value change of $1,200,000.

	3 months to 31 Mar 13 $000	3 months to 31 Mar 13 Head	12 months to 31 Dec 12 $000	12 months to 31 Dec 12 Head	3 months to 31 Mar 12 $000 (reviewed)	3 months to 31 Mar 12 Head (reviewed)
Calf accrual opening	19,386	96,323	16,796	88,077	16,796	88,077
Net movement	5,444	27,369	1,660	8,246	10,004	43,000
Net fair value adjustments*	(225)	-	930	-	1,438	-
Calf accrual closing	**24,605**	**123,692**	**19,386**	**96,323**	**28,238**	**131,077**
Average Value per head		$199		$201		$215

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

Cattle sales and deemed cost of sales	3 months to 31 Mar 13 $000	12 months to 31 Dec 12 $000	3 months to 31 Mar 12 $000 (reviewed)
Cattle sales	40,569	236,812	37,463
Cost of sales	(37,669)	(219,078)	(35,372)
Selling expenses	(2,900)	(17,734)	(2,091)
Deemed cost of sales	(40,569)	(236,812)	(37,463)
Sales margin	-	-	-
Cattle Fair Value Adjustments			
Cattle purchases	(5,683)	(62,131)	(10,848)
Fair value of purchases	8,801	75,875	13,446
Freight & other costs	(669)	(5,368)	(619)
Fair value adjustments	(1,333)	32,030	6,973
Biological transformation	1,116	40,406	8,952
Market value changes	(43,179)	(12,224)	(6,002)
Natural increase	7,897	70,375	12,974
Attrition	(3,448)	(10,793)	(3,433)
Other	(52)	(214)	(39)
Total cattle fair value adjustments	**(37,666)**	**87,550**	**12,452**

16. NON-CURRENT ASSETS — PROPERTY PLANT AND EQUIPMENT

		3 months to 31 Mar 13 $000	12 months to 31 Dec 12 $000	3 months to 31 Mar 12 $000 (reviewed)
(a) Reconciliation of carrying amounts at the beginning and end of the period				
Freehold Land				
Opening balance, at fair value		86,086	75,453	75,453
Additions		-	14,180	-
Net revaluation increment/(decrement)		-	(3,547)	-
Closing balance, at fair value	(b)	**86,086**	**86,086**	**75,453**
Pastoral Leases				
Opening balance, at fair value		392,193	429,466	429,466
Net revaluation decrement recognised in income statement		-	(8,085)	-
Net revaluation increment/(decrement) recognised in asset revaluation reserve		-	(29,188)	-
Closing balance, at fair value	(b) (c)	**392,193**	**392,193**	**429,466**
Buildings and Improvements				
Opening balance, at fair value		122,205	108,563	108,563
Additions		1,051	13,642	1,893
Impairment		(1,811)	-	-
Disposals		(10)	-	-
Closing balance, at fair value	(b)	**121,435**	**122,205**	**110,456**
Accumulated Depreciation				
Opening balance		(31,566)	(28,020)	(28,020)
Depreciation for the period		(1,157)	(3,546)	(877)
Disposals		1	-	-
Closing balance	(b)	**(32,722)**	**(31,566)**	**(28,897)**
Fair value		121,435	122,205	110,456
Accumulated depreciation and impairment		(32,722)	(31,566)	(28,897)
Net carrying amount		88,713	90,639	81,559
Net freehold land, pastoral leases, buildings and improvements		**566,992**	**568,918**	**586,478**
Plant and Equipment				
Opening balance, at cost		79,909	65,198	65,198
Additions		3,731	17,307	2,646
Disposals		(137)	(2,596)	(332)
Closing balance, at cost		**83,503**	**79,909**	**67,512**
Accumulated Depreciation				
Opening balance		(45,894)	(42,192)	(42,192)
Depreciation for the period		(1,571)	(5,859)	(1,326)
Disposals		127	2,157	304
Closing balance		**(47,338)**	**(45,894)**	**(43,214)**
Net plant and equipment		36,165	34,015	24,298
Total net carrying amount of property, plant and equipment		**603,157**	**602,933**	**610,776**

16. NON-CURRENT ASSETS – PROPERTY PLANT AND EQUIPMENT (CONTINUED)

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

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

Fair Value Input	Type	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Level 1	None	-	-	-
Level 2	Land & Buildings	547,377	547,890	573,805
Level 3	None	-	-	-
		547,377	**547,890**	**573,805**

Fair Value Inputs are summarised as follows:

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

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

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

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

For the 31 December 2012 financial year, all land and buildings were valued by external independent valuers.

The fair values of freehold land, pastoral leases, buildings and improvements at 31 December 2012 were determined by reference to independent valuations performed by Herron Todd White in December 2012. Fair value was determined by reference to an open market, being the amount for which the asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

At 31 December 2012 the revaluation decrement for two specific stations (pastoral leases) exceeded revaluations previously credited to the asset revaluation reserve resulting in $8,085,000 being expensed to the Consolidated Income Statement. The revaluation surplus for all other properties was credited to the asset revaluation reserve included in the equity section of the Consolidated Statement of Financial Position.

The effective date of the revaluation was 31 December 2012. This was reviewed at 31 March 2013 by Herron Todd White and no material difference was noted.

After balance date, the Company commenced the process of selling two properties (refer note 32 for further details).

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

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Deemed cost	303,502	301,984	272,585
Accumulated depreciation	(32,473)	(31,566)	(28,897)
Net carrying amount	**271,029**	**270,418**	**243,688**

(c) Pastoral leases

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

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

17. CURRENT LIABILITIES — TRADE AND OTHER PAYABLES

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Trade payables	12,463	17,884	4,728
Other payables	13,592	14,911	6,165
	26,055	**32,795**	**10,893**

Trade payables are non-interest bearing and are normally settled on agreed terms which are generally up to 30 days. Other payables are non-interest bearing and have an average term of three months.

(a) Fair value

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

(b) Foreign exchange and liquidity risk

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

18. CURRENT LIABILITIES — PROVISIONS

Annual leave	1,984	1,993	1,721
Long service leave	970	889	671
Make good provision	200	-	-
Onerous contract	479	-	-
	3,633	**2,882**	**2,392**

Make good provision

The Company is required to restore its leased head office premises to its original condition at the end of the lease term. A provision of $200,000 has been recognised for the present value of the estimated expenditure required to remove the leasehold improvements. The provision is expected to be utilised during the year ending 31 March 2014.

Onerous contract

The Company no longer uses a leased property and has recognised a provision of $479,000 for the present value of the estimated costs of exiting the lease.

19. NON-CURRENT LIABILITIES — PROVISIONS

Long service leave	546	512	444

20. DERIVATIVE FINANCIAL INSTRUMENTS

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Current assets			
Commodity contracts	100	720	283
Foreign currency contracts	444	-	-
	544	**720**	**283**
Current liabilities			
Commodity contracts	792	561	321
Interest rate swap contracts	4,650	6,079	1,674
	5,442	**6,640**	**1,995**

Forward currency contracts

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

	Notional Amounts (AUD)			Average Exchange Rate		
	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)	31 Mar 2013 AUD/USD	31 Dec 2012 AUD/USD	31 Mar 2012 AUD/USD
Sell FX/Buy AUD						
Sell USD Maturity 0-12 months	26,173	27,458	14,240	1.01967	1.01914	1.02899

We fair value these contracts by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value gain on foreign currency derivatives during the three months to 31 March 2013 was $243,000 (31 December 2012: $1,420,000; 31 March 2012: $169,000).

Interest rate swap contracts

We have entered into interest rate swaps which are economic hedges. The $200 million swaps have been designated as effective interest rate swaps and therefore satisfy the accounting standard requirements for hedge accounting.

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

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
0-1 years	-	-	80,000
1-3 years	200,000	200,000	200,000

The gain or loss from remeasuring the interest rate swaps at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the three months to 31 March 2013 there was no gain or loss recognised for interest rate swaps on previous facilities into profit or loss (three months to 31 March 2012: nil). For the twelve months to 31 December 2012 a gain of $2,219,000 was recognised for interest rate swaps on previous facilities into profit or loss and included in finance costs.

21. INTEREST-BEARING LOANS AND BORROWINGS

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Current			
Obligations under finance leases	3,316	2,919	1,153
$12,000,000 Landmark facility	12,000	-	-
	15,316	**2,919**	**1,153**
Non-current			
Obligations under finance leases	8,929	9,280	6,148
$450,000,000 bank loan facility	398,535	398,347	372,715
	407,464	**407,627**	**378,863**

$450,000,000 bank loan facility - secured

The loans are repayable on 9 March 2015. It is intended that the loans will be renewed at maturity date. The facility comprises two facilities:

Facility A - $400,000,000 This facility is currently drawn down by $400,000,000 (31 December 2012: $400,000,000; 31 March 2012: $375,000,000) and is offset in the statement of financial position by a prepaid facility participation fee of $1,465,000 (31 December 2012: $1,653,000; 31 March 2012: $2,285,000).

Facility B - $50,000,000 This facility relates to the development of AACo's Darwin abattoir and is undrawn.

(a) Fair values

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

(b) Interest rate, foreign exchange and liquidity risk

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

(c) Assets pledged as security

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

(d) Defaults and breaches

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

(e) Financing arrangements

We have the following financing facilities:

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
$450,000,000 bank loan and $300,000 guarantee facility			
Total	450,300	450,300	450,300
Drawn-down	(400,215)	(400,231)	(375,080)
Unused	**50,085**	**50,069**	**75,220**

Financial covenants in place include debt cover ratios, gearing ratio and consolidated net worth.

22. CONTRIBUTED EQUITY

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Ordinary shares – issued and fully paid (a)	239,473	239,473	238,296
	239,473	**239,473**	**238,296**

(a) Ordinary shares

Movement in ordinary shares on issue

Date	Details	Number of shares	Issue price $	$000
1 January 2012	Opening balance	312,861,135		238,296
31 March 2012 (reviewed)	Closing balance	312,861,135		238,296
02 April 2012 14 May 2012	Shares issued on exercise of performance rights Outstanding amount received for shares issued under the executive option plan in the prior period Additional transactions costs relating to share placement in the prior period	43,950	-	- 1,308 (131)
31 December 2012	Closing balance	312,905,085		239,473
31 March 2013	Closing balance	312,905,085		239,473

(b) Capital management

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

There were no changes made in the objectives, policies or processes for managing capital during the three months to 31 March 2013 and 31 March 2012, and during the twelve months to 31 December 2012.

We monitor capital using the gearing ratio (gross debt divided by total capital plus gross debt) and our target gearing ratio is between 30.0% to 40.0%. We include within gross debt, interest bearing loans and borrowings.

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Gross debt	422,780	410,546	380,016
Total equity	595,418	638,639	668,991
Total capital	**1,018,198**	**1,049,185**	**1,049,007**
Gearing ratio	41.5%	39.1%	36.2%

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

23. RETAINED EARNINGS AND RESERVES

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
(a) Movements in retained earnings were as follows:			
Opening balance	74,283	82,692	82,692
Net loss	(46,477)	(8,409)	(5,073)
Closing balance	**27,806**	**74,283**	**77,619**

(b) Other reserves

	Asset Revaluation Reserve $000	Capital Profits Reserve $000	Cash Flow Hedge Reserve $000	Employee Equity Benefits Reserve $000	Total $000
At 1 January 2012	270,062	78,223	(2,249)	4,963	350,999
Net movement in cash flow hedges	-	-	2,017	-	2,017
Share based payment	-	-	-	60	60
At 31 March 2012 (reviewed)	**270,062**	**78,223**	**(232)**	**5,023**	**353,076**
At 1 January 2012	270,062	78,223	(2,249)	4,963	350,999
Revaluation of land and buildings	(32,735)	-	-	-	(32,735)
Tax effect of revaluation	10,081	-	-	-	10,081
Net movement in cash flow hedges	-	-	(3,830)	-	(3,830)
Share based payment	-	-	-	368	368
At 31 December 2012	**247,408**	**78,223**	**(6,079)**	**5,331**	**324,883**
At 1 January 2013	247,408	78,223	(6,079)	5,331	324,883
Tax adjustment relating to prior period revaluations	300	-	-	-	300
Net movement in cash flow hedges	-	-	2,826	-	2,826
Share based payment	-	-	-	130	130
At 31 March 2013	**247,708**	**78,223**	**(3,253)**	**5,461**	**328,139**

(i) Nature and purpose of reserves

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

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

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

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

24. RELATED PARTY DISCLOSURES

(a) Transactions with key management personnel

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

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

Mr N. Burton Taylor, who was a non-executive director of AACo until his resignation on 16 March 2012, is a Principal of Hillgrove Pastoral Company (Hillgrove). Hillgrove has entered into sale and purchase transactions with the Group with respect to livestock on commercial terms and conditions no more favourable than those available to other suppliers and customers. The following transactions occurred with Hillgrove:

	31 Mar 2013 $	31 Dec 2012 $	31 Mar 2012 $ (reviewed)
Purchases from Hillgrove and related entities	-	2,992	2,992

The transactions for 31 December 2012 are in respect of the period to the date of the resignation of Mr. N. Burton Taylor. There were no outstanding balances at 31 December 2012 in relation to transactions with Hillgrove and its related entities.

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

The following transactions occurred with GrainCorp Limited:			
Sales to GrainCorp Limited and related entities	1,710,476	2,507,763	-
Purchases from GrainCorp Limited and related entities	3,869,604	898,677	159,118
The following balances were outstanding at the end of the reporting period in relation to transactions with GrainCorp Limited:			
Current receivable	-	1,799,613	-
Current payable	1,121,929	94,119	-

(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 2012: nil; 31 March 2012: nil). The parent entity does not expect to call these loans within the next 12 months.

(c) Transactions with other related parties

There were no transactions with other related parties during the three months to 31 March 2013 (31 December 2012: nil; 31 March 2012: nil).

(d) Ultimate parent entity

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

25. CONTROLLED ENTITIES

The consolidated financial statements include the following controlled entities:

Name of entity	Notes	Country of incorporation	31 Mar 2013 % of shares held	31 Dec 2012 % of shares held	31 Mar 2012 % of shares held
Parent entity					**(reviewed)**
Australian Agricultural Company Limited	(a)	Australia			
Controlled entities					
A. A. Company Pty Ltd	(a)	Australia	100	100	100
Austcattle Holdings Pty Ltd	(a)	Australia	100	100	100
A. A. & P. Joint Holdings Pty Ltd	(a)	Australia	100	100	100
Shillong Pty Ltd	(a)	Australia	100	100	100
James McLeish Estates Pty Limited	(a)	Australia	100	100	100
Wondoola Pty Ltd	(a)	Australia	100	100	100
Waxahachie Pty Ltd	(a)	Australia	100	100	100
Naroo Pastoral Company Pty Limited	(a)	Australia	100	100	100
AACo Nominees Pty Limited	(a)	Australia	100	100	100
Chefs Partner Pty Ltd	(a)	Australia	100	100	100
Polkinghornes Stores Pty Limited		Australia	100	100	100
Northern Australian Beef Limited		Australia	100	100	100
AACO Risk Management Pty Limited		Australia	100	100	100

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

25. CONTROLLED ENTITIES (CONTINUED)

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
(b) Financial information for class order Closed Group			
Current Assets			
Cash and cash equivalents	11,248	22,362	14,733
Trade and other receivables	44,200	43,852	14,679
Inventories	30,729	25,644	25,176
Biological assets – livestock	166,772	166,338	160,415
Derivatives	100	720	283
Other assets	545	1,944	1,665
Total Current Assets	**253,594**	**260,860**	**216,951**
Non-Current Assets			
Biological assets – livestock	270,296	330,156	326,828
Property, plant and equipment	579,055	579,282	608,755
Investment – at cost	50	50	50
Total Non-Current Assets	**849,401**	**909,488**	**935,633**
Total Assets	**1,102,995**	**1,170,348**	**1,152,584**
Current Liabilities			
Trade and other payables	25,852	32,795	10,893
Provisions	3,833	2,882	2,392
Interest bearing liabilities	15,316	2,919	1,153
Derivatives	5,442	6,640	1,996
Current tax liabilities	-	101	-
Total Current Liabilities	**50,443**	**45,337**	**16,434**
Non-Current Liabilities			
Provisions	546	513	444
Interest bearing liabilities	407,464	407,627	378,863
Deferred tax liabilities	46,246	75,355	84,974
Total Non-Current Liabilities	**454,256**	**483,495**	**464,281**
Total Liabilities	**504,699**	**528,832**	**480,715**
Net Assets	**598,296**	**641,516**	**671,869**
Equity			
Contributed equity	239,473	239,473	238,296
Reserves	328,139	324,883	353,076
Retained earnings	30,684	77,160	80,497
Total Equity	**598,296**	**641,516**	**671,869**

25. CONTROLLED ENTITIES (CONTINUED)

	3 months to 31 Mar 2013 $000	12 months to 31 Dec 2012 $000	3 months to 31 Mar 2012 $000 (reviewed)
(b) Financial information for class order Closed Group (continued)			
Income Statement of the Closed Group:			
Revenue			
Cattle sales	22,114	161,608	19,561
Meat sales	38,134	140,376	23,709
Crop income	899	19,188	-
	61,147	321,172	43,270
Cattle growth	9,556	76,840	15,013
Cattle fair value adjustments	(37,666)	87,550	12,452
	33,037	485,562	70,735
Deemed cost of cattle sold	(22,114)	(161,608)	(19,561)
Cattle expenses	(6,881)	(37,415)	(4,209)
Feedlot cattle expenses	(7,535)	(29,529)	(6,825)
Cost of meat sold	(37,532)	(136,235)	(22,926)
Crop costs	613	(11,347)	(895)
Gross operating margin	**(40,412)**	**109,428**	**16,319**
Other revenue	1,037	2,681	331
Other income	114	1,920	72
Expenses			
Administration and other non-station operating costs	(5,994)	(14,939)	(3,261)
Business development	(405)	(2,121)	(329)
Depreciation	(2,728)	(9,405)	(2,203)
Employee expenses	(10,291)	(34,224)	(7,156)
Impairment of property, plant and equipment	-	(8,085)	-
Lease and property related costs	(2,595)	(6,968)	(1,557)
Other station operating costs	(6,004)	(23,596)	(5,572)
(Loss)/Profit before finance costs and income tax expense	**(67,278)**	**14,691**	**(3,356)**
Net finance costs	(6,711)	(27,132)	(6,310)
Loss before income tax	**(73,989)**	**(12,441)**	**(9,666)**
Income tax benefit	27,512	4,032	4,593
Net loss after tax	**(46,477)**	**(8,409)**	**(5,073)**

26. KEY MANAGEMENT PERSONNEL

	3 months to 31 Mar 2013 $	12 months to 31 Dec 2012 $	3 months to 31 Mar 2012 $ (reviewed)
(a) Compensation for key management personnel			
Short-term employee benefits	840,855	3,732,444	1,361,104
Post-employment benefits	55,326	259,201	106,300
Share-based payment	113,443	516,638	60,000
Total compensation	**1,009,624**	**4,508,283**	**1,527,404**

(b) Options and performance rights

The table below summarises the movements during the year in holdings of options and performance right interests for the key management personnel, including their personally related parties, in the Company for the period.

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

26. KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Options and performance rights (continued)

12 months to 31 Dec 2012	Balance at beginning of period	Granted as remuneration[2]	Net change other[1]	Exercised during the year	Balance at end of period	Not vested and not exercisable	Vested and exercisable
	Number	Number	Number	Number	Number	Number	Number
Options							
Executives							
B. Bennett	227,896	-	-	-	227,896	-	227,896
P. Dempsey	347,633	-	-	-	347,633	-	347,633
Performance rights							
Directors							
D. Farley	410,023	301,962	-	-	711,985	711,985	-
Executives							
T. Setter	28,894	71,560	-	(14,447)	86,007	86,007	-
P. Beale	-	44,426	-	-	44,426	44,426	-
B. Bennett	20,844	23,761	-	(10,422)	34,183	34,183	-
P. Dempsey	12,487	7,379	-	(6,241)	13,625	13,625	-
G. Dober	6,239	15,621	-	(3,120)	18,740	18,740	-
S. Cruden	-	18,980	-	-	18,980	18,980	-

3 months to 31 Mar 2012 (reviewed)	Balance at beginning of period	Granted as remuneration[2]	Net change other[1]	Exercised during the year	Balance at end of period	Not vested and not exercisable	Vested and exercisable
	Number	Number	Number	Number	Number	Number	Number
Options							
Executives							
B. Bennett	227,896	-	-	-	227,896	-	227,896
P. Dempsey	347,633	-	-	-	347,633	-	347,633
Performance rights							
Directors							
D. Farley	410,023	-	-	-	410,023	410,023	-
Executives							
T. Setter	28,894	-	-	-	28,894	28,894	-
B. Bennett	20,844	-	-	-	20,844	20,844	-
P. Dempsey	12,487	-	-	-	12,487	12,487	-
G. Dober	6,239	-	-	-	6,239	6,239	-

1 Includes forfeitures.

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

No other Directors or executives held options or performance rights during the period.

26. KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Shares

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

3 months to 31 Mar 2013	Balance at beginning of period	Granted as remuneration	Exercise of options	Net change other[2]	Balance at end of period
	Number	Number	Number	Number	Number
Directors					
D. McGauchie	348,689	-	-	50,000	398,689
D. Farley	416,313	-	-	-	416,313
S. Black	10,000	-	-	-	10,000
Executives					
P. Dempsey	167,946	-	-	-	167,946
B. Bennett	10,422	-	-	-	10,422
G. Dober	3,120	-	-	-	3,120
T. Setter	14,447	-	-	-	14,447
Total	**970,937**	**-**	**-**	**50,000**	**1,020,937**

12 months to 31 Dec 2012	Balance at beginning of period	Granted as remuneration	Exercise of options	Net change other[2]	Balance at end of period
	Number	Number	Number	Number	Number
Directors					
D. McGauchie	198,689	-	-	150,000	348,689
D. Farley	339,063	-	-	77,250	416,313
S. Black	-	-	-	10,000	10,000
N. Burton Taylor[1]	6,305,802	-	-	(6,305,802)	-
C. Roberts[1]	60,563	-	-	(60,563)	-
Executives					
P. Dempsey	161,705	-	6,241	-	167,946
B. Bennett	-	-	10,422	-	10,422
G. Dober	-	-	3,120	-	3,120
T. Setter	-	-	14,447	-	14,447
Total	**7,065,822**	**-**	**34,230**	**(6,129,115)**	**970,937**

26. KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Shares (continued)

3 months to 31 Mar 2012 (reviewed)	Balance at beginning of period	Granted as remuneration	Exercise of options	Net change other[2]	Balance at end of period
	Number	Number	Number	Number	Number
Directors					
D. McGauchie	198,689	-	-	-	198,689
D. Farley	339,063	-	-	10,000	349,063
S. Black	-	-	-	10,000	10,000
N. Burton Taylor[1]	6,305,802	-	-	(6,305,802)	-
C. Roberts1	60,563	-	-	(60,563)	-
Executives					
P. Dempsey	161,705	-	-	-	161,705
Total	**7,065,822**	**-**	**-**	**(6,346,365)**	**719,457**

[1] N. Burton Taylor and C. Roberts resigned on 16 March 2012.
[2] Net shares acquired or disposed of by other means, and the removal from the table of the shareholdings for key management personnel who have resigned during the period.

No other Directors or executives held shares during the period.

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

27. SHARE-BASED PAYMENT PLANS

	3 months to 31 Mar 2013 $	12 months to 31 Dec 2012 $	3 months to 31 Mar 2012 $ (reviewed)
(a) Recognised share-based payment expenses			
Expense arising from equity-settled share-based payment transactions	130,000	751,000	60,000

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during the three months to 31 March 2013 and 31 March 2012, and the twelve months to 31 December 2012.

(b) Executive Option Plan (EOP)

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

Chief Executive Officer – Executive Options

No options were issued to Mr. D. Farley during the three months to 31 March 2013 and 31 March 2012, and the twelve months to 31 December 2012.

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

Senior Executive - Executive Options

No options were granted to senior executives during the three months to 31 March 2013 and 31 March 2012, and the twelve months to 31 December 2012.

27. SHARE-BASED PAYMENT PLANS (CONTINUED)

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

Middle Management – Executive Options

No options were granted to middle management during the three months to 31 March 2013 and 31 March 2012, and the twelve months to 31 December 2012.

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

	3 months to 31 Mar 13 No.	3 months to 31 Mar 13 WAEP $	12 months to 31 Dec 12 No.	12 months to 31 Dec 12 WAEP $	3 months to 31 Mar 12 No. (reviewed)	3 months to 31 Mar 12 WAEP $ (reviewed)
Outstanding at the beginning of the period	3,210,479	2.45	3,973,407	2.52	3,973,407	2.52
Granted during the period	-	-	-	-	-	-
Forfeited during the period	(1,013,198)	2.13	(762,928)	2.82	(450,237)	2.83
Exercised during the period	-	-	-	-	-	-
Outstanding at the end of the period	2,197,281	2.56	3,210,479	2.45	3,523,170	2.45
Exercisable at the end of the period	2,197,281	2.56	3,210,479	2.45	3,523,170	2.45

Terms of the Executive Option Plan

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

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

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

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

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

The outstanding balance as at 31 March 2013 is represented by:

- 250,000 options over ordinary shares with an exercise price of $1.00 each;
- 350,000 options over ordinary shares with an exercise price of $1.39 each;
- 290,625 options over ordinary shares with an exercise price of $2.09 each; and
- 1,306,656 options over ordinary shares with an exercise price of $3.27 each.

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

27. SHARE-BASED PAYMENT PLANS (CONTINUED)

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

	Exercise Price $	31 Mar 2013 No.	31 Dec 2012 No.	31 Mar 2012 No. (reviewed)
Expiry Date				
01 January 2013	2.09	-	902,862	1,022,695
01 January 2013	3.15	-	76,000	76,000
16 December 2013	1.00	250,000	250,000	250,000
01 January 2014	3.27	1,006,656	1,040,992	1,233,850
31 March 2015	1.39	350,000	350,000	350,000
01 January 2018	2.09	290,625	290,625	290,625
01 January 2019	3.27	300,000	300,000	300,000
Total		**2,197,281**	**3,210,479**	**3,523,170**

(c) Employee share plan (ESP)

On 12 September 2005 we introduced an employee share plan (ESP). This plan allows shares in Australian Agricultural Company Limited to be provided to all employees (excluding those participating in the EOP and Directors) with greater than one year of service up to the value of $1,000. No shares were issued to employees under the ESP during the three months to 31 March 2013 (twelve months to 31 December 2012: nil; three months to 31 March 2012: nil).

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

(d) Performance rights plan

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

The following tables summarise the movements in performance rights:

3 months to 31 March 2013								
Grant date	**Expiry date**	**Exercise price**	**Balance at start of period**	**Rights granted during period**	**Rights exercised during period**	**Rights lapsed during period**	**Balance at end of period**	**Vested and exercisable at end of the period**
			Number	Number	Number	Number	Number	Number
19 Sept 2011	30 April 2013	Nil	43,944	-	-	-	43,944	-
19 Sept 2011	30 April 2013	Nil	105,271	-	-	-	105,271	-
19 Sept 2011	30 April 2013	Nil	105,270	-	-	-	105,270	-
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	-
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	-
27 April 2012	24 May 2013	Nil	133,429	-	-	(1,453)	131,976	-
27 April 2012	24 May 2014	Nil	133,424	-	-	(1,453)	131,971	-
27 April 2012	14 June 2013	Nil	32,353	-	-	-	32,353	-
27 April 2012	14 June 2014	Nil	32,353	-	-	-	32,353	-
27 April 2012	30 April 2015	Nil	237,256	-	-	-	237,256	-
			1,022,782	**-**	**-**	**(2,906)**	**1,019,876**	**-**

27. SHARE-BASED PAYMENT PLANS (CONTINUED)

(d) Performance rights plan (continued)

12 months to 31 December 2012								
Grant date	**Expiry date**	**Exercise price**	**Balance at start of period**	**Rights granted during period**	**Rights exercised during period**	**Rights lapsed during period**	**Balance at end of period**	**Vested and exercisable at end of the period**
			Number	Number	Number	Number	Number	Number
19 Sept 2011	30 April 2012	Nil	43,950	-	(43,950)	-	-	-
19 Sept 2011	30 April 2013	Nil	43,944	-	-	-	43,944	-
19 Sept 2011	30 April 2013	Nil	105,271	-	-	-	105,271	-
19 Sept 2011	30 April 2013	Nil	105,270	-	-	-	105,270	-
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	-
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	-
27 April 2012	24 May 2013	Nil	-	133,429	-	-	133,429	-
27 April 2012	24 May 2014	Nil	-	133,424	-	-	133,424	-
27 April 2012	14 June 2013	Nil	-	32,353	-	-	32,353	-
27 April 2012	14 June 2014	Nil	-	32,353	-	-	32,353	-
27 April 2012	30 April 2015	Nil	-	237,256	-	-	237,256	-
			497,917	**568,815**	**(43,950)**	**-**	**1,022,782**	**-**

3 months to 31 March 2012 (reviewed)								
Grant date	**Expiry date**	**Exercise price**	**Balance at start of period**	**Rights granted during period**	**Rights exercised during period**	**Rights lapsed during period**	**Balance at end of period**	**Vested and exercisable at end of the period**
			Number	Number	Number	Number	Number	Number
19 Sept 2011	30 April 2012	Nil	43,950	-	-	-	43,950	-
19 Sept 2011	30 April 2013	Nil	43,944	-	-	-	43,944	-
19 Sept 2011	30 April 2013	Nil	105,271	-	-	-	105,271	-
19 Sept 2011	30 April 2013	Nil	105,270	-	-	-	105,270	-
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	-
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	-
			497,917	**-**	**-**	**-**	**497,917**	**-**

The weighted average remaining contractual life for the rights as at 31 March 2013 is 338 days (31 December 2012: 429 days; 31 March 2012: 509 days;). The weighted average fair value of rights granted during the year ended 31 December 2012 was $1.2075. A total of 331,559 of the rights issued during the year ended 31 December 2012 were in respect of the 31 December 2011 year.

27. SHARE-BASED PAYMENT PLANS (CONTINUED)

(d) Performance rights plan (continued)

The following table lists the inputs to the models used for the performance rights:

31 December 2012								
Grant date	**Expected life of rights (days)**	**Share price at grant date**	**Exercise price**	**Expected volatility**	**Expected dividend yield**	**Risk free interest rate**	**Weighted average fair value of options granted**	**Model used**
27 April 2012	392	$1.285	-	30.00%	-	3.64%	$1.2854	Black Scholes
27 April 2012	727	$1.285	-	30.00%	-	3.65%	$1.2857	Black Scholes
27 April 2012	413	$1.285	-	30.00%	-	3.64%	$1.2854	Black Scholes
27 April 2012	778	$1.285	-	30.00%	-	3.65%	$1.2857	Black Scholes
27 April 2012	1,098	$1.285	-	30.00%	-	2.95%	$0.9110	Monte Carlo
27 April 2012	1,098	$1.285	-	30.00%	-	2.95%	$1.2858	Black Scholes

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

1. External Performance Condition (TSR outperformance)

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

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

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

2.Internal Performance Condition (EPS)

50% of the Performance Rights are subject to an internal Performance Condition based on the Company's earnings per share (EPS).

EPS is defined as Adjusted Net after Tax Profit per Ordinary Share, where Adjusted Net after Tax Profit is calculated as follows:

- Annual reported Net Profit after Tax Profit
- Less: Valuation adjustments
- Less: any adjustment deemed fair and appropriate by the Board, in the Board's absolute discretion.

The Board in its absolute discretion may vary this formula from year to year to reflect the changing nature of the Group's operations and its operating environment.

Vesting of the Performance Rights subject to the EPS condition will be calculated based on the following compound % growth rates over the three financial years following the base year the Performance Rights are established.

EPS Compound Growth Rate	% of Performance Rights to vest
Compound growth rate of less than 7.5% p.a.	0% vest
Compound growth rate of at least 7.5% p.a.	50% vest
Compound growth rate between 7.5% p.a. and 10% p.a.	2% vesting on a straight line interpolation for each 0.1% increment in EPS.
Compound growth rate of 10% p.a. or more	100% vest

27. SHARE-BASED PAYMENT PLANS (CONTINUED)

(d) Performance rights plan (continued)

3.Termination and change in control provisions

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

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

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

28. COMMITMENTS

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
(a) Future minimum lease payments under non-cancellable operating leases are as follows:			
Leased land and buildings:			
Not later than one year	3,706	3,886	3,829
Later than one year but not later than five years	8,220	8,298	7,286
Later than five years	5,085	6,040	-
Total leased land and buildings	**17,011**	**18,224**	**11,115**
Property, plant and equipment lease rental payments are generally fixed.			
(b) Finance lease expenditure contracted for is payable as follows:			
We have entered into finance leases for motor vehicles. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:			
Within one year	2,308	1,570	672
After one year but not more than five years	5,250	5,807	2,677
Total minimum lease payments	**7,558**	**7,377**	**3,349**
(c) Equipment finance contracted for is payable as follow:			
We have entered into asset finance arrangements for equipment. Future minimum payments under equipment finance together with the present value of the net minimum finance payments are as follows:			
Within one year	1,008	984	793
Later than one year but not later than five years	3,679	3,838	3,158
Total equipment finance	**4,687**	**4,822**	**3,951**

(d) Other commitments

We have entered into forward purchase contracts for $15,368,995 worth of grain commodities as at 31 March 2013 (31 December 2012: $2,394,000; 31 March 2012: $5,148,473). The contracts are expected to be settled within 12 months from balance date.

We have entered into forward purchase contracts for $7,560,238 worth of cattle as at 31 March 2013 (31 December 2012: $19,186,800; 31 March 2012: $13,661,500). The contracts are expected to be settled within 12 months from balance date.

We have entered into contracts to deliver 16,000 (31 December 2012: 14,000; 31 March 2012: 20,500) bales of cotton between May 2013 and July 2013 with a contract value of $7,271,250 (31 December 2012: $6,426,980; 31 March 2012: $11,418,500).

29. CONTINGENCIES

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
(a) Guarantees			
Contingent liabilities at balance date, not otherwise provided for in these financial statements are categorised as follows:			
Bank guarantees provided in relation to premises	215	231	80

(b) Native title claims

At 31 March 2013 there are a number of native title claims over some of our cattle properties. Negotiations are continuing with stakeholders to resolve these claims. We are not aware of any native title rights that may be found to co-exist with our rights and as such we do not expect any impact on the business to result from native title claims.

30. AUDITORS' REMUNERATION

Remuneration received, or due and receivable, by the auditor, Ernst & Young, of the parent entity for:

	3 months to 31 Mar 2013 $	12 months to 31 Dec 2012 $	3 months to 31 Mar 2012 $ (reviewed)
An audit or review of the financial report of the entity and any other entity in the consolidated Group	183,700	397,836	57,450
Other services in relation to the entity and any other entity in the consolidated Group			
▸ Advisory services	-	12,251	-
	183,700	**410,087**	**57,450**

31. INFORMATION RELATING TO THE PARENT ENTITY

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Current assets	168	1,010	263
Non-current assets	805,517	796,063	778,188
Total assets	**805,685**	**797,073**	**778,451**
Current liabilities	24,903	9,517	2,445
Non-current liabilities	412,412	412,226	384,013
Total liabilities	437,315	421,743	386,458
Net assets	**368,370**	**375,330**	**391,993**

31. INFORMATION RELATING TO THE PARENT ENTITY (CONTINUED)

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Contributed equity	244,097	244,097	242,921
Asset revaluation reserve	45,382	47,694	45,355
Capital profits reserve	110,777	110,777	110,777
Cash flow hedge reserve	(4,651)	(6,079)	(233)
Employee equity benefits reserve	5,461	5,331	5,023
Accumulated losses	(32,696)	(26,490)	(11,850)
Total equity	**368,370**	**375,330**	**391,993**
	3 months to 31 Mar 2013 $	**12 months to 31 Dec 2012 $**	**3 months to 31 Mar 2012 $ (reviewed)**
Loss of the parent entity	(6,206)	(18,903)	(4,264)
Total comprehensive loss of the parent entity	**(7,764)**	**(20,026)**	**(4,204)**

(a) Guarantees entered into by the parent entity

Australian Agricultural Company Ltd and the wholly owned entities listed in note 25 are parties to a deed of cross guarantee as described in note 25. The nature of the deed of cross guarantee is such that each Company which is party to the deed guarantees, to each creditor, payment in full of any debt in accordance with the deed of cross guarantee. No deficiency of net assets existed for the Group as at 31 March 2013.

No liability was recognised by Australian Agricultural Company Ltd in relation to these guarantees, as the fair value of the guarantees is immaterial.

(b) Contingent liabilities of the parent entity

	31 Mar 2013 $000	31 Dec 2012 $000	31 Mar 2012 $000 (reviewed)
Guarantees and indemnities			
Bank guarantees provided in relation to premises	215	231	80

(a) Contractual commitments for the acquisition of property, plant or equipment

Australian Agricultural Company Ltd did not have any commitments for the acquisition of property, plant and equipment as at 31 March 2013, 31 December 2012 and 31 March 2012.

(b) Accounting policies

The accounting policies of the parent entity, which have been applied in determining the financial information shown above, are the same as those applied in the consolidated financial statements except for investments in subsidiaries are accounted for at cost in the financial statements of Australian Agricultural Company Limited.

32. SUBSEQUENT EVENTS

Disposal of property, plant and equipment

On 18 April 2013 the Company announced it would sell two non-strategic Queensland properties, Brighton Downs and Adelong.

On 20 May 2013 the Company announced it had exchanged a contract for the sale of subdivisions of its Goonoo aggregation, including Adelong, in Central Queensland for $23 million.

The contract is subject to conditions including Minister's consent, regulatory approval and financier approvals. The expected completion date for the contract is late June 2013. The sale represented a gain over the carrying book value, based on a recent independent valuation. The properties consist of three adjacent dry land farming and grazing properties within the Goonoo aggregation, totalling 19,404 hectares (48,000 acres) - Adelong, Marilla and Rhudanna.

Under the sale agreement, AACo will lease back 7,800 hectares (19,200 acres) of mostly high quality cropping land for a five-year period at a commercial rate. In addition, AACo will sell the purchaser 4,000 steers at an average price of $1.64 per live-weight kilo. AACo will retain 8,400 hectares (20,700 acres) of property within the Goonoo aggregation, including all water licences, irrigation infrastructure, feedlots and feed mills and the major balance of housing and capital works.

The Brighton Downs sale is being conducted by Elders Real Estate and was passed in at auction on 22 May 2013 for $10.25 million, with negotiations continuing with interested parties.

Both properties are presented in the Finished & Store Cattle operating segment in note 6 to the financial statements.

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

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:

a) The financial statements and notes of Australian Agricultural Company Limited for the three months to 31 March 2013 are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of its financial position as at 31 March 2013 and of its performance for the three months ended on that date.

(ii) Complying with Accounting Standards and Corporations Regulations 2001.

b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(c).

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

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the three months to 31 March 2013.

3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

D. McGauchiel
Chairman

Brisbane
24 May 2013

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Independent auditor's report to the members of Australian Agricultural Company Limited

Report on the financial report

We have audited the accompanying financial report of Australian Agricultural Company Limited, which comprises the consolidated statement of financial position as at 31 March 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 31 March 2013 financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the 31 March 2013 financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 31 March 2013 financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the 31 March 2013 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 31 March 2013 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 complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

ERNST & YOUNG

Opinion

In our opinion:

a. the 31 March 2013 financial report of Australian Agricultural Company Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 31 March 2013 and of its performance for the period ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the 31 March 2013 financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the remuneration report included in pages 23 to 35 of the directors' report for the period ended 31 March 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of Australian Agricultural Company Limited for the period ended 31 March 2013, complies with section 300A of the *Corporations Act 2001*.

Report on the 31 March 2012 comparative financial information

We have reviewed the accompanying 31 March 2012 comparative financial information of Australian Agricultural Company Limited, which comprises the consolidated statement of financial position as at 31 March 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the 31 March 2012 period end.

Directors' Responsibility for the 31 March 2012 comparative financial information

The directors of the company are responsible for the preparation of the 31 March 2012 comparative financial information that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the 31 March 2012 comparative financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the 31 March 2012 comparative financial information based on our review. We conducted our review in accordance with Auditing Standard on Review

ERNST & YOUNG

Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 31 March 2012 financial information is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial information as at 31 March 2012 and its performance for the period ended on that date; and complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*. As the auditor of Australian Agricultural Company Limited and the entities it controlled during the period, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the 31 March 2012 comparative financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the 31 March 2012 comparative financial information of Australian Agricultural Company Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2012 and of its performance for the period ended on that date; and

b) complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

Ernst & Young

Mike Reid
Partner
Brisbane
24 May 2013

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 17 May 2013.

(a) Distribution of equity securities

Ordinary share capital

313,081,005 fully paid ordinary shares are held by 7,265 individual shareholders
All ordinary shares carry one vote per share and carry the rights to dividends.
The number of shareholders, by size of holding is:

Number of Shares	Number of Shareholders
1 to 1,000	1,526
1,001 to 5,000	3,053
5,001 to 10,000	1,228
10,001 to 100,000	1,362
100,001 and Over	96
TOTAL	**7,265**

(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	54,404,229	17.38%
IFFCO POULTRY CO SDN BHD	52,849,668	16.88%
CITICORP NOMINEES PTY LIMITED	34,945,708	11.16%
SOUTHEAST POINT LIMITED	23,732,251	7.58%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	13,782,557	4.40%
J P MORGAN NOMINEES AUSTRALIA LIMITED	13,481,338	4.31%
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	9,689,363	3.09%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	9,449,329	3.02%
NATIONAL NOMINEES LIMITED	6,150,447	1.96%
BNP PARIBAS NOMS PTY LTD <DRP>	5,277,537	1.69%
NBT PTY LIMITED <ASTOR SUPER FUND A/C>	3,604,641	1.15%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	3,481,640	1.11%
NEASHAM HOLDINGS PTY LTD <THE NEASHAM A/C>	2,441,471	0.78%
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,112,543	0.67%
MR DAVID DIXON + MS CATHERINE RAMM	1,875,818	0.60%
NBT PTY LTD	1,532,405	0.49%
CATHOLIC CHURCH INSURANCE LTD	1,510,512	0.48%
MR ANTHONY MAURICI	1,480,716	0.47%
QIC LIMITED	912,471	0.29%
WARMAN (NOMINEES) PTY LTD <THE WARMAN INVEST A/C>	848,983	0.27%

(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 SDN BHD	52,849,668
Southeast Point Ltd and Wisemoor (PTC) Limited	40,124,696
Wellington Management Company, LLP, and its related bodies corporate	28,602,518
Dimensional Fund Advisors LP and its associates and related bodies corporate	15,652,112

(d) Marketable Shares

The number of security investors holding less than a marketable parcel of 445 securities ($1.125 on 17 May 2013) is 606 and they hold 109,294 securities.

COMPANY INFORMATION

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Share Registry

Link Market Services Limited
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Brisbane QLD 4000
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AACo shares are quoted on the Australian Securities Exchange under listing Code AAC.

Solicitors

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1 Eagle Street
Brisbane QLD 4000

Bankers

National Australia Bank
Level 19, 100 Creek Street
Brisbane QLD 4000

ANZ
Level 19, 111 Eagle Street
Brisbane QLD 4000

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

Commonwealth Bank
Specialised Agribusiness Solutions
Business and Private Banking
Level 10, 240 Queen Street
Brisbane QLD 4000

Auditors

Ernst & Young
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