


AUSTRALIAN AGRICULTURAL COMPANY LIMITED





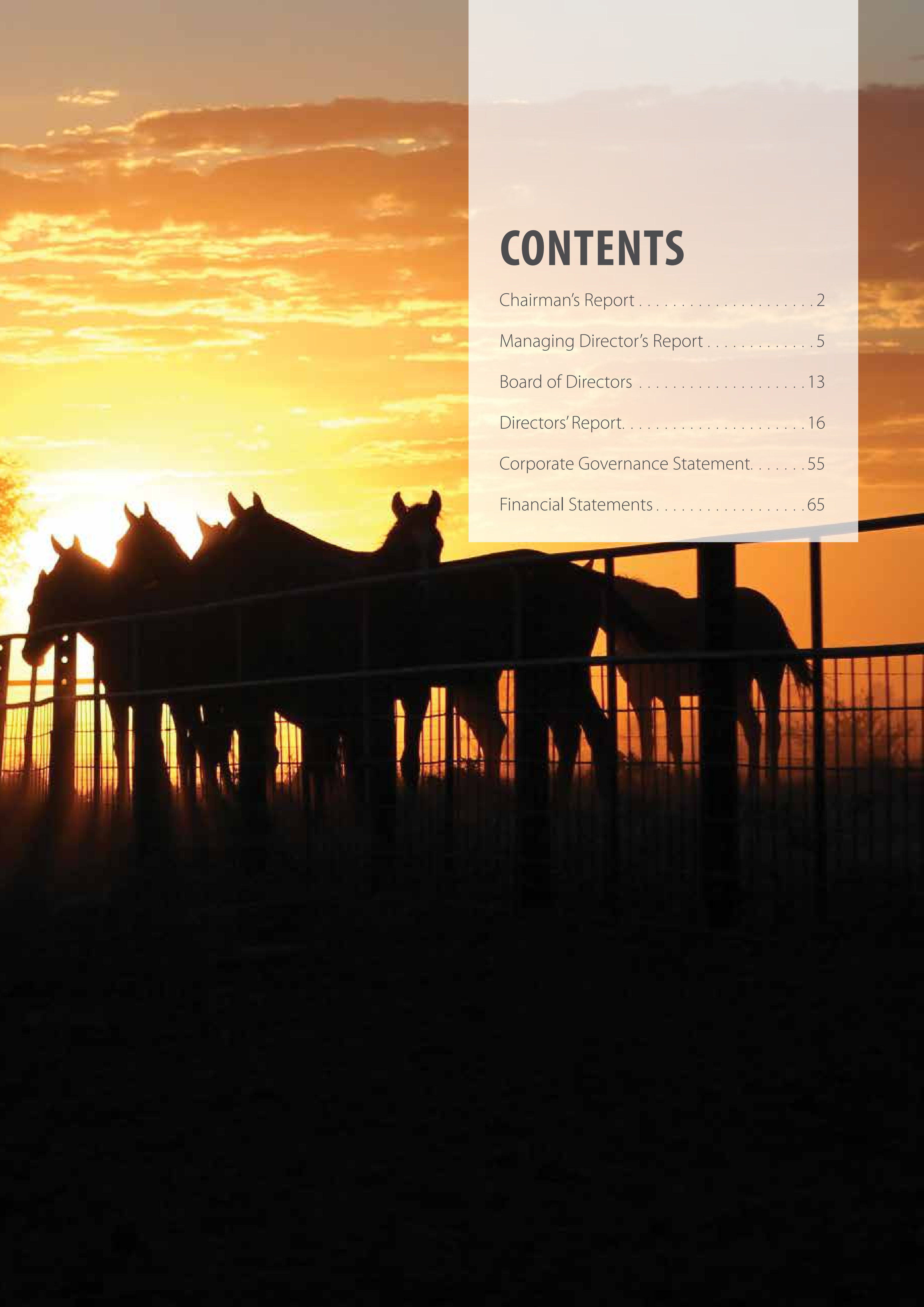



ANNUAL REPORT 2015


Annual General Meeting

The Annual General Meeting of Shareholders of the Australian Agricultural Company Limited ("AACo") will be held on Thursday, 16 July 2015 at 10.00am (Brisbane time) at the RNA Royal International Convention Centre, 600 Gregory Terrace, Bowen Hills, Brisbane, Queensland 4006.

Photograph – ABC Rural – Daniel Fitzgerald



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CHAIRMAN'S REPORT

A SIGNIFICANT YEAR FOR AACo

In the past 12 months the company has transformed from a pastoral company to a fully integrated branded beef producer and marketer.

To make this transformation the company has streamlined operations to focus on building customer-focused supply chains which drive production and improve margins.

The key foundation of AACo's strategy is that value exists in the beef supply chain. The company is concentrating on building lasting relationships with global customers, who demand the exceptional quality of beef we provide.

Our traceable supply chains, sustainable practices and unique Australian heritage can command premium prices around the world.

However, the structure of the beef industry creates volatility which means the value can and does rapidly move to different parts of the chain as market conditions change.

The company's vertically integrated model reduces our exposure to this volatility and maximizes the value we receive for our products.

We believe our strategy will maximise shareholder value and create a more sustainable business. The integration strategy allows the company to manage and respond to signals at each stage of the supply chain to improve the ability to control input costs, optimise production mix and ultimately maximise the value we achieve for our beef sales.

AACo is determined to operate at the top of the price pyramid with every product, from our award-winning Wagyu beef, our live export cattle and our manufacturing beef from the Livingstone Beef processing facility. We are determined that every piece of beef we produce is of the highest-possible quality to deserve that premium pricing.

The company completed construction of the $91 million Livingstone Beef processing facility at Darwin in October last year and since then has been selling boxed beef to global markets including Asia and the United States.

This clear focus on building strong relationships with customers who desire consistent supplies of premium beef drove a 42 per cent increase in boxed beef sales to $267.6 million. Boxed beef sales comprised 77 per cent of the company's revenue in the 2015 financial year, up from 59 per cent in the previous financial year in line with our strategy.

Statutory EBITDA was a profit of $44.9m in FY15 ($19.9m loss in FY14), while Operating EBITDA, which your Board believes is a better measure of company performance, was a loss of $3.6m ($0.2m profit in FY14). The major difference between the two measures is due to Operating EBITDA not including mark-to-market movements, while Statutory EBITDA recognised these unrealised gains.

Building our brands is the next stage of transforming and growing the business. As Australia's oldest listed company, AACo has a long, rich and vibrant history which is a powerful and attractive brand in itself.

Board changes

In September last year the Board announced the appointment of Anthony Abraham as a non-executive Director. Mr Abraham is a member of the Nomination Committee.

Mr Abraham has a long history in the agricultural sector, having founded and built several businesses that have invested in and operated agricultural companies. Mr Abraham established and managed Macquarie Group's agricultural funds management business which has more than $1.5 billion of funds under management.

During the year the Board farewelled Directors Adil Allana, Dr Mohd Emir Mavani Abdullah and Denys Collin Mullang (the alternate Director for Dr Mohd Emir). The Board thanks all three for their years of service.

Donald McGauchie AO
Chairman

Chief Financial Officer

In January the company appointed Andrew Slatter as Chief Financial Officer, following an extensive global search. Andrew was most recently Regional Head of Agribusiness for ANZ based in Singapore.

Dividend

The board has not declared a dividend. The company is committed to the reinstatement of dividends and has previously foreshadowed that on a return to sustainable and significant positive operational cashflows the directors will review dividend policy and payments.

Conclusion

This has been an exciting year for the company, with a new strategy beginning to show results and a move to true vertical integration with the construction of the Livingstone Beef processing facility.

The strategy will continue to show results through the continuing hard work, dedication and innovation from our staff. I would like to personally thank them for their commitment to the company, as well as thank my fellow Board members for their continuing dedication.

AACo'S SIGNATURE WAGYU BEEF IS AMONG THE MOST SOUGHT-AFTER MEAT IN THE WORLD, SELLING FOR HUNDREDS OF DOLLARS A KILOGRAM AT SOME OF THE WORLD'S MOST EXCLUSIVE RESTAURANTS.

The Wagyu Success Story

Fire & Ice in Dubai, Tosca in Kuala Lumpur, Cha Cha Char in Brisbane and in Sydney, Sake and Restaurant Atelier are among the fine dining restaurants who serve our Wagyu to their diners.

Our Wagyu continues to win awards for its taste and tenderness, with AACo's flagship Master Kobe Wagyu named Grand Champion Beef at the 2015 World Wagyu Conference at Yeppoon in May.

The conference was the most important meeting of the Wagyu industry this year with delegates from Australia, Japan and around the world. AACo Chairman Donald McGauchie gave the keynote address at the conference, a recognition of AACo's leadership in the industry. AACo cattle comprised more than half of the cattle on sale at the conference's International Fullblood Genetics Sale, which will help build the core of the next generations of Wagyu cattle around the world.

Last year the company's Darling Downs Wagyu was named the Champion Wagyu at the Sydney Royal Spring Fine Food Show and won Gold medals at the prestigious Royal Melbourne Fine Food Awards, Australia's premium fine food awards, and the Royal Queensland Food and Wine Show. In May this year Darling Downs Wagyu was named the Grand Champion beef of the Royal Queensland Food and Wine Show.

AACo is at the forefront of technology, genetics and helping to set direction for one of the most exciting and rapidly growing food markets in the world. This year we will turn off 52,000 Wagyu into global markets and the success of our award-winning Wagyu brands is a key part of gaining global recognition as producers of the finest quality Australian beef.

Wagyu now comprises almost 42 per cent of all boxed beef sold by the company, but makes up 52 per cent of all boxed beef revenue.

More importantly, the success of our Wagyu program provides us with the opportunity to create premium and super-premium brands we can leverage for our other beef brands.

It also allows us to build certainty with our customers, and build longer-term relationships because it demonstrates the effort we are putting into building sustainable brands.

THE AUSTRALIAN AGRICULTURAL COMPANY WAS LAST OCTOBER NAMED THE WINNER OF THE PREMIER OF QUEENSLAND'S AGRIBUSINESS EXPORT AWARD FOR THE THIRD YEAR IN A ROW.

THE AWARD RECOGNISED "OUTSTANDING INTERNATIONAL SUCCESS IN THE FIELD OF AGRICULTURAL PRODUCTS, SERVICES OR TECHNOLOGY INCLUDING PROCESSED FOODS AND BEVERAGES AND THE FORESTRY, FISHERIES AND FIBRES INDUSTRIES".

THE AWARD WAS RECOGNITION OF THE HARD WORK PUT INTO TRANSFORMING THE COMPANY FROM A CATTLE OPERATION TO A SUPPLY CHAIN BUSINESS, PROVIDING PREMIUM BEEF TO MORE THAN 20 COUNTRIES.

MANAGING DIRECTOR'S REPORT

OPERATIONAL SUMMARY

The company's focus on selling premium beef to global customers saw a $30 million overall increase in revenue in the past year.

Boxed beef revenue increased by $79.4 million in the 12 month to March 31, while cattle sales decreased by $49.9 million.

We have driven this change in the revenue base to capture value along the supply chain by selling the finest quality boxed beef to premium markets.

In the past 12 months the company has built three clearly defined prodution systems – Grainfed, Grassfed and Northern Beef – each of which has clearly defined markets.

We will continue to optimise these production systems to capture value in a rapidly moving global market.

Inventory rebuilt

Improved pasture conditions in the 2015 financial year saw the company's herds rebuilt to more sustainable levels.

The rebuilding took place in a disciplined manner, ensuring that herd structures are aligned to appropriate terminal markets. The re-build has come with opportunity cost as management made a deliberate decision to focus on supply chain building rather than pursue short-term upward movements in spot markets.

Despite growing our own herds, the internal supply of cattle was not sufficient to meet the growing demand of our beef customers. The company increased its purchases of the store and finished cattle to meet this demand. This put short-term pressure on the margins in the Grainfed business due to the strong pricing conditions, but maintained our ability to grow sales.

In the 2014 financial year the company built revenue by selling cattle. In the 2015 financial year the company built revenue by selling beef, while still rebuilding inventory. This shows the soundness of the current strategy of focusing on beef sales.

Strategy implementation

At the last Annual General Meeting we announced our refocused corporate strategic objectives and since then we have continued to make progress in achieving these objectives:

> Alignment of organisation to enable strategy;
> Rapidly build an authentic AACo brand;
> Secure processing capacity;
> Develop cattle procurement capabilities and strategies;
> Optimise production activities; and
> Exploit our know-how and genetics.

Alignment of organisation to enable strategy

We have implemented an improved structure that follows the three key production systems in the business and allows for better management and reporting across the business.

Grassfed: contains most of our extensive northern properties and breeding herds

Grainfed: contains our feedlots and backgrounding properties with output feeding our boxed beef sales

Northern Beef: The newly constructed Livingstone Beef processing facility, which will process and market quality manufacturing beef.

We have substantially completed the integration of a new Enterprise Resource Planning (ERP) System which brings together various systems that were operating across the business into one core system. This will provide a much clearer and robust view across the whole supply chain and allow us to improve operational and financial performance.

Jason Strong
Managing Director

MANAGING DIRECTOR'S REPORT

"The prospects for agriculture and the prospects for the beef industry in particular have never been brighter"
Prime Minister Tony Abbott's comments while officially opening AACo's Livingstone Beef facility at Darwin in February this year.

Rapidly build an authentic AACo brand

We believe that leveraged properly, our quality product, traceable supply chains, sustainable practices and our unique heritage means that our boxed beef products can demand a premium in global markets. During FY15, the company invested in a project to refine its branding strategy with the help of a leading global design agency.

Secure processing capacity

With the company's historical activity being focused on cattle production and in more recent years beef sales, a key risk to the business is access to processing capacity.

The development of the Livingstone Beef processing facility takes advantage of a specific opportunity regarding cull cattle in our northern grass herds. This project has been a focus for the company for a number of years and it will support AACo on its journey to becoming a truly vertically integrated business and improve the long-term viability of the Northern Australian cattle industry.

To support the growing demand of our boxed beef, the company secured additional processing capacity in external facilities in Southern Queensland to ensure that processing capacity does not become a limiting constraint to our wider ambitions.

This is another example of a "step change" within our business model that does not come without opportunity cost in markets where cattle prices rise more quickly than meat prices, as in the second half of the financial year.

Develop cattle procurement capabilities and strategies

In July 2014, the company purchased Pell Airstrip and Tortilla stations near Darwin, which act as a hub for the company's activities in northern Australia, including the Livingstone Beef processing facility. We have completed some initial capital works on the aggregation to improve cattle handling and transport including the installation of a road train weigh bridge that will also play a role in live export.

We purchased our first line of external cattle for the Livingstone Beef processing facility on a forward contract basis, further expanding our supply chain capabilities. We have been very pleased with the response from potential suppliers in northern Australia and will continue to pursue long-term supply agreements that are mutually beneficial.

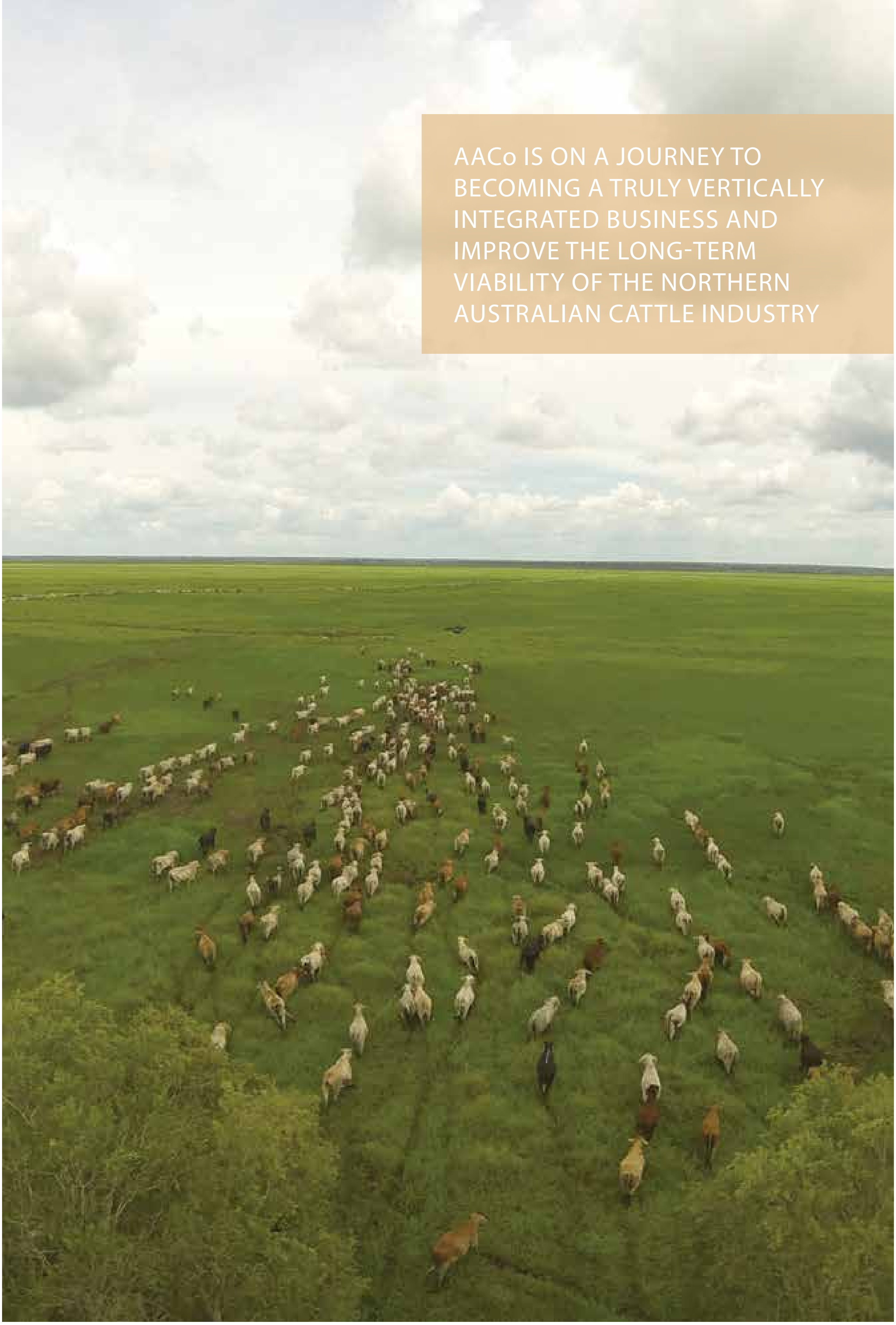
Optimise production activities

During FY15, the company invested significant resources into research and development projects to optimise production and improve our ability to predict and influence supply. We will continue to invest in this area in order to constantly refine the capacity, consistency and sustainability of each of our supply chains.

Exploit our know-how and genetics

Over the many years of its operation, AACo and its employees have accumulated a significant body of corporate knowledge, particularly regarding pastoral management, cattle logistics and bovine genetics. This knowledge is not easy to replicate, and is a key competitive advantage that we are looking to leverage to ensure its value is fully maximised.

In FY15 the company employed a General Manager of Innovation and Technology who will lead the formation of a new division in the business and be responsible for ensuring we leverage the opportunities available in regards to genetics and technology.



AACo IS ON A JOURNEY TO BECOMING A TRULY VERTICALLY INTEGRATED BUSINESS AND IMPROVE THE LONG-TERM VIABILITY OF THE NORTHERN AUSTRALIAN CATTLE INDUSTRY

GRAINFED

AACo's Grainfed business increased sales of both Wagyu and shortfed beef, in line with the company's strategy of adding value by increasing the quantity of cattle sold as boxed beef.

Global boxed beef markets continue to be strong and prices for Wagyu and Shortfed beef have also increased. However Wagyu pricing has not been as strong in the second half due to lower average marble scores.

Beef sales revenue increased by $79.4 million to $267.6 million, a 42 per cent increase on the previous corresponding period.

Live sales of cattle to third parties from our feedlots has significantly reduced, in line with our strategy of maximising value through the entire supply chain.

Production numbers in the Grassfed business were relatively stable compared to the previous corresponding period.

	WAGYU SALES (MIL KG)	AV. WAGYU PRICE ($/KG)	SHORTFED/OTHER SALES (MIL KG)	AV. SHORTFED/OTHER PRICE ($/KG)
FY15	11.6	11.99	14.6	8.20
FY14	10.1	11.78	10.1	6.80

GRASSFED

AACo took a strategic decision to substantially reduce the number of cattle sold externally, directing them for feeding and processing internally, and to take advantage of improved pasture conditions to rebuild the herd to a more sustainable level.

This came at some opportunity cost to the business as the live export market is still the largest terminal market for the Grassfed segment.

Pricing in this market improved significantly in FY15 reflecting improved market access to Indonesia and more competition from other jurisdictions.

However AACo believes it can extract more value from an increasing number of these cattle by processing them and selling them as boxed beef.

In the grass-finished market, a shortage of cattle has driven up prices.

	EXTERNAL SALES (MIL KG LWT)	KG PRODUCED (MIL KG LWT)	CATTLE PURCHASES (MIL KG LWT)	AV. SELL PRICE ($/KG LWT)	COST OF PRODUCTION ($/KG LWT)	AV. PURCHASE PRICE ($/KG LWT)
FY15	28.6	48.5	15.6	$1.97	$1.39	$1.27
FY14	57.9	37.6	3.1	$1.46	$2.08	$1.78

NORTHERN BEEF

AACo's Livingstone Beef processing facility began commissioning in September and commenced commercial operations in Q4 2014. Throughput is continuing to ramp up.

The Livingstone Beef processing facility has attained accreditation for, and product has started flowing to, the majority of our target markets.

The unit processing cost remains elevated as the facility is still ramping up volume. This will fall steadily as throughput increases and the operations are optimised.

	MEAT REVENUE ($M)	MEAT SOLD (MIL KG SW)	REVENUE ($/KG SW)
FY15	8.8	1.3	6.74
FY14	0	0	0

OUR SAFETY

At AACo, safety underpins everything we do. The safety of our people, their families and our communities is our organisation's central focus.

As producers of premium beef, our people live and work in vast and remote locations across Australia.

Keeping our people safe, regardless of where they work, is a strong motivation for our leaders.

In the pursuit of improved safety performance in FY15, AACo introduced a number of initiatives to engage staff, increase health and wellbeing, and decrease workplace injuries.

This commenced with the establishment of the AACo Senior WHS Committee, responsible for setting the strategic direction for safety and provide high level direction to the business.

The AACo Management Capability Program was developed in recognition of the critical role of our leaders in the effective management of our people and consists of three modules which are designed to assist our people leaders to build capability around core management skill areas. Module 1, 'Communicating for Performance', was delivered in FY15, and received positive reviews from participants. The remaining two modules, 'Leading Safety' and 'Coaching for Success' are planned for delivery in FY16.

Our ongoing commitment to ensuring our people are comprehensively trained led to the creation and implementation of the AACo Skills Framework. This comprehensive tool describes individual or team performance across four key skill areas – cattle, horses and two and four-wheeled motorbikes.

The framework was designed to specifically address skills in key areas which were identified as significant contributors to lost time incident rates. The Skills Framework has been effectively integrated into the business, with further skill areas to be identified and integrated into the tool in FY16.

Over the course of the year, AACo implemented a web-based WHS system to automate incident and hazard reporting and management. The system enables management teams to access and monitor their safety data, and further promotes ownership of safety at business unit levels.

AACo received a QLD Health grant to implement health and wellbeing initiatives in our workforce. These initiatives will be rolled out as part of the FY16 Employee Challenge, an internal skills-focused event which aims to educate, challenge and engage our people.

Health and wellbeing initiatives relating to the Employee Challenge will include the provision of 'Pit Stop' health checks at the event, quit smoking strategies and healthy cooking competitions.

The commitment to improving safety outcomes shown by our people in FY15 has resulted in an 11 per cent reduction in lost time incidents across the Grain, Grass and Corporate business groups.

Since 2008, these groups have collectively influenced a 25 per cent reduction in lost-time incidents. FY15 also witnessed increased performance in the area of near miss reporting, with a 170 per cent increase across all businesses.

Moving into FY16, the percentage of near-miss recording to actual incidents will also be analysed to determine trends throughout all businesses within AACo.

Improved safety outcomes have resulted from our efforts in FY15. In FY16, AACo will continue to set aggressive targets for incident reductions, with the overarching goal of keeping our people safe, all the time.

Photograph – ABC Rural – Daniel Fitzgerald

OUR PEOPLE

AACo is fortunate in the remarkable depth and breadth of experience of its employees, many of whom have been with the company for decades.

The company is dedicated to developing and growing this experience, with the annual AACo Leaders Forum providing junior and middle management with greater exposure to the business.

Giving this next generation of leaders the opportunity to think strategically and develop their understanding of the business is critical to the company's future success.

The company's Graduate Program is now in its fifth year and is one of the most sought-after placement programs for agricultural, science and commerce graduates.

AACo is committed to ensuring diversity in its workplace, and continues its efforts to increase the number of female and indigenous staff throughout the business. We value the contribution that a diverse workforce makes to our capability to take advantage of the diverse challenges and opportunities we face in Australia and around the globe.

In 2014-15, female employees represented 37 per cent of the company's workforce. In 2014, 80 per cent of the graduate intake were female and 70 per cent in the 2015 calendar year.

BOARD OF DIRECTORS

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 and a member of the Staff and Remuneration Committee.

Mr McGauchie is currently a Director of James Hardie SE, Chairman of Nufarm Limited and 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.

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

Mr Strong was appointed Managing Director/ Chief Executive Officer on 24 January 2014. Mr Strong attends all Board Committee meetings by invitation.

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

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

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

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

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

Mr Black has extensive experience in agribusiness. He is a current non-executive director of NetComm Wireless Limited, a former director of Coffey International Limited, and a Past President of the Institute of Chartered Accountants of Australia. He was the inaugural Chair and is a current Board Member of the Australian Accounting Professional and Ethical Standards Board. Mr Black is 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.

David Crombie
AM, 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 and Risk Management Committee and the Nomination Committee.

Mr Crombie is a Director of Alliance Aviation Services Limited, Barrack Street Investments Limited and Rosewood Station Pty Ltd. He was a founding Partner and is currently a non-Executive Director of GRM International. He is former Commissioner of the Australian Centre for International Agricultural Research (ACIAR) and a Director of Foodbank (QLD). Mr Crombie is the immediate past President of the National Farmers Federation, former Chairman of MLA and a former Director of Grainco Australia, the Meat Industry Council and Export Finance Insurance Corporation.

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

BOARD OF DIRECTORS (CONTINUED)

Tom Keene

B Ec, FAICD

Mr Keene was appointed a Director on 5 October 2011. Mr Keene is a member of the Audit and Risk Management Committee, the Nomination Committee and the Staff and Remuneration Committee. He is also Chairman of the Livingstone Beef Subcommittee.

Mr Keene has had an extensive career in agriculture and is the former Managing Director of Graincorp Limited, and is currently a director of the integrated timber business Midway Limited. He is also the former Chairman of Grain Trade Australia Limited and a former director of Cotton Seed Distributors Limited.

In 2007, Mr Keene was named the NAB Agribusiness Leader of the Year.

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.

Anthony Abraham

BEc LLB (Accountancy and Law)
(Appointed 7 September 2014)

Mr Abraham was appointed a Director on 7 September 2014. Mr Abraham is a member of the Nomination Committee. Mr Abraham holds a range of continuing non-executive directorships with companies within or associated with the Macquarie Group.

Mr Abraham enjoyed 21 years in investment banking with the Macquarie Group gaining extensive experience in the finance sector. In 2003 Mr Abraham established Macquarie's agricultural funds management business and led the business until he departed in 2011, at which time it had grown into a significant operation both in Australia and Brazil.

FINANCIAL REPORT

DIRECTORS' REPORT

Your Directors submit their report for the year ended 31 March 2015.

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 and a member of the Staff and Remuneration Committee.

Mr. McGauchie is currently a Director of James Hardie SE, Chairman of Nufarm Limited and 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 Ltd* – Appointed December 2003; and

> Graincorp Ltd* – Appointed December 2009.

* Denotes current Directorship

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

Mr. Strong was appointed Managing Director/Chief Executive Officer on 24 January 2014. Mr. Strong attends all Board Committee meetings by invitation.

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

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

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

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

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

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

Mr. Black has extensive experience in agribusiness. He is a current non-executive director of NetComm Wireless Limited, a former director of Coffey International Limited, and a Past President of the Institute of Chartered Accountants of Australia. He was the inaugural Chair and is a current Board Member of the Australian Accounting Professional and Ethical Standards Board. Mr. Black is 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 – resigned November 2014; and

> NetComm Wireless Limited* – Appointed March 2013.

*Denotes current Directorship

Directors (continued)

David Crombie AM, 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 and Risk Management Committee and the Nomination Committee.

Mr. Crombie is a Director of Alliance Aviation Services Limited, Barrack Street Investments Limited and Rosewood Station Pty Ltd. He was a founding Partner and is currently a non-Executive Director of GRM International. He is former Commissioner of the Australian Centre for International Agricultural Research (ACIAR) and a Director of Foodbank (QLD). Mr. Crombie is the immediate past President of the National Farmers Federation, former Chairman of MLA and a former Director of Grainco Australia, the Meat Industry Council and Export Finance Insurance Corporation.

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

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

> Alliance Aviation Services Limited* – appointed 26 October 2011; and

> Barrack Street Investments Limited* – appointed 9 June 2014.

* Denotes current Directorship

Tom Keene B Ec, FAICD

Mr. Keene was appointed a Director on 5 October 2011. Mr. Keene is a member of the Audit and Risk Management Committee, the Nomination Committee and the Staff and Remuneration Committee. He is also Chairman of the Livingstone Beef Subcommittee.

Mr Keene has had an extensive career in agriculture and is the former Managing Director of Graincorp Limited, and is currently a director of the integrated timber business Midway Limited. He is also the former Chairman of Grain Trade Australia Limited and a former director of Cotton Seed Distributors Limited.

In 2007, Mr Keene was named the NAB Agribusiness Leader of the Year.

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

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Dr. Shehan Dissanayake Ph.D.

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

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

Anthony Abraham BEc LLB (Accountancy and Law) (Appointed 7 September 2014)

Mr Abraham was appointed a Director on 7 September 2014. Mr Abraham is a member of the Nomination Committee. Mr Abraham holds a range of continuing non-executive directorships with companies within or associated with the Macquarie Group.

Mr Abraham enjoyed 21 years in investment banking with the Macquarie Group gaining extensive experience in the finance sector. In 2003 Mr Abraham established Macquarie's agricultural funds management business and led the business until he departed in 2011, at which time it had grown into a significant operation both in Australia and Brazil.

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

> Tandou Limited – resigned 28 October 2013.

Directors (continued)

Adil Allana (resigned 23 February 2015)

Mr. Adil Allana was appointed a Director on 21 August 2013 and resigned on 23 February 2015. He was a member of the Nomination Committee. Mr. Adil Allana is a member of the Supervisory Board of IFFCO, a United Arab Emirates (UAE) based business house which manufactures and markets a well-integrated range of mass market consumer products.

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

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

Dr. Mohd Emir Mavani Abdullah (resigned 1 July 2014)

Dr. Mohd Emir Mavani Abdullah resigned as a Director on 1 July 2014. He is the Chief Executive Officer of Felda Global Ventures Holdings Bhd (FGV).

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

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

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

Mr. Denys Collin Munang resigned as an alternate director for Dr. Mohd Emir Mavani Abdullah on 1 July 2014. Mr. Munang is the Group CEO of Pontian United Plantations Bhd for Felda Global Ventures Holdings Bhd (FGV). He is a graduate in Economics from the University of Sydney, Australia.

Prior to FGV, Mr. Denys Munang was attached to Omya, a Swiss multinational company for 15 years. He has held various senior positions in Omya, including as the CEO of Omya's West Asia operations based in Mumbai, India. His last position there was as the Director for Strategic Projects, heading the Mergers & Acquisitions and Business Planning for Omya's Asia Pacific Region.

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

Company secretary

Bruce Bennett BCom, LLB, ACIS, MAICD

Mr. Bennett was appointed Company Secretary and General Counsel in November 2006. Before joining the Company, he had held positions including partner and special counsel in leading law firms, where he specialised in company and property law, mergers and acquisitions and other commercial contracts. He has over 24 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:

CURRENT DIRECTORS	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES	PERFORMANCE RIGHTS
D. McGauchie	820,774	Nil	Nil
J. Strong	28,387	Nil	60,182
S. Black	17,000	Nil	Nil
D. Crombie	60,000	Nil	Nil
T. Keene	50,000	Nil	Nil
A. Abraham	Nil	Nil	Nil
Dr. S. Dissanayake	Nil	Nil	Nil

Dividends and earnings per share

EARNINGS PER SHARE	31 MAR 2015 CENTS	31 MAR 2014 CENTS
Basic profit/(loss) per share	1.8	(9.3)
Diluted profit/(loss) per share	1.8	(9.3)

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:

- Sales and marketing of boxed beef and cattle;
- Production of beef including breeding, backgrounding, feedlotting and processing of cattle; and
- Ownership, operation and development of grazing and farming properties.

The Group operates an integrated cattle production system across 18 owned cattle stations, 2 leased stations, 11 agisted properties, 2 owned feedlots, a beef processing facility and 2 owned and 1 external farms located throughout Queensland, New South Wales, the Northern Territory and Western Australia, covering approximately 6.4 million hectares.

Employees

The Group employed 584 employees calculated on a full time equivalent basis as at 31 March 2015 (31 March 2014: 499).

Operating and Financial Review

The 2015 financial year saw strong progress on executing our stated strategy of transforming from a cattle producer to an integrated boxed beef producer and marketer. We are committed to this strategy and we are confident it will deliver value to shareholders. The nature of our industry and the scale of what we are seeking to build dictates this transformation will take time, and require significant "step changes" at different points along the supply chain (such as the development of our Livingstone Beef facility) but we are making pleasing progress.

This Operating and Financial Review is presented in the following sections.

TOPIC	SECTION NUMBER
AACo's Business Model	1
The Year in Review	2
Key Financial & Non-Financial Indicators Used by Management	3
Statutory Financial Results	4
Reconciliation of Operating EBITDA to Statutory EBITDA	5
Branded Herd Profile and Movements	6
Operations: > Grainfed > Grassfed > Northern Beef > Corporate	7
Risk Management	8
Capital Structure and Treasury Management	9
Business Strategies, Likely Developments and Expected Results	10

1. AACo's Business Model

The key foundation of AACo's strategy is that value exists in the beef supply chain. However, the structure of the industry creates volatility which means this value can, and does, move rapidly to different parts of the chain as market conditions change. To reduce our exposure to this volatility, we have moved towards a more vertically integrated business model and sought to increase our participation in each of the beef supply chains at the core of our business. As well as optimising our operations, we are focussed on maximising the value we receive for our products through a differentiated branding strategy. We are cognisant of the complexity and risks associated with this strategy, however we believe it will maximise shareholder value and create a more sustainable business in the long-term. We recognise this strategy means that at various times we may forego the opportunity of selling live cattle into favourable market conditions such as those we are currently witnessing, in favour of supporting our own integrated supply chains that will deliver significantly greater value over the long term.

During FY15, we successfully transformed the business into a vertically integrated beef business. The next stage in the execution of our strategy in the medium term will focus on optimising our supply chains, implementing a differentiated branding strategy and investing in innovation and technology.

2. The Year in Review

We continue to grow our revenue line with sales increasing by $30.0 m in FY15. Pleasingly we have seen a reweighting of sales towards boxed beef (an increase of $79.4m in FY15) from cattle sales (a decrease of $49.9m in FY15) which has been one of our core strategic objectives.

While FY14 was categorised by a significant level of drought induced destocking of livestock, improved pasture conditions in FY15 has seen the company's herds rebuilt to more sustainable levels. The rebuilding has taken place in a disciplined manner and the herd structures are aligned to appropriate terminal markets. The rebuild has come with opportunity cost as management made a deliberate decision to focus on building out our supply chains rather than pursuing short term realisation through spot markets.

Despite growing our own herds, internal supply of cattle was not sufficient to meet the demand of our beef customers. Hence we have been required to increase the purchasing of both store and finished cattle. Improved climatic and market conditions have resulted in these additional purchases taking place in a strong pricing environment. While in the short term this has put pressure on the margins in our Grainfed business, we are confident that focus on integration efficiencies and branding opportunities will lead to improved margins in the future.

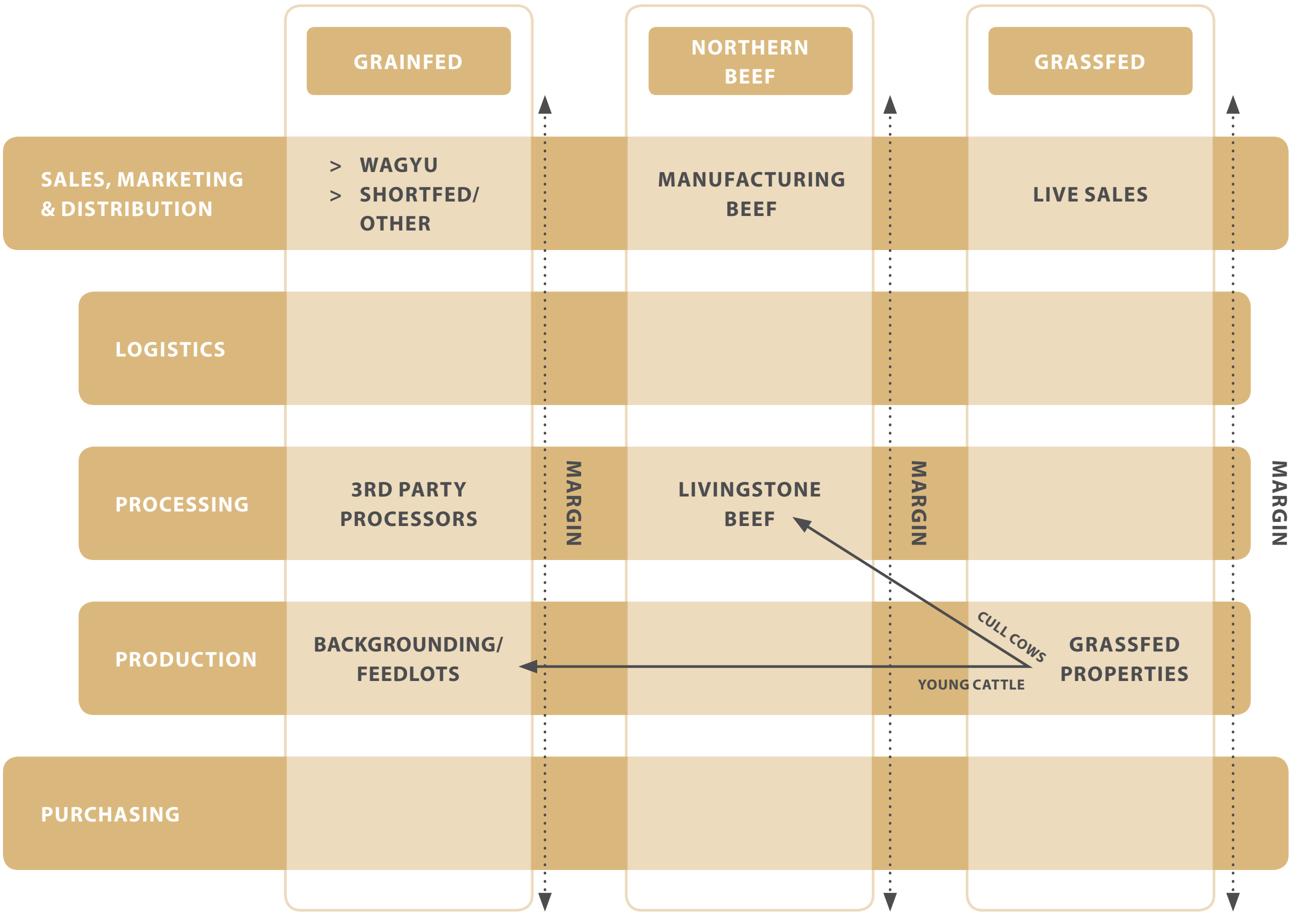
Operating and Financial Review (continued)

In FY15 we made public our refocused corporate strategic objectives (below) and since then we have continued to make progress in achieving these objectives.

> Alignment of organisation to enable strategy
> Rapidly build an authentic AACo brand
> Secure processing capacity
> Develop cattle procurement capabilities and strategies
> Optimise production activities
> Exploit our know-how and genetics

Alignment of organisation to enable strategy

We have implemented an improved structure which follows our key supply chains and allows for better management and reporting across the business. The business is now aligned into 3 key vertical supply chains, namely: the Grassfed division (contains most of our extensive northern properties and breeding herds), the Grainfed division (contains our feedlots and backgrounding properties with output being sold primarily as boxed beef) and the Northern Beef division (contains the newly constructed beef processing facility, called Livingstone Beef) which will primarily process and market manufacturing beef.



Operating and Financial Review (continued)

As part of the realignment of the organisation, we have substantially completed the integration of a new Enterprise Resource Planning (ERP) System which brings together various systems that were operating across the business into one core system. This has provided a much clearer and robust view of our supply chains and will allow us to improve operational and financial performance.

Rapidly build an authentic AACo brand

We believe that leveraged properly, our traceable supply chains, sustainable practices and our unique heritage means that our boxed beef products can demand a premium in global markets. Our involvement throughout the supply chain gives our brands a powerful authenticity which is difficult for other participants to replicate. During FY15, the company invested in a project to refine its branding strategy with the help of a leading global branding agency. This project will continue to progress in FY16.

Secure processing capacity

With the company's historical activity being focussed on cattle production and in more recent years beef marketing, a key risk to the business is access to processing capacity. In FY15 we have sought to deal with this business risk in a number of ways. The development of the Livingstone processing facility takes advantage of a specific opportunity regarding cull cattle in our northern grass herds. This project has been a focus for the company for a number of years and we believe it will support AACo on its journey to becoming a truly vertically integrated business and improve the long-term viability of the Northern Australian cattle industry.

To support the growing demand for our boxed beef, the company secured additional processing capacity in external facilities in Southern Queensland to ensure that processing capacity does not become a limiting constraint to our wider ambitions. This is another example of a "step change" within our business model that does not come without opportunity cost in markets where cattle prices rise more quickly than meat prices which characterised the full year to FY15.

Develop cattle procurement capabilities and strategies

In July, the company purchased Pell Airstrip and Tortilla near Darwin, which acts as a hub for the company's activities in northern Australia, including the Livingstone facility. We have completed some initial capital works on the aggregation to improve cattle handling and transport including the installation of a road train weigh bridge that will also play a role in Live Export.

We purchased our first line of external cattle for the Livingstone facility on a forward contract basis, further expanding our supply chain capabilities. We have been very pleased with the response from suppliers in northern Australia and will continue to pursue long-term supply agreements that are mutually beneficial.

Optimise production activities

During FY15, the company invested significant resources into projects to optimise production and carrying capacity, and improve our ability to predict and influence supply. We will continue to invest in this area in order to improve the consistency and sustainability of each of our supply chains.

Exploit our know-how and genetics

Over the many years of its operation, AACo and its employees have accumulated a significant body of corporate knowledge, particularly regarding pastoral management, cattle logistics and bovine genetics. This knowledge is not easy to replicate, and is a key competitive advantage that we are looking to leverage to ensure its value is fully maximised. There are a multitude of opportunities to leverage our know-how and systems at all stages of the supply chain.

In FY15 the company employed a GM of Innovation and Technology who will lead the formation of a new division in the business which will be responsible for ensuring we leverage the opportunities available in regards to genetics and technology.

Operating and Financial Review (continued)

3. Key Financial Indicators Used by Management

	31 MAR 2015 $'000	31 MAR 2014 $'000	MOVEMENTS $'000
Meat sales	267,622	188,213	79,409
Cattle sales	70,546	120,469	(49,923)
Admin. and other non-station operating costs	(18,205)	(15,940)	(2,265)
Statutory EBITDA[1]	44,947	(19,915)	64,862
Statutory EBIT	32,849	(34,685)	67,534
Net profit/(loss) after tax	9,623	(39,898)	49,521
Net cash (outflow)/inflow from operating activities	(75,881)	18,451	(94,332)
Operating EBITDA(1)	(3,591)	165	(3,756)

[1] Refer to page 24 and page 25 for the definition of Statutory EBITDA and Operating EBITDA, both of which are considered non-IFRS information.

The measure of Operating EBITDA is a key indicator which is used to monitor and manage the company. It eliminates the potential distraction caused by unrealised cattle valuation adjustments being recorded in the financial results, and is a better reflection of actual financial performance under the control of management. Hence we believe that external stakeholders would benefit from this metric being reported. The measure is more fully explained in Section 5 of the Operating Financial Overview.

Whilst the Statutory EBITDA was a profit of $44.9m in FY15 ($19.9m loss in FY14) the Operating EBITDA was a loss of $3.6m ($0.2m profit in FY14). The difference between the two measures is due to the Operating EBITDA not including unrealised livestock gains, while the Statutory EBITDA recognised these unrealised gains.

Operating and Financial Review (continued)

4. Statutory Financial Results

	31 MAR 2015 $'000	31 MAR 2014 $'000	MOVEMENTS $'000
Meat sales[1]	267,622	188,213	79,409
Cattle sales[1]	70,546	120,469	(49,923)
Crop sales[1]	8,664	8,160	504
Sales revenue	**346,832**	**316,842**	**29,990**
Cost of sales[2]	(345,299)	(256,515)	(88,784)
Cattle fair value adjustments[3]	209,900	114,158	95,742
Deemed cost of cattle sold[4]	(70,546)	(120,469)	49,923
Gross margin	**140,887**	**54,016**	**86,871**
Other revenue and other income	3,796	9,007	(5,211)
Expenses			
Administration and other non-station operating costs	(18,205)	(15,940)	(2,265)
Other operating costs	(21,026)	(20,465)	(561)
Employee costs	(43,196)	(38,008)	(5,188)
Livingstone Beef overheads	(7,588)	-	(7,588)
Lease and property related costs	(9,721)	(8,525)	(1,196)
Operating expenses[5]	**(99,736)**	**(82,938)**	**(16,798)**
Earnings from operations – Statutory EBITDA[6]	**44,947**	**(19,915)**	**64,862**
Depreciation	(15,710)	(11,210)	(4,500)
Change in fair value of property	3,612	(3,560)	7,172
Earnings from operations – Statutory EBIT[6]	**32,849**	**(34,685)**	**67,534**
Net finance costs	(20,793)	(23,292)	2,499
Profit/(Loss) before income tax	**12,056**	**(57,977)**	**70,033**
Income tax (expense)/benefit	(2,433)	18,079	(20,512)
Net Profit/(Loss) after tax	**9,623**	**(39,898)**	**49,521**

(1) Sales are recognised when the risks and rewards of ownership have transferred.

(2) Cost of sales combines the cost of meat sold, cattle expenses, feedlot expenses and crop expenses. Cost of meat sold includes the cost of finished cattle and processing costs. Cattle expenses and feedlot cattle expenses includes direct costs associated with managing non-feedlot cattle and feedlot cattle respectively. The direct costs include feed, mustering, freight and agistment costs. Crops are valued at spot market prices at the time of harvest and this value is applied against the cropping costs to date and a margin recognised.

(3) Cattle fair value adjustments arise from increased weight as the cattle grow, market value changes in the herd, natural increase, attrition and rations. Natural increase is the value change associated with new calves entering the herd. These fair value adjustments are non-cash.

(4) In accordance with the accounting standard AASB 141 Agriculture, the value changes that determine gross margin occur prior to the point of sale. As the asset is always biologically changing no sales margin emerges under the accounting standard.

(5) The operating expenses include Northern Beef operations. The increase in operating expenses across the group has been impacted by the increase in activity in the Northern Beef segment, where expenses have increased by $13,830,000 from $2,302,000 in the prior corresponding period to $16,132,000.

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

Operating and Financial Review (continued)

4. Statutory Financial Results (continued)

Sales revenue has increased by 9.4% compared to the previous corresponding period (FY14), and in-line with the strategy, sales continue to shift towards higher value boxed beef as opposed to live cattle. The value of sales of boxed beef has increased by over 42% compared to the prior corresponding period, driven by both increased volumes and improved pricing in both our Wagyu and Shortfed programs. Boxed beef sales now account for over 77% of total revenue (compared to 59% in FY14). Sales in this period also include the first sales of boxed beef from our Livingstone processing facility which will increase as throughput ramps up.

The sale of live cattle to third-party producers and processors has been substantially reduced (down 54% compared to FY14) and, to the extent possible, diverted to support the growth in beef sales. Where the internal supply of cattle has not been sufficient to meet the demand of our beef customers, purchases of both feeder and finished cattle have been made. Much of this supplemental purchasing activity has occurred in a strong pricing environment for live cattle. While in the short term this has put pressure on the margins in our Grainfed business, we are confident that our long term vertical integration strategy is sound.

5. Reconciliation of Operating EBITDA to Statutory EBITDA

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

> Statutory EBITDA per the statutory accounts (refer page 24 for definition).

> Operating EBITDA, a measure that uses a standard price for the cattle component of cost of goods sold rather than utilising a market price, which is subject to volatility. Operating EBITDA assumes all Livestock inventory is valued on a $/kg live-weight (lwt) basis. The standard cost used is based on a 5 year average of production and cost data. The standard cost used is $0.85/kg lwt for all stock in the Grassfed and Northern Beef segments; in the Grainfed segment a range of $1.75/ kg lwt to $3.25/kg lwt based on Wagyu content is used.

Under the Operating EBITDA methodology, inventory moves onto the balance sheet at a predefined standard. Any production or purchasing differences from the standards are recognised as variances in the period. At the point of sale, a margin against standard cost is realised. This is in contrast to Statutory EBITDA where inventory moves on and off the balance sheet at a market price and the effect of market price movements are reflected at the balance date rather than the point of sale. Therefore, the tables below imply that at 31 March 2015 there was a $48.5m movement in 'unrealised gain' driven by a mixture of inventory changes and market price changes as opposed to at 31 March 2014 where there was a $20.1m 'unrealised loss'.

Operating and Financial Review (continued)

OPERATING EBITDA 31 MAR 2015	GRAINFED $'000	GRASSFED $'000	NTH. BEEF $'000	CORPORATE $'000	ELIMINATIONS $'000	TOTAL $'000
Total segmental revenue	277,042	92,040	15,478	-	-	384,560
Inter-segmental revenue	(1,612)	(35,844)	(272)	-	37,728	-
Segmental revenue	275,430	56,196	15,206	-	-	346,832
Operating EBITDA	**14,881**	**13,401**	**(9,885)**	**(21,988)**		**(3,591)**
Operating EBITDA / Total segmental revenue Margin %	*5.4%*	*14.6%*	*(63.9%)*	*n.m.*	*n.m.*	*(1.0%)*
Reconciliation to net profit after tax:						
Operating EBITDA	**14,881**	**13,401**	**(9,885)**	**(21,988)**		**(3,591)**
Difference between the movement of inventory valued at standard as opposed to market	9,501	38,815	222	-	-	48,538
Statutory EBITDA	**24,382**	**52,216**	**(9,663)**	**(21,988)**	**-**	**44,947**
Depreciation	(3,297)	(7,787)	(2,456)	(2,170)	-	(15,710)
Change in fair value of property	522	3,090	-	-	-	3,612
Statutory EBIT	**21,607**	**47,519**	**(12,119)**	**(24,158)**	**-**	**32,849**
Net finance costs						(20,793)
Income tax expense						(2,433)
Net profit after tax						**9,623**

OPERATING EBITDA 31 MAR 2014	GRAINFED $'000	GRASSFED $'000	NTH. BEEF $'000	CORPORATE $'000	ELIMINATIONS $'000	TOTAL $'000
Total segmental revenue	234,711	107,285	-	-	-	341,996
Inter-segmental revenue	(3,072)	(22,082)	-	-	25,154	-
Segmental revenue	231,639	85,203	-	-	-	316,842
Operating EBITDA	**27,979**	**(6,443)**	**(1,689)**	**(19,682)**	**-**	**165**
Operating EBITDA / Total segmental revenue Margin %	*11.9%*	*(6.0%)*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Reconciliation to net loss after tax:						
Operating EBITDA	**27,979**	**(6,443)**	**(1,689)**	**(19,682)**	**-**	**165**
Difference between the movement of inventory valued at standard as opposed to market	(3,048)	(17,032)	-	-	-	(20,080)
Statutory EBITDA	**24,931**	**(23,475)**	**(1,689)**	**(19,682)**	**-**	**(19,915)**
Depreciation	(3,223)	(6,303)	-	(1,684)	-	(11,210)
Change in fair value of property	(1,652)	(1,908)	-	-	-	(3,560)
Statutory EBIT	**20,056**	**(31,686)**	**(1,689)**	**(21,366)**	**-**	**(34,685)**
Net finance costs						(23,292)
Income tax benefit						18,079
Net (loss) after tax						**(39,898)**

Operating and Financial Review (continued)

6. Branded Herd Profile and Movements

The closing Branded Herd size has increased by 44.7 thousand head (26.8 mil kg lwt) in FY15. This has been driven by a significant increase in the cattle purchase program and decrease in cattle sales in the period following a sustained period of destocking on the back of poor climatic conditions in FY14. These cattle purchases are being carried out in a disciplined manner and all have predefined terminal markets.

There has been a reduction in sales of live cattle from our Grainfed division whilst cattle being value-added into boxed beef has increased. Weight production has improved in FY15, driven largely through improved pasture conditions in the Grassfed properties. We continue to look at opportunities to improve weight gain outcomes through focussed genetics, nutrition and grazing management programs.

Brandings are down on the prior corresponding period due to a marginally smaller breeding herd but also as a lag effect of previous poor climatic conditions. The age profile of the breeding herd has improved in FY15, and we look forward to further improvements as the Livingstone Beef facility provides improved returns for unproductive breeders.

HEAD ('000)	31 MAR 2015 GRAINFED	31 MAR 2015 GRASSFED	31 MAR 2015 N. BEEF	31 MAR 2015 TOTAL	31 MAR 2014 GRAINFED	31 MAR 2014 GRASSFED	31 MAR 2014 TOTAL
Opening balance	**84.3**	**382.7**	**-**	**467.0**	**93.6**	**458.9**	**552.5**
Brandings	8.2	119.6	-	**127.8**	7.5	141.8	**149.3**
Attrition	(1.6)	(15.0)	-	**(16.6)**	(0.9)	(11.9)	**(12.8)**
Transfers	34.4	(58.5)	24.1	**-**	51.6	(51.6)	**-**
Purchases – Live	64.1	53.8	0.3	**118.2**	28.2	13.2	**41.4**
Purchases – Finished	33.5	-	-	**33.5**	20.5	-	**20.5**
Sold Live	(6.4)	(76.4)	(8.2)	**(91.0)**	(34.2)	(167.7)	**(201.9)**
Processed and sold as beef	(112.3)	-	(14.9)	**(127.2)**	(82.0)	-	**(82.0)**
Closing balance	**104.2**	**406.2**	**1.3**	**511.7**	**84.3**	**382.7**	**467.0**
Closing balance consists of:							
Breeding and stud cattle	16.0	265.4	-	**281.4**	11.9	271.6	**283.5**
Trading cattle	33.8	140.8	1.3	**175.9**	33.7	111.1	**144.8**
Feedlot cattle	54.4	-	-	**54.4**	38.7	0.0	**38.7**

KILOGRAMS LIVE WEIGHT (MIL)	31 MAR 2015 GRAINFED	31 MAR 2015 GRASSFED	31 MAR 2015 N. BEEF	31 MAR 2015 TOTAL	31 MAR 2014 GRAINFED	31 MAR 2014 GRASSFED	31 MAR 2014 TOTAL
Opening balance	**35.5**	**142.4**	**-**	**177.9**	**41.0**	**172.3**	**213.3**
Weight produced	27.4	48.5	(0.1)	**75.8**	26.3	37.9	**64.2**
Transfers	9.6	(18.4)	8.8	**-**	13.0	(13.0)	**-**
Purchases – Live	22.6	15.6	0.1	**38.3**	9.8	3.1	**12.9**
Purchases – Finished	19.8	-	-	**19.8**	11.8	-	**11.8**
Sold Live	(3.0)	(28.5)	(2.4)	**(34.1)**	(16.6)	(57.9)	**(74.5)**
Processed and sold as beef	(67.3)	-	(5.8)	**(73.1)**	(49.8)	-	**(49.8)**
Closing balance	**44.6**	**159.6**	**0.6**	**204.6**	**35.5**	**142.4**	**177.9**
Closing balance consists of:							
Breeding and stud cattle	6.1	112.4	-	**118.5**	4.8	112.1	**116.9**
Trading cattle	11.2	47.1	0.5	**58.8**	10.6	30.3	**40.9**
Feedlot cattle	27.3	-	-	**27.3**	20.1	-	**20.1**

Operating and Financial Review (continued)

7. Operations

Grainfed Segment

Sales

The volume of both Wagyu and Shortfed boxed beef sales have increased in line with the company's strategy of adding value by increasing the quantity of cattle we process and sell as boxed beef. Global boxed beef markets continue to be strong and prices achieved across both the Wagyu and Shortfed programs have also increased, however Wagyu pricing has not been as strong in the second half due to a change in product mix.

Live sales of cattle to third parties from the feedlots has significantly reduced, in line with our strategy of maximising value through the entire supply chain.

	31 MAR 2015	31 MAR 2014
Wagyu revenue – $ mil	138.9	119.4
Wagyu kilograms sold – mil kg sw	11.6	10.1
Wagyu sold – $/kg sw	11.99	11.78
Shortfed/Other revenue – $ mil	119.8	68.8
Shortfed/Other kilograms sold – mil kg sw	14.6	10.1
Shortfed/Other sold – $/kg sw	8.20	6.80
Live cattle sales – mil kg lwt	3.0	16.6
Live cattle revenue – $mil	7.9	36.0

Production and sourcing

Production in the vertical is relatively stable compared to the prior corresponding period. Our ability to produce significantly more weight is constrained by our existing feedlot capacity, however we are increasingly utilising third-parties to assist with backgrounding and feedlotting of cattle that we are unable to fit in our own system. Seasonal conditions have increased raw material prices for the feedlot operations which in turn increased cost of production to $3.43/kg lwt in the financial year.

Any shortfall in meeting customer demand is supplemented by purchasing finished cattle from third parties for processing and store cattle for backgrounding and feedlot operations. The strong demand from both the Wagyu and Shortfed sales programs has been met by an increase in both finished and store cattle purchasing in the period. Strong increases to cattle prices on the back of improving climatic conditions has led to an increased cost of finished cattle in FY15. A shift towards shortfed feeder cattle which are less expensive to purchase, is reflected in the lower average purchase price of store cattle in FY15 despite the overall market moving upwards.

The cost of toll processing cattle for our Grainfed beef programs has increased marginally in line with the short term fixed capacity in this sector and large slaughter numbers continuing to be a feature of the Australian market. As we grow our beef sales program, the cost of processing is becoming an increasingly important contributor to profitability. We will continue to explore opportunities to optimise this cost and improve quality.

	31 MAR 2015	31 MAR 2014
Gross processing cost – $/kg cwt	1.16	1.11
Kilograms produced – mil kg lwt	27.4	26.3
Cost of production – $/kg lwt	3.43	3.02
Finished cattle purchases – mil kg cwt	11.6	6.2
Finished cattle purchases – $/kg cwt	4.38	3.78
Store cattle purchases – mil kg lwt	22.6	9.8
Store cattle purchases – $/kg lwt	2.68	2.96

Operating and Financial Review (continued)

7. Operations (continued)

Grassfed Segment

Sales

The volume of cattle being sold externally has substantially reduced as we have systematically diverted cattle for feeding and processing internally and taken advantage of improved pasture conditions to rebuild the herd to a more sustainable level. This has come at some opportunity cost to the business as the live export market is still the largest terminal market for the Grassfed segment and pricing in this market improved significantly in FY15 reflecting improved market access to Indonesia and more competition from other jurisdictions.

In the grass-finished market, a shortage of cattle and strong global meat prices have driven up prices. Re-stocker demand has also improved after a good wet season in Northern Australia.

	31 MAR 2015	31 MAR 2014
Revenue – $ mil	56.2	84.3
Cattle sold externally – mil kg lwt	28.6	57.9
Revenue – $/kg lwt	1.97	1.46
Store cattle purchased – mil kg lwt	18.4	13.1

Production and sourcing

Store cattle have been purchased in response to the increased demand and higher prices in the live export markets and to augment the northern herds for processing at Livingstone Beef.

As much of the cost base in the Grassfed segment is fixed, increased production is a key determinant in driving the cost of production. This is in turn driven primarily by climatic conditions in the period. Improved rainfall in FY15 drove increase production which in turn reduced the cost of production.

	31 MAR 2015	31 MAR 2014
Kilograms produced – mil kg lwt	48.5	37.6
Cost of production – $/kg lwt	1.39	2.08
Store cattle purchased – mil kg lwt	15.6	3.1
Store cattle purchase price – $/kg lwt	1.27	1.78

Northern Beef Segment

The construction phase of the Livingstone Beef facility was completed in FY15 and the facility is now ramping up throughput. As the project has moved into the operational phase we have transitioned from a construction/project focus to the skill set required to drive operational excellence.

The Livingstone facility has attained accreditation for, and product has started flowing to, the majority of our target markets.

The unit processing cost remains elevated as the facility is still ramping up volume. This will fall steadily as throughput increases and the operations are optimised.

Operating and Financial Review (continued)

7. Operations (continued)

Corporate Operating Expenses
Corporate operating expenses have increased by $2.3m compared with the prior corresponding period largely driven by movements in foreign currency exchange rate and brand development expenses recognised in the profit and loss. AACo continues to monitor overhead expenses, and drive productivity measures.

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

	31 MAR 2015 $000	31 MAR 2014 $000
Unrealised cattle market price movements	39,060	11,925
Other cattle fair value adjustments	170,840	102,233
Total cattle fair value adjustments	**209,900**	**114,158**

Market value adjustments arising from market price changes to the herd values at the close of the period resulted in an unrealised cattle price gain of $39.1m, driven by an increase in cattle market prices.

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

Depreciation/Amortisation and Change in Fair Value of Property
Total depreciation and amortisation of $15.7 million is $4.5 million higher compared to the prior corresponding period, largely driven through the commencement of depreciation at Livingstone Beef.

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

Interest and Finance Costs
Total interest and finance costs decreased to $20.8 million from $23.3 million in the prior corresponding period year due to a decrease in funding costs partially offset by increased borrowings of our banking facility.

Income Tax Expense
The income tax expense has increased to $2.4 million from an income tax benefit of $18.1 million in the prior corresponding period.

8. Risk Management

The Company is committed to identification, measurement and management of material business risks.

The Company's breeding and sales programs to date have produced a herd with the right genetic and age profile to deal with the current and future geographic, weather and market conditions.

Day-to-day production risks are managed by management at stations and overseen by relevant General Managers.

Appropriate insurance coverage is maintained in respect of the business, properties and assets.

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

Operating and Financial Review (continued)

9. Capital Structure

The Group's gearing ratio has increased to 32.7% as at 31 March 2015 compared to 23.3% as at 31 March 2014.

	31 MAR 2015 $000	31 MAR 2014 $000
Current interest-bearing loans and borrowings	4,538	4,332
Non-current interest-bearing loans and borrowings		
Obligations under finance leases	7,667	7,850
Bank loan facility[1]	285,000	200,000
Convertibles notes[1]	80,000	80,000
Bank guarantees	1,604	2,492
Cash:	(12,285)	(69,194)
Net debt	**366,524**	**225,480**
Equity employed	762,298	747,780
Value of conversion rights	(6,700)	(6,700)
Net equity	**755,598**	**741,080**
Gearing (net debt / net debt + equity)	**32.7%**	**23.3%**

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

Net Tangible Assets

The Group's net tangible assets per share was $1.43 as at 31 March 2015, compared to $1.40 as at 31 March 2014. Net tangible assets of the Company includes leasehold land assets.

Dividends

There were no dividends declared or paid during the twelve months to 31 March 2015, and therefore the Company's Dividend Reinvestment Plan (DRP) was inactive throughout the period.

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

10. Business Strategies, Likely Developments and Expected Results

The Board has reiterated its commitment to increasing shareholder value through incremental improvements to Return on Capital Employed (ROCE) over time. The goal is to improve the quantity and quality of the Group's earnings by increasing the Group's exposure to generally higher and less volatile global beef prices which are underpinned by rising incomes in both the developed and developing world. The medium term strategy will focus on optimising our supply chains, implementing a differentiated branding strategy and investing in innovation and technology.

Significant Changes in the State of Affairs

There has been no significant changes in the state of affairs of the Company during the financial year.

Significant Events After Balance Date

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

Environmental Regulation and Performance

Some regulated areas of operation are:

- The operations of Goonoo and Aronui Feedlots are regulated by licences issued under the *Environmental Protection Act 1994* and administered by the Queensland Department Agriculture, Fisheries and Forestry (DAFF). Each feedlot is required to report to the National Pollution Inventory each year with respect to water, air and soil quality. DAFF conducts audits of compliance with licence requirements at regular intervals. The Company recorded no breaches of licence requirements in the year to 31 March 2015.
- The pumping of water from the Comet River for irrigation and feedlot use at Goonoo Station is subject to licensing under the *Sustainable Planning Act 1997* and the *Water Act 2000*. Regulations specify minimum water flows and heights in the river to allow sufficient environmental flows. Wylarah has a licence to harvest water from the Balonne River for irrigation purposes.
- The pumping of underground water for the prescribed purpose of 'Livestock Intensive' requires licensing and regular reporting and monitoring. The Company has several licences allowing this pumping subject to these regulations and conditions being met.
- Stock watering facilities, which utilise bores, require licensing in Queensland, and registration in the Northern Territory.
- Stock water facilities shared with Queensland Stock Routes are administered by local governments, guided by legislation and framework developed by the Queensland Government. Shared water facilities need to comply with registered Stock Route water agreement requirements. A Permit to Occupy is also required if this facility is unfenced within a station grazing area.
- Vegetation Clearing Permits are sought under the *Vegetation Management Act 1999* (Queensland) for any clearing required for ongoing operations including but not limited to the development of areas for land use change and the installation of infrastructure such as fence lines and water development.
- The Company continues to be involved in consultation processes for example in the areas of Water Resource Planning, Wild Rivers legislation, and the conversion of land titles in relevant areas.
- The Company must abide by environmental and other obligations contained in Queensland's State Rural Leasehold Land Strategy in respect of the Company's pastoral leasehold interests in Queensland. The State Rural Leasehold Land Strategy is a framework of legislation, policies and guidelines supporting the environmentally sustainable, productive use of rural leasehold land for agribusiness.
- Northern Australian Beef Limited (NABL), a wholly owned subsidiary of the Group, has constructed and owns and operates a meat processing facility on land owned by NABL at Livingstone Farm, Noonamah, Stuart Highway, Northern Territory. NABL holds, and must comply with, an environmental protection licence (EPL) under the Waste Management and Pollution Control Act (Act) for the storage, treatment, recycling and disposal of waste in connection with the facility.
- The Environment Protection Licence (EPL) contains stringent and detailed environmental requirements overseen and administered by the Northern Territory Protection Authority (NT EPA). NABL strives to comply in all respects with the terms of the EPL, however since commencement of commissioning and operations at the plant in October 2014, NABL has breached various EPL requirements from time to time. Key compliance areas under the EPL include requirements for wastewater treatment systems and odour management. In April 2015, the NT EPA issued a direction to AACo under the Waste Management and Pollution Control Act, directing NABL to take measures to prevent offensive odours. NABL is implementing improvements in process and equipment at the plant to address this issue and NABL and the NT EPA continue to work together constructively to monitor compliance with the direction and the EPL.

Share Options

Unissued Shares

As at the date of this report, there were 801,519 unissued ordinary shares under options and performance rights (1,038,775 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.

The parent entity issued 160 subordinated convertible notes to an existing shareholder of the Company for $80 million on 16 October 2013. The notes are unsecured and subordinated to the Company's senior bank debt. The notes expire on 30 September 2023 and the note holder may elect to cause redemption at the fifth anniversary of the issue date and annually thereafter. The coupon rate is the 6 month BBSW rate plus 0.15% subject to a floor of 3.0% per annum, payable semi-annually in arrears. The note holder is entitled to convert the notes into ordinary shares in the Company during the period 1 September 2014 until 15 days prior to maturity at $1.15 per AACo share, with no price payable on conversion. The number of underlying ordinary shares per convertible note is 434,783, or 69,565,280 ordinary shares for the full convertible notes issue.

Shares Issued as a Result of the Exercise of Options

During the financial period, there were 350,000 options to acquire shares in the Company exercised. Since the end of the financial period, no options have been exercised.

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

There were 180,317 Performance Rights exercised under the AACo Performance Rights Plan during the year to 31 March 2015.

Indemnification and Insurance of Directors' and Officers

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

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

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

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

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

Indemnification of auditors'

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

Remuneration Report (Audited)

This remuneration report for the year ended 31 March 2015 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. Executive contractual arrangements.
7. Company performance and link to remuneration.
8. Equity instruments disclosures.
9. Loans to KMP and their related parties.
10. Other transactions and balances with KMP and their related parties.

Remuneration Report (Audited) (continued)

1. Individual Key Management Personnel disclosures

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

(i) Directors

Mr. D. McGauchie	Chairman (non-executive)
Mr. J. Strong	Managing Director and Chief Executive Officer
Mr. S. Black	Director (non-executive)
Mr. D. Crombie	Director (non-executive)
Mr. T. Keene	Director (non-executive)
Dr. S. Dissanayake	Director (non-executive)
Mr. A. Abraham (appointed 8 September 2014)	Director (non-executive)

(ii) Directors who resigned or retired during the period

Mr. A. Allana (resigned 23 February 2015)	Director (non-executive)
Dr. Mohd Emir Mavani Abdullah (resigned 1 July 2014)	Director (non-executive)
Mr. D. Munang (resigned 1 July 2014)	Alternate Director

(iii) Executives

Mr. A. Slatter (appointed 19 January 2015)	Chief Financial Officer
Mr. B. Bennett	Company Secretary/General Counsel
Mr. A. Bourke (appointed 10 June 2014)	General Manager – People and Culture

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

Mr. C. White (resigned 16 June 2014)	Chief Financial Officer
Mr. S. Cruden (resigned 25 February 2015)	General Manager – Northern Australian Beef
Mr. G. Dober (resigned 13 June 2014)	General Manager – People and Culture
Mr. T. Setter (resigned 2 May 2014)	Chief Operating Officer

Dr. Mohd Emir Mavani Abdullah, along with his alternate Mr. D. Munang, retired on 1 July 2014.

On 8 September 2014, Mr. A. Abraham was appointed as a Director.

On 23 February 2015, Mr. A. Allana resigned as a Director.

Mr. A. Slatter was appointed as CFO and commenced with the Company on 19 January 2015. Mr. A. Bourke was appointed as General Manager – People and Culture and commenced with the Company on 10 June 2014.

Mr. C. White resigned on 16 June 2014 and ceased employment with the Company on 11 July 2014. Mr. S. Cruden resigned on 25 February 2015. Mr. G. Dober resigned on 13 June 2014 and ceased employment with the Company on 12 July 2014.

On 3 March 2014, AACo announced the resignation of Mr. T Setter whose employment ceased on 2 May 2014.

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

Remuneration Report (Audited) (continued)

2. Remuneration at a Glance

Remuneration strategy and policy

CEO and Key Management Personnel (KMP)

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

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

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

> Provide competitive total rewards to attract and retain high calibre employees and executives;

> Provide fair and competitive fixed remuneration for all positions under transparent policies and review procedures;

> Have a meaningful portion of remuneration "at risk", dependent upon meeting pre-determined performance benchmarks;

> Link MD/CEO and senior executive rewards to achieving short and medium term key performance criteria;

> Establish appropriate, demanding performance hurdles for any executive incentive remuneration;

> Payment of cash bonuses or short term incentives (STI) which in the case of the MD/CEO are determined at the discretion of the Board after assessing the performance of the company and the MD/CEO against agreed performance hurdles;

> Provide Deferred Equity Awards (DEA), in the form of grants of performance rights to the MD/CEO and other senior executives with deferred vesting of two years (50%) and three years (50%) (for 2012 and earlier years DEA vesting was one year (50%) and two years (50%)); and

> The actual DEA awarded to an executive is generally set at 50% of the amount of any cash bonus actually paid to the executive.

Discontinuation of the long term incentive (LTI)

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

As part of its review and consideration of this issue in 2014, the Board received independent external advice from CRA, the Company's remuneration advisers, who confirmed that the restructured remuneration, while differing from common market practice was both 'fair and reasonable' in the circumstances and more appropriate for a volatile agricultural sector.

Remuneration Report (Audited) (continued)

2. Remuneration at a Glance (continued)

The following table illustrates the structure of the Company's executive remuneration arrangements in 2015:

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

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

	TOTAL FIXED REMUNERATION (TFR) %	SHORT TERM INCENTIVES %	DEA INCENTIVE %[1]	LONG TERM INCENTIVE (LTI) %	TOTAL TARGETED REWARD (TTR) %
MD/CEO	58	28	14	No longer applicable	100
Key Management	54-69	21-29	10-18	0	100

[1] 50% of cash bonus actually paid

Board remuneration

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

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 BoardRoom Pty Limited (BoardRoom) (formerly CRA Plan Managers Pty Limited (CRA)) as remuneration advisor to the Company along with Crichton Associates.

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

Remuneration Report (Audited) (continued)

2. Remuneration at a Glance (continued)

In recent years, BoardRoom and Crichton Associates have provided advice to the Company covering a range of remuneration matters, including the following:

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

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

The fees paid to BoardRoom in the year ended 31 March 2015 for all remuneration consulting services was $9,371 (excluding GST and out-of-pocket expenses). Other services provided by BoardRoom included employee share scheme (ESS) administration and share based payment valuation services. Fees paid to BoardRoom in the year ended 31 March 2015 for all other services totalled $18,456 (excluding GST and out-of-pocket expenses).

3. Board Oversight of Remuneration

Staff and Remuneration Committee

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

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

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

Remuneration approval process

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

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 17 July 2014 Annual General Meeting ('AGM')

The company received 83.6% of 'for' votes in relation to its remuneration report for the year-ended 31 March 2014. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Remuneration Report (Audited) (continued)

4. Non-Executive Director (NED) Remuneration Arrangements

Remuneration policy

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

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

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

Structure

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

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

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

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

The remuneration of NEDs for the year ended 31 March 2015 and 31 March 2014 is detailed in table 1 on page 45 of this report.

5. Executive Remuneration Arrangements

Structure

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

In the year ended 31 March 2015, the executive remuneration framework consisted of the following components:

> Fixed remuneration; and

> Variable or 'at risk' STI remuneration including a Cash Bonus and the Deferred Equity Award (DEA).

In March 2014, the Board determined that an LTI would no longer be offered to the MD/CEO, or any other executive. Refer to page 36 for the rationale of this decision.

Total Fixed Remuneration (TFR)

Executives may receive their fixed remuneration as cash, or cash with non-monetary benefits such as health insurance, car allowances and tax advisory services. 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 overall performance of the Company and the relevant business unites.

For most executives, superannuation is included in TFR.

Executive contracts of employment do not include any guaranteed base pay increases.

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 45 to 47).

Remuneration Report (Audited) (continued)

5. Executive Remuneration Arrangements (continued)

Short-term incentives

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

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

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

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

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

Under the arrangements approved by the Board the general principles that will apply are that the executive will receive a Short Term Incentive in the form of a cash bonus that is generally set at 30 to 60% of the executive's total fixed remuneration. The Short Term Incentive will be paid within three months of the financial year end on which the executive's performance is being measured. For financial year ended 31 March 2014 only, all STI benefits which are awarded in respect of the year ended 31 March 2014 were increased by a factor of 1.25 for those eligible executives who were employed at 1 January 2013. The factored increase of 1.25 is a feature of the STI arrangements for the financial year ended 31 March 2014 to reflect the fact that no STI program was operating for the three-month period from 1 January 2013 to 31 March 2013. That 3 month period was a transitional financial year brought about by the Company's year-end change from 31 December to 31 March.

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

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

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

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

Remuneration Report (Audited) (continued)

5. Executive Remuneration Arrangements (continued)

The structure of the short-term incentive plan is as follows:

FEATURE	DESCRIPTION	
Maximum opportunity	**Short-term incentives** CEO: 50% of fixed remuneration Other executives: 30-60% of fixed remuneration **Deferred equity award (DEA)** CEO: 50% of short-term incentive cash bonus Other executives: Generally 50% of the actual amount of the STI cash bonus earned	
Minimum opportunity	**Short-term incentives** CEO: 0% of fixed remuneration Other executives: 0% of fixed remuneration **Deferred equity award (DEA)** CEO: 0% of short-term incentive cash bonus Other executives: 0% of short-term incentive cash bonus	
Performance metrics	The STI metrics align with the strategic priorities at both a Company and business unit level. The general performance metrics and weightings for the KMP are as follows:	
	METRIC	**WEIGHTING**
	Operating EBITDA	30%
	Operating cash flow	30%
	Return on Capital Employed (ROCE)	20%
	Individual performance metrics	20%
Delivery of STI	The short-term incentive is paid in cash generally in the next financial year. The DEA is subject to two-year (50%) and three-year (50%) service vesting conditions. This encourages retention and shareholder alignment.	
Board discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any deferred STI award.	

Deferred Equity Awards are provided to the Managing Director and Chief Executive Officer and Senior Executives based on the level of STI earned each year. The last offer under this plan was made on 31 July 2014 and was subject to one (50%) and two (50%) year service vesting conditions. The Board has determined that future DEA grants will be subject to two (50%) and three (50%) year service vesting conditions.

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

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

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

The STI cash bonus for the Managing Director/ CEO or any other executive in respect of performance during the year to 31 March 2015 amounts to $nil. There were no DEA awarded to the Managing Director / CEO or any other executives in respect of performance during the year to 31 March 2015. The STI cash bonus for the Managing Director/CEO and any other executives in respect of performance during the year to 31 March 2014 was $724,397. The DEA awarded to the Managing Director / CEO or any other executives in respect of performance during the year to 31 March 2014 was 149,678 performance rights on 31 July 2014.

Remuneration Report (Audited) (continued)

6. 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.

	CEO DESCRIPTION	SENIOR EXECUTIVE DESCRIPTION
Total fixed remuneration	$600,000 inc. superannuation (subject to annual review by Board).	Range between $240,000 and $460,500
Short Term Incentive (STI) Cash Bonus	Maximum opportunity of $300,000 (50% of TFR)	Maximum opportunity between 30 – 60% of TFR
Deferred Equity Award	Generally 50% of the actual amount of the STI cash bonus earned	Generally 50% of the actual amount of the STI cash bonus earned
Contract duration	Ongoing	Ongoing

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

	NOTICE PERIOD	PAYMENT IN LIEU OF NOTICE	TREATMENT OF STI ON TERMINATION	TREATMENT OF PERFORMANCE RIGHTS ON TERMINATION
Employer-initiated termination	6 months	Part or all of 6 months	Not eligible	Unvested performance rights lapse unless Good Leaver and Board exercises discretion to allow
Termination for serious misconduct	Nil	Nil	Not eligible	Unvested performance rights lapse
Employee-initiated termination	6 months	Part or all of 6 months	Not eligible	Unvested performance rights lapse unless Good Leaver and Board exercises discretion to allow

Upon termination, the Managing Director/Chief Executive Officer is subject to 12 months' restriction for competition, employee inducement and client solicitation.

Other Key Management Personnel

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

Standard Key Management Personnel termination provisions are as follows:

	NOTICE PERIOD	PAYMENT IN LIEU OF NOTICE	TREATMENT OF STI ON TERMINATION	TREATMENT OF PERFORMANCE RIGHTS ON TERMINATION
Employer-initiated termination	3 to 6 months	Part or all of 3 to 6 months	Not eligible	Unvested performance rights lapse unless Good Leaver and Board exercises discretion to allow
Termination for serious misconduct	Nil	Nil	Not eligible	Unvested performance rights lapse
Employee-initiated termination	3 to 6 months	Part or all of 3 to 6 months	Not eligible	Unvested performance rights lapse unless Good Leaver and Board exercises discretion to allow

Remuneration Report (Audited) (continued)

7. Link Between Remuneration and Performance

FY2015 performance and impact on remuneration

The Group's performance for the 12 months to 31 March 2015 in relation to the metrics for the payment of short term incentives for KMP, being Operating EBITDA, operating cash flow and return on capital employed, were below the Board approved thresholds. As a result, no STI cash bonus payments have been accrued or DEA issued.

The following table provides an overview of the STI achievements against actual performance:

METRICS	IMPACT ON INCENTIVE AWARD
Operating EBITDA	Below target
Operating cash flow	Below target
Return on Capital Employed (ROCE)	Below target

Statutory performance indicators

The table below shows measures of the group's financial performance over the last five years as required by the Corporations Act (2001). However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequent, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

MEASURE	2015	2014	2013[1]	2012	2011
Profit/(loss) for the year attributable to owners ($000)	9,623	(39,898)	(46,477)	(8,409)	14,411
Basic earnings per share (cents)	1.8	(9.3)	(14.0)	(2.7)	3.6
Dividend payments ($000)	0	0	0	0	0
Dividend payout ratio (%)	0	0	0	0	0
Increase/(decrease) in share price (%)	30%	0%	14%	(12%)	(7%)

[1] FY2013 was a three month year from 1 January 2013 to 31 March 2013 due to a change in year-end dates.

Additional statutory information

The table below shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in Tables 1 and 2 on pages 45 to 47.

	FIXED REMUNERATION		AT RISK – STI – CASH BONUS		AT RISK – STI – DEA[1]	
	2015	2014	2015	2014	2015	2014
Directors						
J. Strong	97%	72%	0%	28%	3%	0%
Executives						
A. Slatter	100%	-	0%	-	0%	-
B. Bennett	95%	69%	0%	29%	5%	2%
A. Bourke	100%	-	0%	-	0%	-
Former Executives						
C. White	100%	71%	0%	29%	0%	0%
T. Setter	100%	74%	0%	11%	0%	15%
S. Cruden	100%	68%	0%	31%	0%	1%
G. Dober	100%	78%	0%	20%	0%	2%
P. Dempsey	-	91%	-	0%	-	1%
P. Beale	-	100%	-	0%	-	0%

[1] Based on the share based payment expense incurred by the Company.

Remuneration Report (Audited) (continued)

7. Link Between Remuneration and Performance (continued)

Performance based remuneration granted and forfeited during the year

For each cash bonus and grant of rights to deferred shares included in the tables 1 and 2 (refer pages 45 to 47), the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The minimum value of the rights yet to vest is nil, as the rights will be forfeited if the key management persons fail to satisfy the vesting condition. The maximum value of the rights yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed.

	CURRENT YEAR STI ENTITLEMENT (CASH BONUS AND DEA)		
	TOTAL OPPORTUNITY ($)	AWARDED %	FORFEITED %
Directors			
J. Strong	450,000	0%	100%
Executives			
A. Slatter[1]	56,429	0%	100%
B. Bennett	253,011	0%	100%
A. Bourke[1]	85,512	0%	100%
Former Executives			
C. White[1]	102,004	0%	100%
T. Setter[1]	44,756	0%	100%
S. Cruden[1]	235,697	0%	100%
G. Dober[1]	22,579	0%	100%

[1] The above opportunity has been adjusted for the number of days of employment throughout the year for each of the relevant employees.

Remuneration Report (Audited) (continued)

7. Link Between Remuneration and Performance (continued)

Remuneration of Key Management Personnel
Table 1: Directors

DIRECTORS Financial period to (number of months in the period)	SHORT TERM			POST-EMPLOYMENT	LONG-TERM BENEFITS	TERMINATION	SHARE BASED PAYMENT			
	SALARY & FEES	CASH BONUS (UNDER STI)	NON-MONETARY BENEFITS	SUPER-ANNUATION	LONG SERVICE LEAVE	BENEFITS	SHORT TERM INCENTIVE SHARES	PERFORMANCE RIGHTS (LTI)	TOTAL	PERFORMANCE RELATED
	$	$	$	$	$	$	$	$	$	%
Non-executive Directors										
D. McGauchie										
31/03/2015 (12)	189,280	-	-	17,864	-	-	-	-	207,144	-
31/03/2014 (12)	189,280	-	-	17,473	-	-	-	-	206,753	-
S. Black								-		
31/03/2015 (12)	97,646	-	-	9,211	-	-	-	-	106,857	-
31/03/2014 (12)	110,304	-	-	10,134	-	-	-	-	120,438	-
D. Crombie								-		
31/03/2015 (12)	110,304	-	-	10,410	-	-	-	-	120,714	-
31/03/2014 (12)	110,304	-	-	10,134	-	-	-	-	120,438	-
A. Abraham[1]								-		
31/03/2015 (12)	39,486	-	-	3,751	-	-	-	-	43,237	-
31/03/2014 (12)	-	-	-	-	-	-	-	-	-	-
T. Keene								-		
31/03/2015 (12)	126,907	-	-	11,974	-	-	-	-	138,881	-
31/03/2014 (12)	129,551	-	-	11,915	-	-	-	-	141,466	-
Dr. S. Dissanayake								-		
31/03/2015 (12)	72,646	-	-	-	-	-	-	-	72,646	-
31/03/2014 (12)	76,304	-	-	-	-	-	-	-	76,304	-
Executive Directors										
J. Strong[2]										
31/03/2015 (12)	639,278	-	-	20,365	12,669	-	20,772	-	693,084	2.99
31/03/2014 (12)	349,771	147,518		22,889	7,787	-	–	-	527,965	27.94
Former Directors										
A. Allana[3]										
31/03/2015 (12)	63,370	-	-	-	-	-	-	-	63,370	-
31/03/2014 (12)	42,760	-	-	3,955		-	-	-	46,715	-
Dr. Mohd Emir Mavani Abdullah[4]										
31/03/2015 (12)	17,528	-	-	1,621	-	-	-	-	19,149	-
31/03/2014 (12)	68,570	-	-	6,343		-	-	-	74,913	-
D. Munang (alternate) [4]										
31/03/2015 (12)	-	-	-	-	-	-	-	-	-	-
31/03/2014 (12)	-	-	-	-	-	-	-	-	-	-
A.P. Paliulis[5]										
31/03/2015 (12)	-	-	-	-	-	-	-	-	-	-
31/03/2014 (12)	39,297	-	-	3,572	-	-	-	-	42,869	-
I. Allana [6] **(alternate)**										
31/03/2015 (12)	-	-	-	-	-	-	-	-	-	-
31/03/2014 (12)	-	-	-	-	-	-	-	-	-	-
Former Executive Directors										
D. Farley [7]										
31/03/2015 (12)	-	-	-	-	-	-	-	-	-	-
31/03/2014 (12)	305,324	-	-	17,449	-	442,413	25,184	45,786	836,156	8.49
Total Remuneration: Directors										
31/03/2015 (12)	1,356,445	-	-	75,196	12,669	-	20,772	-	1,465,082	1.42
31/03/2014 (12)	1,421,465	147,518	-	103,864	7,787	442,413	25,184	45,786	2,194,017	9.96

Remuneration Report (Audited) (continued)

7. Link Between Remuneration and Performance (continued)

Remuneration of Key Management Personnel

Table 1: Directors (continued)

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

[2] A. Abraham was appointed as a Director on 8 September 2014.

[3] The salary & fees component for Mr. A. Allana has not been paid during the 2015 year but accrued for future payment. Mr. A. Allana resigned on 23 February 2015.

[4] Dr. Mohd Emir Mavani Abdullah retired on 1 July 2014, along with his alternate director D. Munang.

[5] Mr. A Paliulis retired on 21 August 2013.

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

[7] Mr D. Farley resigned on 31 July 2013

[8] The Short-Term Incentive and LTI's expense amounts to the value expensed by the Company for the period.

Remuneration Report (Audited) (continued)

7. Link Between Remuneration and Performance (continued)

Remuneration of Key Management Personnel
Table 2 : Other Key Management Personnel (KMP)

DIRECTORS Financial period to (number of months in the period)	SHORT TERM			POST-EMPLOYMENT	LONG-TERM BENEFITS	TERMINATION	SHARE BASED PAYMENT		
	SALARY & FEES	CASH BONUS (UNDER STI)	NON-MONETARY BENEFITS	SUPER-ANNUATION	LONG SERVICE LEAVE	BENEFITS	SHORT TERM INCENTIVE SHARES	TOTAL	PERFORMANCE RELATED
	$	$	$	$	$	$	$	$	%
Current KMP									
A. Slatter[1]									
31/03/2015 (12)	77,419	–	9,727	7,063	745	–	–	94,954	-
31/03/2014 (12)	–	–	–	–	–	–	–	–	-
A. Bennett									
31/03/2015 (12)	294,345	–	–	19,509	7,174	–	18,558	339,586	5.46
31/03/2014 (12)	278,744	128,778	–	19,377	7,227	–	7,634	441,760	30.88
A. Bourke[2]									
31/03/2015 (12)	184,500	–	–	16,500	–	–	–	201,000	-
31/03/2014 (12)	–	–	–	–	–	–	–	–	–
Former KMP									
C. White[3]									
31/03/2015 (12)	132,910	–	–	10,621	–	230,250	–	373,781	-
31/03/2014 (12)	451,938	199,095	12,482	17,449	7,975	–	–	688,939	28.90
S. Cruden[4]								-	
31/03/2015 (12)	274,175	27,460	–	20,012	–	82,033	–	403,680	6.80
31/03/2014 (12)	258,038	136,361	–	24,459	15,463	–	6,098	440,419	32.35
T. Setter[5]								-	
31/03/2015 (12)	89,830	–	–	4,895	–	75,955	1,280	171,960	0.74
31/03/2014 (12)	313,263	50,000	–	17,449	6,626	–	67,722	455,060	25.87
G. Dober[6]									
31/03/2015 (12)	64,858	–	–	8,080	–	133,632	279	206,849	0.13
31/03/2014 (12)	223,009	62,645	–	19,625	4,975	–	5,019	315,273	21.46
P. Dempsey[7]									
31/03/2015 (12)	–	–	–	–	–	–	–	–	-
31/03/2014 (12)	190,489	–	–	5,153	44,093	74,718	2,371	316,824	0.75
P. Beale[8]									
31/03/2015 (12)	–	–	–	–	–	–	–	–	-
31/03/2014 (12)	55,316	–	–	3,030	–	–	-	58,346	-
Total Remuneration: Other KMP									
31/03/2015 (12)	1,118,037	27,460	9,727	86,680	7,919	521,870	20,117	1,791,810	2.66
31/03/2014 (12)	1,770,797	576,879	12,482	106,542	86,359	74,718	88,844	2,716,621	24.51

[1] Mr. A. Slatter commenced as CFO on 19 January 2015.

[2] Mr. A. Bourke commenced as GM – People and Culture on 10 June 2014.

[3] Mr. C. White resigned on 16 June 2014 and ceased employment with the Company on 11 July 2014. Mr. C. White acted as interim CEO after the resignation of Mr. D Farley and before the appointment of Mr. J. Strong between 31 July 2013 and 23 January 2014.

[4] Mr. S. Cruden resigned on 25 February 2015.

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

[6] Mr. G. Dober resigned on 13 June 2014 and ceased employment with the Company on 12 July 2014.

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

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

[9] The STI and LTI's expense amounts to the value expensed by the Company for the period.

Remuneration Report (Audited) (continued)

8. Equity Instrument Disclosures

There were 277,494 performance rights granted on 31 July 2014, of which 149,678 performance rights relate to KMP. No options granted during the twelve months to 31 March 2015. No performance rights or option were granted during the twelve months to 31 March 2014.

The number of shares issued to key management personnel during the year-end 31 March 2015 in relation to performance rights 17,300. In addition, 84,218 shares were issued to former key management personnel. No shares were issued on the exercise of options during the twelve months to 31 March 2014 to key management personnel.

Rights to deferred shares

The fair value of the rights is determined based on the market price of the company's shares at the grant date, with an adjustment made to take into account the two and three year vesting period on the issue of DEA and expected dividends during that period that will not be received by the employees. A summary of the outstanding performance rights relating to key management personnel is provided below, with a full listing provided in Note 26 Share-Based Payment Plans.

GRANT DATE	VESTING DATE	GRANT DATE VALUE
31 July 2014	31 July 2016	$1.2405
31 July 2014	31 July 2017	$1.2408

Remuneration Report (Audited) (continued)

8. Equity Instrument Disclosures (continued)

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

2015	YEAR GRANTED	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERATION[2]	EXERCISED DURING THE YEAR	NET CHANGE OTHER[1]	BALANCE AT END OF PERIOD	NOT VESTED AND NOT EXERCISABLE	VESTED AND EXERCISABLE	VALUE YET TO VEST[2] $
		NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	
Executives									
J. Strong	2015	-	30,091	-	-	30,091	30,091	-	48,447
	2015	-	30,091	-	-	30,091	30,091	-	48,447
A. Slatter	-	-	-	-	-	-	-	-	-
B. Bennett	2013	11,880	-	11,880	-	-	-	-	-
	2015	-	26,269	-	-	26,269	26,269	-	42,293
	2015	-	26,268	-	-	26,268	26,268	-	42,291
A. Bourke	-	-	-	-	-	-	-	-	-
C. White	-	-	-	-	-	-	-	-	-
G. Dober	2013	7,810	-	7,810	-	-	-	-	-
S. Cruden	2013	9,490	-	9,490	-	-	-	-	-
T. Setter	2013	35,780	-	35,780	-	-	-	-	-

2014	YEAR GRANTED	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERATION[2]	EXERCISED DURING THE YEAR	NET CHANGE OTHER[1]	BALANCE AT END OF PERIOD	NOT VESTED AND NOT EXERCISABLE	VESTED AND EXERCISABLE	VALUE YET TO VEST[2] $
		NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	
Executives									
J. Strong	-	-	-	-	-	-	-	-	-
C. White	-	-	-	-	-	-	-	-	-
T. Setter	2012	14,447	-	14,447	-	-	-	-	-
	2013	35,780	-	35,750	-	-	-	-	-
	2013	35,780	-	-	-	35,780	35,780	-	44,725
B. Bennett	2012	10,422	-	10,442	-	-	-	-	-
	2013	11,881	-	11,881	-	-	-	-	-
	2013	11,880	-	-	-	11,880	11,880	-	14,850
G. Dober	2012	3,119	-	3,119	-	-	-	-	-
	2013	7,811	-	7,811	-	-	-	-	-
	2013	7,810	-	-	-	7,810	7,810	-	9,763
S. Cruden	2013	9,490	-	9,490	-	-	-	-	-
	2013	9,490	-	-	-	9,490	9,490	-	11,863

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

[2] Details of options/rights granted as remuneration during the twelve months to 31 March 2015 are provided in section 8 of the 2015 Remuneration Report.

[3] The maximum value of the deferred shares yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed. For the 2015 grant, the maximum value yet to vest for this grant was estimated based on the share price of the company at 31 March 2015. The minimum value of deferred shares yet to vest is nil, as the shares will be forfeited if the vesting conditions are not met.

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

Remuneration Report (Audited) (continued)

8. Equity Instrument Disclosures (continued)

Shareholdings

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

2015	BALANCE AT BEGINNING OF PERIOD NUMBER	GRANTED AS REMUNERATION NUMBER	EXERCISE OF OPTIONS/RIGHTS NUMBER	NET CHANGE OTHER[1] NUMBER	BALANCE AT END OF PERIOD NUMBER
Directors					
D. McGauchie	820,774	-	-	-	820,774
S. Black	17,000	-	-	-	17,000
D. Crombie	-	-	-	60,000	60,000
T. Keene	50,000	-	-	-	50,000
A. Abraham	-	-	-	-	-
Dr. S Dissanayake	-	-	-	-	-
A. Allana	-	-	-	-	-
J. Strong	-	-	-	28,387	28,387
Executives					
A. Slatter	-	-	-	-	-
B. Bennett	32,725	-	11,880	-	44,605
A. Bourke	-	-	-	-	-
Former Directors					
D. Munang	-	-	-	-	-
Dr. M Abdullah	-	-	-	-	-
Former Executives					
C. White	-	-	-	-	-
G. Dober	14,050	-	7,810	(21,860)	-
S. Cruden	19,465	-	9,490	(28,955)	-
T. Setter	64,674	-	35,780	(100,454)	-
Total	**1,018,688**	**-**	**64,960**	**(62,882)**	**1,020,766**

Remuneration Report (Audited) (continued)

8. Equity Instrument Disclosures (continued)

2014	BALANCE AT BEGINNING OF PERIOD NUMBER	GRANTED AS REMUNERATION NUMBER	EXERCISE OF OPTIONS/RIGHTS NUMBER	NET CHANGE OTHER[1] NUMBER	BALANCE AT END OF PERIOD NUMBER
Directors					
D. McGauchie	398,689	–	–	422,085	820,774
J. Strong	–	–	–	–	–
S. Black	10,000	–	–	7,000	17,000
D. Crombie	–	–	–	–	–
T. Keene	–	–	–	50,000	50,000
Dr. S Dissanayake	–	–	–	–	–
Dr. M Abdullah	–	–	–	–	–
A. Allana	–	–	–	–	–
D. Munang	–	–	–	–	–
Executives					
C. White	–	–	–	–	–
B. Bennett	10,422	–	22,303	–	32,725
G. Dober	3,120	–	10,930	–	14,050
T. Setter	14,447	–	50,227	–	64,674
S. Cruden	–	–	9,490	9,975	19,465
Former Directors					
I. Allana	–	–	–	–	–
A.P. Paliulis	–	–	–	–	–
Dato' Sabri[3] Ahmad	–	–	–	–	–
Former Executives					
D. Farley	416,313	–	32,353	(448,666)	–
P. Dempsey	167,946	–	9,930	(177,876)	–
P. Beale	–	–	22,213	(22,213)	–
Total	**1,020,937**	**–**	**157,446**	**(159,695)**	**1,018,688**

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.

9. Loans to key management personnel and their related parties

There are no loans outstanding with the key management personnel at 31 March 2015 (31 March 2014: nil), nor have there been any transactions that would consistent a loan throughout the period.

10. Other transactions and balances with key management personnel and their related parties

There have been no other transactions with key management personnel or their related parties during the financial year to 31 March 2015 (31 March 2014: nil).

Directors' Meetings (Unaudited)

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

	DIRECTORS' MEETINGS		AUDIT & RISK MANAGEMENT COMMITTEE		STAFF & REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
	A	B	A	B	A	B	A	B
Mr. D McGauchie	9	9	11	10	5	5	3	3
Mr. J Strong[¥]	9	9						
Mr. T Keene	9	8	11	10	5	5	3	2
Mr. D Crombie	9	8	11	5	5	5	3	2
Mr. S Black	9	9	11	11	*	5	3	3
Dr. S Dissanayake	9	9	11	6	*	2	3	3
Mr. A Allana[3]	8	5	*	3	*	*	2	-
Mr. A Abraham	5	5	*	6	*	2	1	1
Dr. Mohd Emir Mavani Abdullah[1]	2	1	*	-	*	-	1	-
Alternate Directors								
Mr. D Munang[2]	2	2	*	1	*	-	1	1
Retired Directors								

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

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

1 Dr. Mohd Emir Mavani Abdullah retired 1 July 2014
2 Mr. D Munang retired 1 July 2014
3 Mr. A Allana retired 23 February 2015

Committee membership
As at the date of this report, the Company had an Audit and Risk Management Committee, Staff and Remuneration 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.

Building a better working world

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

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

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

In relation to our audit of the financial report of Australian Agricultural Company Limited for the financial year ended 31 March 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

M J Hayward

Mark Hayward
Partner
Brisbane
13 May 2015

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 2015 $	31 MAR 2014 $
Advisory services	-	210,279
Tax related advice	-	-
	-	210,279

Signed in accordance with a resolution of the Directors

Donald McGauchie
Chairman

Brisbane
13 May 2015

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 57	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.	Yes	Page 59	ASX CGC 2.1
2.2	The chair should be an independent Director.	Yes	Page 58	ASX CGC 2.2
2.3	The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	Yes	Page 58	ASX CGC 2.3
2.4	The Board should establish a Nomination Committee.	Yes	Page 60	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 58	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
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 60	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 60	ASX CGC 3.3
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.			
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	Page 60	ASX CGC 3.5

RECOMMENDATION		COMPLY YES / NO	REFERENCE / EXPLANATION	ASX LISTING RULE (LR) /CGC RECOMMENDATION
Principle 4 – Safeguard integrity in financial reporting				
4.1	The Board should establish an Audit Committee.	Yes	Page 61	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 61	ASX CGC 4.2 ASX LR 12.7
4.3	The Audit Committee should have a formal charter.	Yes	Page 61	ASX CGC 4.3
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Page 61 and website	ASX CGC 4.4
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 64	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 64	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 62	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 62	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 63	ASX CGC 7.3
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Page 62 and website	ASX CGC 7.4
Principle 8 – Remunerate fairly and responsibly				
8.1	The Board should establish a Remuneration Committee.	Yes	Page 64	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 64	-
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 64 and website	ASX CGC 8.3

The Company's corporate governance practices were in place throughout the 12 months to 31 March 2015, 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 three Board committees:

> Audit and Risk Management Committee
> Staff and Remuneration
> Nomination

On 27 May 2014, the Board committee known as the Risk Management and Compliance Committee was discontinued and the functions of that committee were transferred to the Audit and Risk Management Committee (formerly the 'Audit Committee').

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

The Board also establishes specialist subcommittees from time to time, comprised of directors, to oversee and report back to the Board on any identified large or otherwise important projects. In 2015, subcommittees were in place for the Livingstone Beef Processing Facility ('Livingstone Beef Subcommittee') and for a major IT upgrade project ('IT Subcommittee'). On 24 February 2015, the role of the IT Subcommittee was expanded to include various research and innovation projects, and the name of this subcommittee was changed to the Innovation Management Subcommittee.

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.
> 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 seven Directors, five 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
Mr. A. Abraham	Non-executive Director	Appointed 7 September 2014

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

Mr. J. Strong	Mr. J. Strong who was appointed 24 January 2014 is not considered independent by virtue of his executive office as Managing Director and Chief Executive Officer.
Mr. A. Allana	Mr. A. Allana who retired 23 February 2015, was not considered independent as he is an employee of a related entity of a former substantial shareholder IFFCO Poultry Co SDN BHD, a wholly owned subsidiary of FELDA IFFCO SDN BHD.
Dr. Mohd Emir Mavani Abdullah	Dr. Mohd Emir Mavani Abdullah who retired 1 July 2014 is not considered independent as he is an officer of a related entity of a former substantial shareholder IFFCO Poultry Co SDN BHD, a wholly owned subsidiary of FELDA IFFCO SDN BHD
Dr. S. Dissanayake	Dr. Shehan Dissanayake is not considered independent as he is an officer of Tavistock Group which controls the AA Trust which is a major (28.99%) shareholder of the Company.

For the period 1 April 2014 to 1 July 2014, the Board comprised an equal number of independent and non-independent directors (4:4).

During this period the Board was of the view that the Board's composition (4:4) served the interests of shareholders for the following reasons:

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

Structure of the Board (continued)

With the retirement of Dr. Mohd Emir Mavani Abdullah on 4 July 2014, the Board comprised a majority of independent directors (4:3).

With the appointment of Mr A. Abraham on 8 September 2014 the majority of independent directors was increased (5:3).

Since the retirement of Mr A. Allana on 23 February 2015, the Board now comprises a majority of 5 independent directors and 2 non-independent directors (5:2).

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	5 years 1 month
Mr. T. Keene	3 years 7 months
Mr. S. Black	3 years 7 months
Mr. D. Crombie	3 years 7 months
Dr. S. Dissanayake	3 years 1 month
Mr. A. Abraham	8 months
Mr. J. Strong	1 year 4 months
Resigned Directors	
Dr. Mohd Emir Mavani Abdullah (resigned 1 July 2014)	1 years 3 months
Mr. A. Allana (resigned 23 February 2015)	1 years 10 months
Resigned Alternate Directors	
Mr. D. Munang (alternate for Dr. Mohd Emir Mavani Abdullah (resigned 1 July 2014)	1 years 3 months

For further biographical details, refer to pages16 to 18 inclusive.

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

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. Board succession planning is an important part of the governance process. An external performance evaluation of the Board and the Board committee was undertaken in 2014. Various recommendations from the review were implemented during the 2015 financial year.

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.

OBJECTIVES	PLAN	OUTCOME
Establish Baseline Employee Satisfaction for female employees.	Conduct of Employee Engagement Survey in November 2014.	> Female Staff Engagement surveyed at 67% positive.
Enhance female employee skills to support promotion to more senior roles.	Participation in AACo Management Capability Program 2015.	> 35% female participation rate in Management Capability Program. > 2 female employees appointed to non-traditional senior station management role of Head Stockperson.
Enhance the AACo Graduate Program to optimise female participation.	Develop editorial features (internal and external promotion) to encourage female interest in AACo Graduate and career opportunities.	> 100% retention of female graduates completing program at end 2014 (80% of graduate program intake were female) > 70% of Graduate intake 2015 are female. > Female graduates featured widely in internal and external media
Review Internal policies to identify opportunities to improve female employee retention.	Review of policy and procedures to be conducted 2015.	> Changes to parental leave and flexible working arrangements adopted February 2015.

During the year no appointments were made which would alter the gender diversity within senior management although as detailed above, 2 female employees were appointed to senior 'non-traditional' role of head stockperson in the pastoral business.

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 2015 remains stable with 37% female employment across the group.

The Charter for the Nomination Committee includes specific diversity criteria to ensure diversity is considered in the Board renewal process.

The duties of the Staff and Remuneration Committee include:

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

Nomination Committee

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

Mr. D. McGauchie (Chair)
Mr. T. Keene
Mr. S. Black
Mr. D. Crombie
Dr. S. Dissanayake
Mr A. Abraham (appointed 7 September 2014)
Dr. Mohd Emir Mavani Abdullah (resigned 1 July 2014)
Mr A. Allana (resigned 23 February 2015)

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 and Risk Management Committee

The Audit and Risk Management Committee operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework and risk management framework exists within the entity. With respect to internal controls, this includes 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, risk management and ethical standards to the Audit and Risk Management Committee.

The members of the Audit and Risk Management Committee during the year were:

Mr. S. Black (Chair)
Mr. D. Crombie
Mr. T. Keene (appointed 27 May 2014)
Mr. D. McGauchie (ceased 27 May 2014)

On 27 May 2014, the Board committee known as the Risk Management and Compliance Committee was discontinued and the functions of that committee were transferred to the Audit and Risk Management Committee (formerly the 'Audit Committee').

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

The members of the Audit and Risk Management Committee and their qualifications are shown in this annual report on pages 16 to 18 of the Directors' Report.

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

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

Risk Management

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

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

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

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

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

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

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.

AACo has a framework for managing risk across the Group. The approach to risk management takes into account the principles and guidelines as outlined in the Australian / New Zealand Standard AS/NZS ISO 31000:2009. Specific documents recognise the diverse business operations of AACo. These documents convey the acceptable risk levels, key risk management responsibilities, the risk identification and assessment processes and governance. Key documents supporting risk management include:

> Risk Appetite Statement, outlines the Board's expectation with respect to strategic, financial and operational decision making and the associated acceptable risk tolerance levels in pursuit of company objectives, taking into account the wider environment in which AACo operates.
> The Risk Management Policy (published on the Company's website) outlines the key governance responsibilities for managing risk across AACo and also outlines the key risk focus areas to be considered as part of the risk assessment process.
> A Risk Management Framework provides a detailed and specific guidance on how AACo manages risk on a day-today basis, and outlining the specific risk areas for identification, assessment, rating and reporting.
> An internally managed Quality Management System with emphasis on compliance.
> An online Enterprise Risk software application, providing a central repository for AACo risks.

Risk and Compliance (Discontinued)

As noted above, the Board Risk and Compliance Committee was discontinued on 27 May 2014 and the functions of that committee were transferred to the Audit and Risk Management Committee (formerly the 'Audit Committee').

CEO and CFO Certification

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

> Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board.

> The Company's risk management and internal compliance and control system is operating effectively in all material respects.

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

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

Remuneration

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

The expected outcomes of this remuneration structure are:

> Retention and motivation of key executives;

> Attraction of high quality management to the Company; and

> Performance incentives which allow executives to share in the success of the Company.

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

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

Staff and Remuneration Committee

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

The members of the Staff and Remuneration Committee during the twelve months to 31 March 2015 were:

Mr. D. Crombie (Committee Chair)
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 16 to 18 of the Directors' Report.

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

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

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

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

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

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

Continuous Disclosure and Shareholder Communication Policy

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

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

The Company is committed to:

> Ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way.

> Complying with continuous disclosure obligations contained in the ASX listing rules and the Corporations Act.

> Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company.

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

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

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

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

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

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

INDEX – FINANCIAL STATEMENTS

Consolidated Income Statement

For the year ended 31 March 2015

	NOTE	31 MAR 2015 $000	31 MAR 2014 $000
Revenue			
Meat sales		267,622	188,213
Cattle sales		70,546	120,469
Crop income		8,664	8,160
		346,832	316,842
Cattle fair value adjustments	15	209,900	114,158
		556,732	431,000
Cost of meat sold		(238,764)	(171,205)
Deemed cost of cattle sold		(70,546)	(120,469)
Cattle expenses		(48,702)	(41,623)
Feedlot cattle expenses		(49,749)	(40,477)
Crop costs and fair value adjustments		(8,084)	(3,210)
Gross operating margin		140,887	54,016
Other income	7	3,796	9,007
Expenses			
Administration and other non-station operating costs	8(e)	(18,205)	(15,940)
Other operating costs		(21,026)	(20,465)
Employee expenses	8(d)	(43,196)	(38,008)
Livingstone Beef overheads		(7,588)	-
Lease and property related costs		(9,721)	(8,525)
Depreciation	8(a)	(15,710)	(11,210)
Change in fair value of property	16(a)	3,612	(3,560)
Profit/(loss) before finance costs and income tax expense		32,849	(34,685)
Net finance costs	8(b)	(20,793)	(23,292)
Profit/(loss) before income tax		12,056	(57,977)
Income tax (expense)/benefit	9	(2,433)	18,079
Net Profit/(loss) after tax		9,623	(39,898)

EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT		CENTS	CENTS
Basic profit/(loss) per share	11	1.8	(9.3)
Diluted profit/(loss) per share	11	1.8	(9.3)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2015

	NOTE	31 MAR 2015 $000	31 MAR 2014 $000
Profit/(loss) for the period		9,623	(39,898)
Other comprehensive income			
Items that will not be reclassified to profit and loss:			
Fair value revaluation of land and buildings, net of tax	23	11,090	(29,989)
Items that may be reclassified subsequently to profit and loss:			
Changes in the fair value of cash flow hedges	23	(6,834)	1,089
Other comprehensive income/(loss) for the period, net of tax		4,256	(28,900)
Total comprehensive income/(loss) for the period, net of tax		13,879	(68,798)

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

Consolidated Statement of Financial Position

As at 31 March 2015

	NOTE	31 MAR 2015 $000	31 MAR 2014 $000
Current Assets			
Cash and cash equivalents	12	12,285	69,194
Trade and other receivables	13	29,855	12,621
Inventories and consumables	14	36,803	26,411
Biological assets – livestock	15	200,077	144,765
Derivative financial instruments	20	-	929
Other assets		1,566	2,173
Total Current Assets		280,586	256,093
Non-Current Assets			
Biological assets – livestock	15	265,109	238,282
Property, plant and equipment	16	668,396	605,694
Total Non-Current Assets		933,505	843,976
Total Assets		1,214,091	1,100,069
Current Liabilities			
Trade and other payables	17	34,205	38,242
Provisions	18	3,370	3,059
Interest bearing loans and borrowings	21	4,538	4,332
Derivative financial instruments	20	15,519	4,009
Total Current Liabilities		57,632	49,642
Non-Current Liabilities			
Provisions	19	2,075	1,976
Interest bearing loans and borrowings	21	364,902	278,029
Deferred tax liabilities	9	27,184	22,642
Total Non-Current Liabilities		394,161	302,647
Total Liabilities		451,793	352,289
Net Assets		762,298	747,780
Equity			
Contributed equity	22	461,213	460,510
Reserves	23	310,054	305,862
Retained earnings/(losses)	23	(8,969)	(18,592)
Total Equity		762,298	747,780

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

	CONTRIBUTED EQUITY (NOTE 22) $000	RESERVES (NOTE 23) $000	RETAINED EARNINGS/ (LOSSES) (NOTE 23) $000	TOTAL EQUITY $000
At 1 April 2013	239,473	334,639	21,306	595,418
Profit/(loss) for the period	-	-	(39,898)	(39,898)
Other comprehensive income/(loss)	-	(28,900)	-	(28,900)
Total comprehensive loss for the period	-	(28,900)	(39,898)	(68,798)
Transactions with owners in their capacity as owners:				
Issue of share capital, net of transaction costs	214,092	-	-	214,092
Issue of rights	245	-	-	245
Other equity securities – value of conversion rights	6,700	-	-	6,700
Cost of share-based payment	-	123	-	123
At 31 March 2014	460,510	305,862	(18,592)	747,780
At 1 April 2014	460,510	305,862	(18,592)	747,780
Profit/(loss) for the period	-	-	9,623	9,623
Other comprehensive income/(loss)	-	4,256	-	4,256
Total comprehensive loss for the period	-	4,256	9,623	13,879
Transactions with owners in their capacity as owners:				
Issue of share capital, net of transaction costs	469	-	-	469
Issue of performance rights from share-based payment reserve	234	(234)	-	-
Cost of share-based payment	-	170	-	170
At 31 March 2015	461,213	310,054	(8,969)	762,298

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

Consolidated Statement of Cash Flows

For the twelve months to 31 March 2015

	NOTE	31 MAR 2015 $000	31 MAR 2014 $000
Cash flows from operating activities			
Receipts from customers		336,861	328,695
Payments to suppliers, employees and others		(424,973)	(299,238)
Interest received		346	1,323
Net GST received from ATO		27,403	14,151
Net operating cash inflow/(outflow) before interest and finance costs		(60,363)	44,931
Payment of interest and finance costs		(15,518)	(26,480)
Net cash inflow/(outflow) from operating activities	12(i)	(75,881)	18,451
Cash flows from investing activities			
Payments for property, plant and equipment and other assets		(66,960)	(71,281)
Proceeds from sale of property, plant and equipment		643	32,693
Net cash outflows from investing activities		(66,317)	(38,588)
Cash flows from financing activities			
Proceeds from issue of shares net of transaction costs		460	211,911
Proceeds from borrowings net of transaction costs		84,829	279,261
Repayment of borrowings net of transaction costs		-	(413,089)
Net cash inflow from financing activities		85,289	78,083
Net (decrease)/increase in cash and cash equivalents		(56,909)	57,946
Cash and cash equivalents at the beginning of the period		69,194	11,248
Cash and cash equivalents at the end of the period	12	12,285	69,194

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS TO 31 MARCH 2015

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 (AACo, the Company or parent Company) for the year ended 31 March 2015 were authorised for issue in accordance with a resolution of the Directors on 13 May 2015.

We recommend the financial statements be considered together with any public announcements made by the Company during the year ended 31 March 2015 in accordance with the Company's continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

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

2. Basis of Preparation

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

(a) Terminology used in the financial statements

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

(b) Historical cost convention

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

(c) Compliance with IFRS

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

(d) Critical accounting estimates

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

(e) Changes to presentation – classification of expenses, income and asset revaluation reserve

Throughout the period to 31 March 2015, prior period comparatives have been reclassified to conform with current year presentation. The asset revaluation reserve and retained earnings at 1 April 2013 have been amended to reflect a revaluation tax adjustment relating to a prior period.

(f) Rounding

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 April 2014. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

> AASB 2011-4	Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* (AASB 124)
> AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
> Interpretation 21	Levies
> AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
> AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and continuation of Hedge Accounting (AASB 139)
> AASB 2013-9	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	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

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

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

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

> AASB 9	Financial Instruments
> 2010 – 2012 Annual Improvements	Annual Improvements to IFRSs 2010 – 2012 cycle
> 2011 – 2013 Annual Improvements	Annual Improvements to IFRSs 2011 – 2013 cycle
> AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)
> AASB 15	Revenue from Contracts with Customers
> AASB 2014-2	Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements
> Disclosure Initiative	Amendments to IAS 1

3. Summary of Significant Accounting Policies (continued)

(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.

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

(ii) Crops

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

3. Summary of Significant Accounting Policies (continued)

(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.

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.

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. 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

Land and buildings, with the exception of industrial land and buildings, are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

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

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

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

Plant and equipment and industrial land and buildings are 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 and industrial land and buildings for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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

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

(iv) Derecognition

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

3. Summary of Significant Accounting Policies (continued)

(j) Leases & Agistment

(i) 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.

(ii) Pastoral and perpetual property leases

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

(iii) Agistment agreements

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

(iv) Other leases

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

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

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

(k) Impairment

(i) Non-financial assets

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

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

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

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

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

(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.

3. Summary of Significant Accounting Policies (continued)

(l) Trade and other payables

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

(m) Borrowings

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

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

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

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

(n) Provisions

We recognise provisions when:

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

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

Employee benefits

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

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

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

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

(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.

3. Summary of Significant Accounting Policies (continued)

(o) Share-based payment transactions

Equity settled transactions

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

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

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share based remuneration associated with our employee share plans are recognised as additional share capital.

(q) Revenue recognition

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

(i) Livestock and crops

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

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. We recognise revenue on cropping operations at the market value of the harvest.

Livestock growth and fair value adjustments

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

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

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

Crops in the ground at the reporting date

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

(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.

3. Summary of Significant Accounting Policies (continued)

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

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

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

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

(s) Income tax and other taxes

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

(i) Income tax

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

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

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

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

> When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

> When the taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

> When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

> When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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.

3. Summary of Significant Accounting Policies (continued)

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 unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in note 9. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(ii) Other taxes

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

> When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

> Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

(t) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

> the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares that have been recognised as expenses, and

> the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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 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 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 Audit and Risk Management Committee and approved by the Board. These delegations are subject to tight profit/loss limits and reviews that are provided on a daily basis to senior management.

We enter into various derivative transactions that include interest rate swaps 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, 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 and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of rolling cash flow forecasts.

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

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

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

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

(i) Interest rate risk

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

	31 MAR 2015 $000	31 MAR 2014 $000
Financial Assets		
Cash assets	12,285	69,194
	12,285	69,194
Financial Liabilities		
Bank loan	(85,000)	-
Convertible notes	(80,000)	(80,000)
Interest rate swaps	(10,467)	(3,369)
Embedded interest rate derivate (note 20)	(2,562)	(640)
	(178,029)	(84,009)
Net exposure	(165,744)	(14,815)

Interest rate swap contracts outlined in note 20, with a fair value of $10,467,000 (31 March 2014: $3,369,000) are exposed to fair value movements if interest rates change. Our policy is to manage our finance costs using a mix of fixed and variable rate debt. In accordance with our Treasury Policy we maintain at least 50% of our borrowings at fixed rates which are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of our attempt to manage our cash flow volatility arising from interest rate changes. To manage this mix in a cost-efficient manner, we enter into interest rate swaps, in which we agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 March 2015, after taking into account the effect of interest rate swaps, approximately 70% (31 March 2014: 71%) 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.

4. Financial Risk Management Objectives and Policies (continued)

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

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	EFFECT ON PROFIT BEFORE TAX $000	EFFECT ON EQUITY (EXCLUDING PROFIT) $000
31 March 2015		
+1% (100 basis points)	(604)	(8,500)
-1% (100 basis points)	604	8,500
31 March 2014		
+1% (100 basis points)	(1,842)	(10,000)
-1% (100 basis points)	1,842	10,000

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

Significant assumptions used in the interest rate sensitivity analysis include:

> Reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt in Australia, relationships with finance institutions, the level of debt that is expected to be renewed as well as a review of the last two year's historical movements and economic forecaster's expectations.

> A price sensitivity of derivatives based on a reasonably possible movement of interest rates at balance dates by applying the change as a parallel shift in the forward curve.

> The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

In compliance with our Treasury Policy we have hedged our interest rate exposure arising out of the bank facility agreement. In 2014 we entered into interest rate swaps totalling $200 million. These swaps expire on 30 June 2018 in line with the expiry date of the bank facility. The swaps have been designated as effective interest rate swaps and therefore satisfy the accounting standard requirements for hedge accounting. This resulted in a $7,098,000 movement in other comprehensive income in the twelve months to 31 March 2015 (31 March 2014: $1,281,000).

(ii) Commodity price risk

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

Our exposure to derivative commodity price risk is minimal. We do not currently apply hedge accounting to our beef 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. These contracts are entered into and continue to be held for the purpose of delivery of feedlot cattle 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 2015 we had forward purchased approximately 48% (31 March 2014: 53%) 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.

At the reporting date we had no commodity price exposures on forward sales and purchase contracts that are not designated as cash flow hedges.

4. Financial Risk Management Objectives and Policies (continued)

(iii) Foreign currency risk

We also have transactional currency exposures (refer note 20). Such exposure arises from sales of meat 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 2015 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 2015, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, profit before tax and equity would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	EFFECT ON PROFIT BEFORE TAX $000	EFFECT ON EQUITY (EXCLUDING PROFIT) $000
31 March 2015		
AUD/USD +10%	294	6,386
AUD/USD -10%	(359)	(7,806)
31 March 2014		
AUD/USD +10%	3,492	-
AUD/USD -10%	(4,268)	-

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

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

> Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years historical movements and economic forecaster's expectations.

> The reasonably possible movement was calculated by taking the foreign currency spot rate as at balance date, moving this spot rate by the reasonably possible movements and then re-converting the foreign currency into AUD with the "new spot rate". This methodology reflects the translation methodology undertaken by the Group.

> A price sensitivity of derivatives has been based on a reasonably possible movement of spot rates at reporting dates not on forward rates.

> The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

> The sensitivity does not include financial instruments that are non-monetary items as these are not considered to give rise to currency risk.

In compliance with our Treasury Policy we have hedged our foreign exchange exposure arising from committed sales. These foreign exchange contracts have been designated as effective hedges and therefore satisfy the accounting standard requirements for hedge accounting. This resulted in a $2,380,000 movement in other comprehensive income and a $110,000 movement in profit and loss in the twelve months to 31 March 2015 (31 March 2014: $929,000 movement in profit and loss).

(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.

4. Financial Risk Management Objectives and Policies (continued)

(v) Liquidity risk

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

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

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

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 31 March 2015. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which we can be required to pay. When we are committed to make amounts available in instalments, each instalment is allocated to the earliest period in which we are required to pay. The Company is exposed to counterparty credit risk from its operating activities (primarily from trade receivables) and from its financing activities. As at 31 March 2015, the mark-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

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

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

4. Financial Risk Management Objectives and Policies (continued)

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 2015					
Liquid financial assets					
Cash and cash equivalents	12,285	-	-	-	12,285
Trade and other receivables	29,855	-	-	-	29,855
Derivatives	-	-	-	-	-
	42,140	-	-	-	42,140
Financial liabilities					
Trade and other payables	(34,205)	-	-	-	(34,205)
Interest bearing loans and borrowings	(8,477)	(8,466)	(16,877)	(388,492)	(422,312)
Derivatives	(1,086)	(1,086)	(2,173)	(2,962)	(7,307)
	(43,768)	(9,552)	(19,050)	(391,454)	(463,824)
Net maturity	(1,628)	(9,552)	(19,050)	(391,454)	(421,684)
31 MARCH 2014					
Liquid financial assets					
Cash and cash equivalents	69,194	-	-	-	69,194
Trade and other receivables	12,621	-	-	-	12,621
Derivatives	885	44	-	-	929
	82,700	44	-	-	82,744
Financial liabilities					
Trade and other payables	(38,242)	-	-	-	(38,242)
Interest bearing loans and borrowings	(7,430)	(9,048)	(17,115)	(315,748)	(349,341)
Derivatives	(1,598)	(1,639)	(2,231)	(5,442)	(10,910)
	(47,270)	(10,687)	(19,346)	(321,190)	(398,493)
Net maturity	35,430	(10,643)	(19,346)	(321,190)	(315,749)

(vii) Fair Values

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

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

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

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

As at 31 March 2015 and 31 March 2014, the only financial instruments recognised at fair value were interest rate swaps, forward currency contracts and the embedded interest rate derivative. These are valued using a level 2 method (refer to note 20).

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

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

4. Financial Risk Management Objectives and Policies (continued)

	31 MAR 2015 $000	31 MAR 2014 $000
Financial assets		
Derivative instruments		
Commodity contracts	-	-
Foreign exchange contracts	-	929
	-	929
Financial liabilities		
Derivative instruments		
Interest rate swaps	10,467	3,369
Foreign exchange contracts	2,490	-
Embedded interest rate derivative in convertible note	2,562	640
	15,519	4,009

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.

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

> Fair value determination of land and buildings (with the exception of industrial land and buildings) refer note 3 (i);

> Fair value determination of livestock and crops refer note 3 (g);

> Fair value determination of derivative financial instruments refer note 3 (h);

> Fair value determination of financial liability and embedded derivative component of the convertible note issued on 16 October 2013 refer note 21 and 20 respectively;

> Impairment of non-financial and financial assets refer note 3 (k); and

> Income tax and other taxes refer note 3 (s).

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

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

6. Operating Segments

Identification of reportable segments

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

Reportable segments

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

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

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.

The following table presents the revenue and profit information regarding operating segments for the twelve months to 31 March 2015 and 31 March 2014. Segment liabilities are not reported to the Managing Director and Chief Executive Officer and therefore segment liabilities are not disclosed.

6. Operating Segments (continued)

	GRAINFED $'000	GRASSFED $'000	NTH. BEEF $'000	CORPORATE $'000	ELIMINATIONS $'000	TOTAL $'000
31 March 2015						
Segment revenue	277,042	92,040	15,478	-	(37,728)	346,832
Inter-segment revenue	(1,612)	(35,844)	(272)	-	37,728	-
Revenue from external customers	275,430	56,196	15,206	-	-	346,832
Segment result (EBITDA) [1]	24,382	52,216	(9,663)	(21,988)	-	44,947
Profit/(loss before finance costs and income tax expense	21,607	47,519	(12,119)	(24,158)	-	32,849
Net finance costs						(20,793)
Income tax (expense)/benefit						(2,433)
						9,623
31 March 2014						
Segment revenue	234,711	107,285	-	-	(25,154)	316,842
Inter-segment revenue	(3,072)	(22,082)	-	-	25,154	-
Revenue from external customers	231,639	85,203	-	-	-	316,842
Segment result (EBITDA) [1]	24,931	(23,475)	(1,689)	(19,682)	-	(19,915)
Profit/(loss before finance costs and income tax expense	20,056	(31,686)	(1,689)	(21,366)	-	(34,685)
Net finance costs						(23,292)
Income tax (expense)/benefit						18,079
						(39,898)
Total segment assets						
31 March 2015 [2]	291,667	774,222	111,792	36,410	-	1,214,091
31 March 2014 [2]	261,564	695,627	60,031	82,847	-	1,100,069

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

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

6. Operating Segments (continued)

Segment revenue and non-current assets

	GRAINFED $'000	GRASSFED $'000	NTH. BEEF $'000	CORPORATE $'000	ELIMINATIONS $'000	TOTAL $'000
Additions to non-current assets (other than biological assets, financial assets and deferred tax)						
31 March 2015	3,397	7,424	47,940	1,629	-	60,390
31 March 2014	3,244	35,734	39,077	4,434	-	82,489

REVENUES FROM EXTERNAL CUSTOMERS	31 MAR 2015 $000	31 MAR 2014 $000
Australia	157,954	189,375
Korea	51,546	37,358
USA	37,920	21,732
Japan	29,974	14,444
Other countries	69,438	53,933
Total revenue per income statement	346,832	316,842

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

Revenues of $38,984,000 (31 March 2014: $34,419,000) were derived from a single external customer. The revenue is attributed to the Grainfed segment (31 March 2014: Grassfed and Grainfed segment). In 31 March 2015, no other customer contributed to more than 10% of the Group's revenue.

All non-current assets are located in Australia.

7. Other income

OTHER INCOME	31 MAR 2015 $000	31 MAR 2014 $000
Interest revenue	346	1,323
Net (loss)/gain on disposal of property, plant and equipment	(498)	1,755
Insurance recovery	711	158
Other income	3,237	5,771
	3,796	9,007

8. Expenses

	31 MAR 2015 $000	31 MAR 2014 $000
(a) Depreciation		
Depreciation of:		
> Buildings and leasehold improvements	5,026	3,691
> Plant and equipment	10,684	7,519
Total depreciation	15,710	11,210
(b) Net finance costs		
Bank loans and overdrafts	20,115	22,471
Other financing charges	3,102	3,105
Total finance costs	23,217	25,576
Amount capitalised	(2,424)	(2,284)
Net finance costs expensed	20,793	23,292

The capitalised rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 6.42% (2014: 6.80%).

	31 MAR 2015 $000	31 MAR 2014 $000
(c) Other expenses		
Provision for employee benefits		
> Annual leave[1]	2,552	2,199
> Long service leave	341	141
Total provision for employee benefits	2,893	2,340
[1] Annual leave expenses includes both salary and wage employees		
Minimum lease payments – operating leases	8,578	7,246
(d) Employee expenses		
Salaries and wages	32,029	30,845
Workers' compensation expense	2,437	1,142
Defined contribution superannuation expense	3,011	2,458
Other employment benefits	3,607	1,585
Share-based payments expense	177	368
Payroll tax	1,935	1,610
	43,196	38,008
(e) Administration and other non-station operating costs		
Administration and other costs	17,109	15,423
Commodity and foreign currency expense/(benefit)	1,096	517
	18,205	15,940

9. Income Tax

	31 MAR 2015 $000	31 MAR 2014 $000
(a) Income tax expense		
The major components of income tax (benefit)/expense are:		
Income Statement		
Current income tax		
Current income tax charge/(benefit)	2,570	(8,815)
Deferred income tax		
Relating to origination and reversal of temporary differences	(6,266)	(8,318)
Under/(over) provision in prior years	1,263	(946)
Income tax expense/(benefit) reported in the income statement	(2,433)	(18,079)
(b) Amounts charged or credited directly to equity		
Deferred income tax		
Net loss on cash flow hedges	(2,651)	(192)
Equity raising transaction costs	-	2,180
Other	7	-
Net gain/(loss) on revaluation of land and buildings	4,752	(3,535)
Income tax (benefit)/expense reported in equity	2,108	(1,547)
(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 profit/(loss) before tax	12,056	(57,977)
At the statutory income tax rate of 30% (31 March 2014: 30%)	3,617	(17,393)
Net taxable gain on disposal of property	-	1,187
R&D offsets	5	(1,011)
Other items (net)	(1,189)	(862)
Income tax expense/(benefit) reported in the Consolidated Income Statement	2,433	(18,079)

9. Income Tax (continued)

(d) Recognised deferred tax assets and liabilities

DEFERRED INCOME TAX RELATES TO THE FOLLOWING:	STATEMENT OF FINANCIAL POSITION 31 MAR 2015 $000	STATEMENT OF FINANCIAL POSITION 31 MAR 2014 $000	INCOME STATEMENT 31 MAR 2015 $000	INCOME STATEMENT 31 MAR 2014 $000
Deferred tax liabilities				
Accelerated depreciation for tax purposes	(156)	(37)	119	33
Revaluations of land and buildings to fair value	(32,543)	(28,037)	-	-
Revaluations of trading stock for tax purposes	(1,633)	(11,735)	(11,021)	(9,497)
Other	(2,390)	(345)	2,045	344
Offsetting deferred tax asset	9,538	17,512	-	-
	(27,184)	(22,642)		
Deferred tax assets				
Accruals and other	103	3,016	2,913	(1,879)
Tax losses carried forward	-	8,813	-	320
Capitalised expenses accelerated for book purposes	2,411	76	(2,335)	3
Change in fair value of property, plant and equipment	-	1,764	1,764	(1,764)
Interest rate swaps	3,909	4	-	231
Cash flow hedges	726	1,202	-	-
Investments	-	8	8	-
Leave entitlements	1,150	1,017	(133)	33
Franking deficit tax	1,012	1,011	(1)	4,377
Other employee costs	227	601	375	(519)
Total deferred tax asset (offset against deferred tax liability)	9,538	17,512	(6,266)	(8,318)

(e) Movements in tax balances

	CURRENT INCOME TAX 31 MAR 2015 $000	DEFERRED INCOME TAX 31 MAR 2014 $000	CURRENT INCOME TAX 31 MAR 2015 $000	DEFERRED INCOME TAX 31 MAR 2014 $000
Opening balance	-	(22,642)	-	(46,246)
(Charged)/credited to the income statement	2,570	(6,266)	-	18,079
(Charged)/credited to equity	-	(2,108)	-	(1,547)
Prior period under provision	-	1,262	-	7,072
Closing balance	2,570	(29,754)	-	(22,642)

(f) Tax consolidation

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

10. Dividends Paid and Proposed

Dividends declared and paid during the period

No final or interim dividends were declared and paid during the twelve months to 31 March 2015 (twelve months to 31 March 2014: nil). There are no franking credits available for the subsequent financial year (31 March 2014: nil).

11. Earnings Per Share

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

	31 MAR 2015 $000	31 MAR 2014 $000
Earnings/(loss) used in calculating basic and diluted earnings per share		
Net profit/(loss) attributable to ordinary equity holders of the parent for basic and diluted earnings	9,623	(39,898)

	NUMBER	NUMBER
Weighted average number of ordinary shares used as denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (adjusted for rights issue)	532,470,039	427,954,570
Adjustments for calculation of diluted earnings per share:		
Weighted average options, rights and convertible notes	438,150	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	532,908,189	427,954,570

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

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

(a) Information concerning the classification of securities

Options and rights

Options granted to employees (including Key Management Personnel) as described in note 26 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

Convertible notes

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

12. Current Assets – Cash and Cash Equivalents

	31 MAR 2015 $000	31 MAR 2014 $000
Cash at bank and in hand	8,033	16,778
Call deposits with banks	4,252	52,416
	12,285	69,194

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

	31 MAR 2015 $000	31 MAR 2014 $000
Net profit/(loss) after income tax	9,623	(39,898)
Adjustments for:		
Depreciation	15,710	11,210
Change in fair value of property	(3,612)	3,560
Gain on sale of property, plant and equipment	498	(1,755)
Capitalised interest	(2,424)	(2,284)
Amortisation of borrowing costs	2,228	1,146
Accruals in relation to capital projects	6,673	(7,717)
Non-cash employee expense	170	123
Change in fair value derivatives through cashflow hedge reserve	(6,834)	-
(Increment)/decrement in net market value of livestock	(82,139)	54,021
Changes in assets and liabilities:		
(Increase)/decrease in inventories	(10,392)	4,318
(Increase)/decrease in trade and other receivables	(17,234)	4,208
(Increase)/decrease in prepayments and other assets	607	(1,628)
(Decrease)/increase in deferred tax liabilities	2,433	(18,079)
(Decrease)/increase in trade and other payables	(4,037)	12,187
(Decrease)/increase in derivatives	12,439	(1,818)
(Decrease)/increase in provisions	410	857
Net cash (outflow)/ inflow from operating activities	(75,881)	18,451

(ii) Non-cash financing and investing activities

	31 MAR 2015 $000	31 MAR 2014 $000
Acquisition of assets by means of finance leases	6,591	4,196
Share-based payments (note 26)	170	123

13. Current Assets – Trade and Other Receivables

	31 MAR 2015 $000	31 MAR 2014 $000
Trade receivables	23,259	11,986
Provision for impairment of receivables (a)	(29)	(13)
	23,230	11,973
Other receivables	6,625	648
	29,855	12,621

13. Current Assets – Trade and Other Receivables (continued)

(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 $29,000 (31 March 2014: $13,000).

(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 2015 $000	31 MAR 2014 $000
Meat inventory – recorded at cost	18,949	8,499
Feedlot commodities – recorded at cost	7,352	3,716
Harvested cotton crop	-	4,549
Unharvested crops – recorded at cost	2,707	2,090
Bulk stores – recorded at cost	5,937	5,714
Horses – recorded at net market value	1,858	1,843
	36,803	26,411

15. Biological Assets – Livestock

Current		
Cattle at net market value – trading cattle	200,077	144,765
Total current livestock	200,077	144,765
Non-Current		
Cattle at net market value – commercial and stud breeding herd	265,109	238,282
Total non-current livestock	265,109	238,282
Total livestock	465,186	383,047
Livestock movement		
Opening carrying amount	383,047	437,068
Gain from changes to fair value less estimated point of sale costs	216,570	87,807
Purchases of livestock	79,965	53,802
External sale of livestock and transfers for meat sales	(214,396)	(195,630)
Closing carrying amount	465,186	383,047

HERD	NUMBER	NUMBER
Current	230,267	183,516
Non-current	367,292	368,549
	597,559	552,065

15. Biological Assets – Livestock (continued)

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

Total Herd

FAIR VALUE INPUT	CATTLE TYPE	31 MAR 2015 $000	31 MAR 2015 HEAD	31 MAR 2014 $000	31 MAR 2014 HEAD
Level 1	None	-	-	-	-
Level 2	All except Level 3	355,433	457,290	295,467	428,319
Level 3	Feedlot cattle & unbranded calves	109,753	140,269	87,580	123,746
		465,186	**597,559**	**383,047**	**552,065**
Average value per head		$778		$694	

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.

Feedlot Cattle

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

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

	31 MAR 15 $000	31 MAR 15 HEAD	31 MAR 14 $000	31 MAR 14 HEAD
Opening values	68,648	38,696	69,879	38,831
Inductions	116,262	104,755	76,553	81,305
Sales	(119,723)	(88,522)	(104,396)	(80,847)
Attritions & rations	(812)	(533)	(879)	(593)
Fair value adjustments recognised*	21,177	-	27,491	-
	85,552	54,396	68,648	38,696
Average value per head		$1,573		$1,774

*These fair value adjustments are recognised in the Cattle fair value adjustments and cattle growth line 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 valuation of calves is derived from the valuations applied to the first year branded animals across all cattle market categories in AACo's herds. The number of these calves is determined by applying the percentage of branding assessed each year to the number of productive cows and the results of pregnancy testing. Significant increases (decreases) in any of the significant unobservable valuation inputs for unbranded calves in isolation would result in a significantly higher (lower) fair value measurement.

	31 MAR 15 $000	31 MAR 15 HEAD	31 MAR 14 $000	31 MAR 14 HEAD
Calf accrual opening	18,932	85,050	24,605	123,692
Net movement	183	823	(8,601)	(38,642)
Net fair value adjustments*	5,086	-	2,928	-
Calf accrual closing	24,201	85,873	18,932	85,050
Average Value per head		$282		$223

*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	31 MAR 2015 $000	31 MAR 2014 $000
Cattle sales	70,546	229,223
Cost of sales	(63,909)	(212,444)
Selling expenses	(6,637)	(16,779)
Deemed cost of sales	(70,546)	(229,223)
Sales margin(1)	-	-

Cattle Fair Value Adjustments		
Cattle purchases	(79,965)	(35,323)
Fair value of purchases	105,085	44,860
Biological transformation(2)	46,402	26,395
Market value changes	39,060	11,925
Cattle growth	57,779	35,599
Natural increase	53,793	41,278
Attrition	(12,051)	(10,362)
Other	(203)	(214)
Total cattle fair value adjustments	209,900	114,158

(1) As a biological asset, AASB 141 Agriculture requires the livestock to be valued at fair value at all times prior to sale or harvest. As such, value increases occur through change in fair values rather than sales margin.

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

16. Non-Current Assets – Property Plant and Equipment

(a) Reconciliation of carrying amounts at the beginning and end of the period

		31 MAR 2015 $000	31 MAR 2014 $000
Freehold Land			
Opening balance, at fair value		46,102	86,086
Additions		-	-
Disposals		-	(19,292)
Transfer to capital work in progress		-	(14,175)
Net revaluation increment/(decrement) recognised in change in fair value of property		464	(362)
Net revaluation increment/(decrement) recognised in asset revaluation reserve		2,205	(6,155)
Closing balance, at fair value	(b)	48,771	46,102
Pastoral Leases			
Opening balance, at fair value		375,000	392,193
Additions		-	20,672
Disposals		-	(7,298)
Net revaluation increment/(decrement) recognised in change in fair value of property		3,148	(3,198)
Net revaluation increment/(decrement) recognised in asset revaluation reserve		13,637	(27,369)
Closing balance, at fair value	(b) (c)	391,785	375,000
Industrial Land			
Opening balance, at fair value		-	-
Additions		7,438	-
Disposals		-	-
Closing balance, at fair value	(b) (c)	7,438	-
Buildings and Improvements			
Opening balance, at fair value		127,319	116,678
Additions		6,183	17,005
Disposals		(878)	(6,364)
Closing balance, at fair value	(b)	132,624	127,319
Accumulated Depreciation			
Opening balance		(33,983)	(32,722)
Depreciation for the period		(4,470)	(3,691)
Disposals		55	2,430
Closing balance	(b)	(38,398)	(33,983)
Fair value		132,624	127,319
Accumulated depreciation and in change in fair value of property		(38,398)	(33,983)
Net carrying amount		94,226	93,336
Net freehold land, pastoral leases, buildings and improvements		542,220	514,438

16. Non-Current Assets – Property Plant and Equipment (continued)

	31 MAR 2015 $000	31 MAR 2014 $000
Plant and Equipment		
Opening balance, at cost	81,034	78,334
Additions	9,273	9,085
Disposals	(2,951)	(6,385)
Closing balance, at cost	87,356	81,034
Accumulated Depreciation		
Opening balance	(49,605)	(47,338)
Depreciation for the period	(8,859)	(7,519)
Disposals	2,342	5,252
Closing balance	(56,122)	(49,605)
Net plant and equipment	31,234	31,429
Livingstone Beef Processing Facility		
Opening balance, at cost	59,827	9,926
Transfer from freehold land	-	14,175
Additions	37,496	35,726
Depreciation	(2,381)	-
Closing balance, at cost	94,942	59,827
Total net carrying amount of property, plant and equipment	668,396	605,694

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 2015 $000	31 MAR 2014 $000
Level 1	None	-	-
Level 2	Land & Buildings	-	-
Level 3	Land & Buildings	531,099	512,354
		531,099	**512,354**

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.

16. Non-Current Assets – Property Plant and Equipment (continued)

The following valuation techniques used and key inputs to valuation on the level 3 land and buildings valuations:

31 MAR 2015 $000	31 MAR 2014 $000	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	31 MAR 2015 RANGE	31 MAR 2014 RANGE
269,400	256,354	Direct Comparison Summation Approach Using Productive Capacity	Number of adult equivalents	17,650 - 79,500	17,500 - 79,000
			Dollar per adult equivalents	$788 - $1,277	$561 - $1,025
221,699	217,950	Direct Comparison Method Analysed Hectare Rate	Dollar per hectare	$45 - $1,133	$43 - $1,089
40,000	38,050	Direct Comparison Method Analysed Hectare Rate and Standard Cattle Units	Dollar per hectare	$2,387 - $2,484	$2,387 - $3,138
			Standard cattle units	16,000 - 20,000	14,425 - 17,500

An independent valuation was performed by independent valuers Herron Todd White to determine the fair value using the market based direct comparison method. One of three direct comparison method techniques were utilised, being either a Summation Approach Using Productive Capacity, Summation Approach using Standard Cattle Units or a hectare rate approach. Valuation of the assets was determined by analysing comparable sales and allowing for size, location, rainfall, water supply, seasonal conditions, structural capital works and other relevant factors specific to the land and buildings being valued. From the sales analysed, an appropriate rate per adult equivalent or hectare has been applied to the subject land and buildings. The effective date of the valuation is 31 March 2015.

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

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

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

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

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

For the 31 March 2015 financial year, all land and buildings were valued by external independent valuers with the exception of industrial land held at cost.

The fair values of freehold land, pastoral leases, buildings and improvements at 31 March 2015 were determined by reference to independent valuations performed by Herron Todd White in March 2015. Fair value was determined by reference to an open market, being the amount for which the asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

At 31 March 2015 the revaluation increment for three specific properties (pastoral leases and freehold land) was reversed against fair value movements previously charged to the Consolidated Income Statement. The result was a credit to the Consolidated Income Statement of $3,612,000 (31 March 2014: expense of $3,560,000). The revaluation surplus for all other properties was credited to the asset revaluation reserve included in the equity section of the Consolidated Statement of Financial Position.

The effective date of the revaluation was 31 March 2015.

16. Non-Current Assets – Property Plant and Equipment (continued)

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 2015 $000	31 MAR 2014 $000
Deemed cost	299,435	283,921
Accumulated depreciation	(38,398)	(33,983)
Net carrying amount	261,037	249,938

(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 2015 $000	31 MAR 2014 $000
Trade payables	27,874	17,861
Other payables	5,318	15,517
Deferred revenue	1,013	4,864
	34,205	38,242

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

(a) Fair value

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

(b) Foreign exchange and liquidity risk

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

18. Current Liabilities – Provisions

	31 MAR 2015 $000	31 MAR 2014 $000
Annual leave	2,184	1,890
Long service leave	959	944
Make good provision	227	225
	3,370	3,059

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 $227,000 (31 March 2014: $225,000) has been recognised for the present value of the estimated expenditure required to remove the leasehold improvements.

19. Non-Current Liabilities – Provisions

	31 MAR 2015 $000	31 MAR 2014 $000
Long service leave	690	559
Lease incentive & straight-line of lease	1,385	1,417
	2,075	1,976

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

20. Derivative Financial Instruments

	31 MAR 2015 $000	31 MAR 2014 $000
Current assets		
Foreign currency contracts	-	929
	-	929
Current liabilities		
Interest rate swap contracts	10,467	3,369
Foreign currency contracts	2,490	-
Embedded interest rate derivative in convertible note	2,562	640
	15,519	4,009

	NOTIONAL AMOUNTS (AUD) 31 MAR 15 $000	NOTIONAL AMOUNTS (AUD) 31 MAR 14 $000	AVERAGE EXCHANGE RATE 31 MAR 15 AUD/USD	AVERAGE EXCHANGE RATE 31 MAR 14 AUD/USD
Sell FX/Buy AUD				
Sell USD Maturity 0-12 months	70,995	40,087	0.8001	0.8973

We fair value these contracts by comparing the contracted rate to the market rates for contracts with the same length of maturity.
As these contracts are hedge accounted, the effectiveness is assessed in terms of the 80%-125% threshold prescribed by AASB139 with the effective portion of the movement accounted for in Other Comprehensive Income and the ineffective portion posted to profit and loss. The net fair value loss on foreign currency derivatives during the twelve months to 31 March 2015 was $2,490,000 with $2,380,000 effective and $110,000 ineffective (12 months to 31 March 2014: $1,183,000).

Interest rate swap contracts

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

20. Derivative Financial Instruments (continued)

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

	31 MAR 2015 $000	31 MAR 2014 $000
0-1 years	-	-
1-5 years	200,000	200,000

The gain or loss from remeasuring the interest rate swaps at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the twelve months to 31 March 2015 the gain or loss recognised for interest rate swaps on into profit or loss was $2,867,000 (twelve months to 31 March 2014 $2,890,000). There was no hedge ineffectiveness in the current or prior year.

21. Interest-Bearing Loans and Borrowings

	31 MAR 2015 $000	31 MAR 2014 $000
Current		
Obligations under finance leases	4,538	4,332
	4,538	4,332
Non-current		
Obligations under finance leases	7,667	7,850
$400,000,000 bank loan facility	283,529	198,247
Convertible notes	73,706	71,932
	364,902	278,029

$400,000,000 bank loan facility – secured

The loans are repayable on 30 June 2018. It is intended that the loans will be renewed at maturity date. This facility is currently drawn down by $285,000,000 (31 March 2014: $200,000,000) and is offset in the Statement of Financial Position by a prepaid facility participation fee of $1,471,000 (31 March 2014: $1,753,000).

Convertible notes

The parent entity issued 160 subordinated convertible notes to an existing shareholder of the Company for $80 million on 16 October 2013. The notes are unsecured and subordinated to the Company's senior bank debt. The notes expire on 30 September 2023 and the note holder may elect to cause redemption at the fifth anniversary of the issue date and annually thereafter. The coupon rate is the 6 month BBSW rate plus 0.15% subject to a floor of 3.0% per annum, payable semi-annually in arrears. The note holder is entitled to convert the notes into ordinary shares in the Company during the period 1 September 2014 until 15 days prior to maturity at $1.15 per AACo share, with no price payable conversion. The number of underlying ordinary shares per convertible note is 434,783, or 69,565,280 ordinary shares for the full convertible notes issue. The convertible notes are presented in the balance sheet as follows:

	31 MAR 2015 $000	31 MAR 2014 $000
Face value of notes issued	80,000	80,000
Other equity securities – value of conversion rights (note 22(b))	(6,700)	(6,700)
Fair value of embedded interest rate derivative in convertible note – at trade inception	(630)	(630)
Capitalised borrowing costs	(1,775)	(1,546)
Interest expense	2,811	808
	73,706	71,932

No convertible notes were converted or redeemed to 31 March 2015.

21. Interest-Bearing Loans and Borrowings (continued)

(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 2015 $000	31 MAR 2014 $000
$400,000,000 bank loan and $3,000,000 guarantee facility		
Total	403,000	409,200
Drawn-down	(286,604)	(202,492)
Unused	116,396	206,708

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

22. Contributed Equity

	31 MAR 15 SHARES	31 MAR 14 SHARES	31 MAR 15 $000	31 MAR 14 $000
(a) Ordinary Shares				
Ordinary shares – issued and fully paid (c)	532,824,721	532,294,404	454,513	453,810
	532,824,721	532,294,404	454,513	453,810
(b) Other equity securities				
Value of conversion rights – convertible notes	-	-	6,700	6,700
Total contributed equity	532,824,721	532,294,404	461,213	460,510

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

22. Contributed Equity (continued)

(c) Ordinary shares

Movement in ordinary shares on issue

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE $	$000
1 April 2013	Opening balance	312,905,085		239,473
18 April 2013	Shares issued on exercise of performance rights	43,944	-	-
08 May 2013	Shares issued on exercise of performance rights	131,976	-	-
22 May 2013	Shares issued on exercise of performance rights	32,353	-	-
27 September 2013	Share issue to institutional investors	100,796,516	$1.00	100,797
16 October 2013	Share issue to retail investors	88,799,540	$1.00	88,800
16 October 2013	Share issue to AA Trust entitlement	29,584,990	$1.00	29,585
	Outstanding amount received for shares issued under the executive rights plan in the prior period	-	-	245
	Transaction costs relating to share placement	-	-	(7,271)
	Deferred tax credit recognised directly in equity	-	-	2,181
31 March 2014	Closing balance – ordinary shares	532,294,404		453,810
29 April 2014	Shares issued on exercise of performance rights	147,964	-	-
26 May 2014	Shares issued on exercise of performance rights	32,353	-	-
17 March 2015	Shares issued on exercise of performance rights	350,000	$1.34	469
	Issue of performance rights from share-based payment reserve	-	-	234
31 March 2015	Closing balance – ordinary shares	532,824,721		454,513

(d) Capital management

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

There were no changes made in the objectives, policies or processes for managing capital during the year-ended 31 March 2015 and year-ended 31 March 2014.

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

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

ASSET AND CAPITAL STRUCTURE	31 MAR 2015 $000	31 MAR 2014 $000
Debt:		
Current interest-bearing loans and borrowings	4,538	4,332
Non-current interest-bearing loans and borrowings		
Obligations under finance leases	7,667	7,850
Bank loan facility[(1)]	285,000	200,000
Convertibles notes[(1)]	80,000	80,000
Bank guarantees	1,604	2,492
Cash:	(12,285)	(69,194)
Net debt	**366,524**	**225,480**
Equity employed	762,298	747,780
Value of conversion rights	(6,700)	(6,700)
Net equity	**755,598**	**741,080**
Total capital employed	**1,122,122**	**966,560**
Gearing (Net debt/net debt+equity)	**32.7%**	**23.3%**

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

23. Retained Earnings/(Losses) and Reserves

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

	31 MAR 2015 $000	31 MAR 2014 $000
Opening balance	(18,592)	21,306
Net profit/(loss)	9,623	(39,898)
Closing balance	(8,969)	(18,592)

(b) Other reserves

	ASSET REVALUATION RESERVE $000	CAPITAL PROFITS RESERVE $000	CASH FLOW HEDGE RESERVE $000	EMPLOYEE EQUITY BENEFITS RESERVE $000	TOTAL $000
At 1 April 2013	254,208	78,223	(3,253)	5,461	334,639
Revaluation of land and buildings	(33,524)	-	-	-	(33,524)
Transfer of asset revaluation reserve upon sale of property	(6,539)	6,539	-	-	-
Tax effect on revaluation of land and buildings	3,535	-	-	-	3,535
Net movement in cash flow hedges	-	-	1,089	-	1,089
Share based payment	-	-	-	123	123
At 31 March 2014	217,680	84,762	(2,164)	5,584	305,862
At 1 April 2014	217,680	84,762	(2,164)	5,584	305,862
Revaluation of land and buildings	15,843	-	-	-	15,843
Tax effect on revaluation of land and buildings	(4,753)	-	-	-	(4,753)
Net movement in cash flow hedges	-	-	(6,834)	-	(6,834)
Issue of performance rights from share-based payment reserve				(234)	(234)
Share based payment	-	-	-	170	170
At 31 March 2015	228,770	84,762	(8,998)	5,520	310,054

(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 26 for further details of these plans.

24. Related Party Disclosures

(a) Compensation for key management personnel

	31 MAR 2015 $	31 MAR 2014 $
Short-term employee benefits	1,794,502	3,929,141
Post-employment benefits	107,045	210,406
Share-based payment	40,889	159,814
Termination benefits	521,870	517,131
Long-term benefits	20,589	94,146
Total compensation	2,484,895	4,910,638

Detailed remuneration disclosures are provided in the remuneration report on pages 34 to 51.

(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 March 2014: nil). The parent entity does not expect to call these loans within the next 12 months.

(c) Transactions with other related parties

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

The interest paid during the year amounts to $2,632,767 (31 March 2014: $1,200,658).

(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 2015 % OF SHARES HELD	31 MAR 2014 % OF SHARES HELD
Parent entity				
Australian Agricultural Company Limited	(a)	Australia		
Controlled entities				
A. A. Company Pty Ltd	(a)	Australia	100	100
Austcattle Holdings Pty Ltd	(a)	Australia	100	100
A. A. & P. Joint Holdings Pty Ltd	(a)	Australia	100	100
Shillong Pty Ltd	(a)	Australia	100	100
James McLeish Estates Pty Limited	(a)	Australia	100	100
Wondoola Pty Ltd	(a)	Australia	100	100
Waxahachie Pty Ltd	(a)	Australia	100	100
Naroo Pastoral Company Pty Limited	(a)	Australia	100	100
AACo Nominees Pty Limited	(a)	Australia	100	100
Chefs Partner Pty Ltd	(a)	Australia	100	100
Polkinghornes Stores Pty Limited		Australia	100	100
Northern Australian Beef Limited	(b)	Australia	100	100
AACo Risk Management Pty Limited		Australia	100	100

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

(b) The above noted deed of cross guarantee was amended on 1 April 2015, with Northern Australian Beef Limited also becoming a participant to the deed of cross guarantee with Australian Agricultural Company Limited. As a result of the deed of cross guarantee, relief has been sought from the Australian Securities and Investment Commission for Northern Australian Beef Limited to be relieved of preparing financial statements.

25. Controlled Entities (continued)

(c) Financial information for class order Closed Group

	31 MAR 2015 $000	31 MAR 2014 $000
Current Assets		
Cash and cash equivalents	12,285	69,194
Trade and other receivables	29,805	72,994
Inventories	36,803	26,411
Biological assets – livestock	200,077	144,765
Derivatives	-	929
Other assets	1,566	2,173
Total Current Assets	280,536	316,466
Non-Current Assets		
Biological assets – livestock	265,109	238,282
Property, plant and equipment	668,396	548,150
Investment – at cost	50	50
Intercompany receivable	3,342	-
Total Non-Current Assets	936,897	786,482
Total Assets	1,217,433	1,102,948
Current Liabilities		
Trade and other payables	34,205	38,242
Provisions	3,370	3,059
Interest bearing liabilities	4,538	4,332
Derivatives	15,519	4,009
Total Current Liabilities	57,632	49,642
Non-Current Liabilities		
Provisions	2,075	1,976
Interest bearing liabilities	364,902	278,029
Deferred tax liabilities	27,184	22,642
Total Non-Current Liabilities	394,161	302,647
Total Liabilities	451,793	352,289
Net Assets	765,640	750,659
Equity		
Contributed equity	461,213	460,510
Reserves	310,054	305,862
Retained earnings	(5,627)	(15,713)
Total Equity	765,640	750,659

25. Controlled Entities (continued)

	31 MAR 2015 $000	31 MAR 2014 $000
Income Statement of the Closed Group:		
Revenue		
Meat sales	267,622	188,213
Cattle sales	70,546	120,469
Crop income	8,664	8,160
	346,832	316,842
Cattle fair value adjustments	209,900	114,158
	556,732	431,000
Cost of meat sold	(238,764)	(171,205)
Deemed cost of cattle sold	(70,546)	(120,469)
Cattle expenses	(48,702)	(40,608)
Feedlot cattle expenses	(49,749)	(37,882)
Crop costs and fair value adjustments	(8,084)	(6,820)
Gross operating margin	140,887	54,016
Other income	3,796	9,007
Expenses		
Administration and other non-station operating costs	(18,205)	(15,940)
Other operating costs	(21,026)	(20,465)
Livingstone Beef overheads	(7,588)	-
Employee expenses	(43,196)	(38,008)
Lease and property related costs	(9,721)	(8,525)
Depreciation	(15,710)	(11,210)
Change in fair value of property	3,612	(3,560)
Profit/(loss) before finance costs and income tax expense	32,849	(34,685)
Net finance costs	(20,793)	(23,292)
Profit/(loss) before income tax	12,056	(57,977)
Income tax (expense)/benefit	(2,433)	18,079
Net Profit/(loss) after tax	9,623	(39,898)

26. Share-Based Payment Plans

(a) Recognised share-based payment expenses

	31 MAR 2015 $	31 MAR 2014 $
Expense arising from equity-settled share-based payment transactions	170,000	123,000

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during the twelve months to 31 March 2015 and 31 March 2014.

(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 granted to senior executives during the twelve months to 31 March 2015 and 31 March 2014.

Senior Executive – Executive Options

No options were granted to senior executives during the twelve months to 31 March 2015 and 31 March 2014.

Middle Management – Executive Options

No options were granted to middle management during the twelve months to 31 March 2015 and 31 March 2014.

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

	31 MAR 15 No.	31 MAR 15 WAEP $	31 MAR 14 No.	31 MAR 14 WAEP $
Outstanding at the beginning of the period	940,625	2.21	2,197,281	2.56
Granted during the period	-	-	-	-
Forfeited during the period	-	-	(1,256,656)	2.82
Exercised during the period	(350,000)	1.34	-	-
Outstanding at the end of the period	590,625	2.64	940,625	2.21
Exercisable at the end of the period	590,625	2.64	940,625	2.21

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.

26. Share-Based Payment Plans (continued)

The exercise prices of the outstanding options have been adjusted in accordance with the AACo Executive Option Plan Rules effective as of 16 October 2013.

The outstanding balance as at 31 March 2015 is represented by:

> 290,625 options over ordinary shares with an exercise price of $2.04 (previously $2.09 each); and

> 300,000 options over ordinary shares with an exercise price of $3.22 (previously $3.27 each).

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

	EXERCISE PRICE $	31 MAR 2015 NO.	31 MAR 2014 NO.
Expiry Date			
31 March 2015	1.34	-	350,000
01 January 2018	2.04	290,625	290,625
01 January 2019	3.22	300,000	300,000
Total		590,625	940,625

(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. 350,000 shares were issued to employees under the ESP during the twelve months to 31 March 2015 (twelve months to 31 March 2014: 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:

31 March 2015

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 2014	Nil	99,741	-	51,865	47,876	-	-
19 Sept 2011	30 April 2014	Nil	99,741	-	-	99,741	-	-
27 April 2012	24 May 2014	Nil	96,099	-	96,099			
27 April 2012	14 June 2014	Nil	32,353	-	32,353	-	-	-
27 April 2012	30 April 2015	Nil	237,256	-	-	-	237,256	111,510
31 July 2014	31 July 2016	Nil		138,751	-	33,301	105,450	
31 July 2014	31 July 2017	Nil	-	138,743	-	33,299	105,444	
			565,190	277,494	180,317	214,217	448,150	111,510

26. Share-Based Payment Plans (continued)

31 March 2014

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	51,865
19 Sept 2011	30 April 2014	Nil	99,741	-	-	-	99,741	-
27 April 2012	24 May 2013	Nil	131,976	-	(131,976)	-	-	-
27 April 2012	24 May 2014	Nil	131,971	-	-	(35,872)	96,099	-
27 April 2012	14 June 2013	Nil	32,353	-	(32,353)	-	-	-
27 April 2012	14 June 2014	Nil	32,353	-	-	-	32,353	-
27 April 2012	30 April 2015	Nil	237,256	-	-	-	237,256	-
			1,019,876	-	(208,273)	(246,413)	565,190	51,865

The weighted average remaining contractual life for the rights as at 31 March 2015 is 331 days (31 March 2014: 390 days).
The weighted average fair value of rights granted during the year ended 31 March 2015 was $1.24 (31 March 2014: $nil).

The following table lists the inputs to the models used for the performance rights outstanding during the year to 31 March 2015:

31 March 2015

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 RIGHTS GRANTED	MODEL USED
19 Sept 2011	924	$1.410	-	32.50%	-	3.96%	$1.0624	Monte Carlo
19 Sept 2011	924	$1.410	-	32.50%	-	3.96%	$1.4109	Monte Carlo
27 April 2012	727	$1.285	-	30.00%	-	3.65%	$1.2857	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
31 July 2014	731	$1.240	-	30.00%	-	2.59%	$1.2405	Black Scholes
31 July 2014	1,096	$1.240	-	30.00%	-	2.60%	$1.2408	Black Scholes

26. Share-Based Payment Plans (continued)

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

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

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

AACO TSR RANKING VERSUS S&P/ASX SMALL ORDS ACCUMULATION INDEX (XSOAI)	% OF PERFORMANCE RIGHTS TO VEST
Below the 50th percentile	0% vest
At the 50th percentile	50% vest
Between the 50th and 75th percentile	2% vesting on a straight line interpolation for each percentile ranking
At or above the 75th percentile	100% vest

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

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

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

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

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

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

EPS COMPOUND GROWTH RATE	% OF PERFORMANCE RIGHTS TO VEST
Compound growth rate of less than 7.5% p.a.	0% vest
Compound growth rate of at least 7.5% p.a.	50% vest
Compound growth rate between 7.5% p.a. and 10% p.a.	2% vesting on a straight line interpolation for each 0.1% increment in EPS.
Compound growth rate of 10% p.a. or more	100% vest

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

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

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

27. Commitments

	31 MAR 2015 $000	31 MAR 2014 $000
(a) Future minimum lease payments under non-cancellable operating leases are as follows:		
Leased land and buildings:		
Not later than one year	4,315	6,362
Later than one year but not later than five years	7,656	11,213
Later than five years	2,997	4,362
Total leased land and buildings	14,968	21,937

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:

	31 MAR 2015 $000	31 MAR 2014 $000
Within one year	3,356	1,946
After one year but not more than five years	1,652	2,896
Total minimum lease payments	5,008	4,842

(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:

	31 MAR 2015 $000	31 MAR 2014 $000
Within one year	4,894	1,965
Later than one year but not later than five years	2,302	4,905
Later than 5 years	-	50
Total equipment finance	7,196	6,920

(d) Capital commitments

Capital expenditure contracted relating to the Darwin Beef Processing Facility at the reporting date but not recognised as liabilities is as follows:

	31 MAR 2015 $000	31 MAR 2014 $000
Within one year	2,716	26,347
Later than one year but not later than five years	-	-
Later than 5 years	-	-
Total equipment finance	2,716	26,347

(e) Other commitments

We have entered into forward purchase contracts for $16,598,000 worth of grain commodities as at 31 March 2015 (31 March 2014: $21,990,128). The contracts are expected to be settled within 12 months from balance date.

We have entered into forward purchase contracts for $8,451,000 worth of cattle as at 31 March 2015 (31 March 2014: $756,000). The contracts are expected to be settled within 12 months from balance date.

We have entered into contracts for the purchase of information technology software with a commitment of $nil as at 31 March 2015 (31 March 2014: $630,000).

28. Contingencies

(a) Guarantees

	31 MAR 2015 $000	31 MAR 2014 $000
Contingent liabilities at balance date, not otherwise provided for in these financial statements are categorised as follows:		
Bank guarantees provided in relation to premises	971	971
Bank guarantees provided in relation to the construction of the Northern Australian beef processing facility	633	1,521
	1,604	2,492

(b) Native title claims

At 31 March 2015 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.

29. Auditors' Remuneration

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

	31 MAR 2015 $	31 MAR 2014 $
An audit or review of the financial report of the entity and any other entity in the consolidated Group	377,905	474,000
Other services in relation to the entity and any other entity in the consolidated Group		
Advisory services	-	210,279
	377,905	684,279

30. Information Relating to the Parent Entity

	31 MAR 2015 $000	31 MAR 2014 $000
Current assets	351	62,450
Non-current assets	842,768	794,369
Total assets	843,119	856,819
Current liabilities	17,205	4,952
Non-current liabilities	384,419	292,820
Total liabilities	401,624	297,772
Net assets	441,495	559,047
Contributed equity	461,213	465,135
Reserves[1]	91,963	137,593
Accumulated losses	(111,681)	(43,681)
Total equity	441,495	559,047
(Loss) of the parent entity	(22,905)	(4,458)
Total comprehensive profit/(loss) of the parent entity	(94,647)	(30,483)

[1] During the year ended 31 March 2015 the group reallocated the tax effect on revaluation of land and buildings to the parent entity.

30. Information Relating to the Parent Entity (continued)

(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 2015.

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 2015 $000	31 MAR 2014 $000
Guarantees and indemnities		
Bank guarantees provided in relation to premises	971	971
Bank guarantees provided in relation to the construction of the Northern Australian beef processing facility	633	1,521
	1,604	2,492

(c) 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.

31. Subsequent Events

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

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:

   a) The financial statements and notes of Australian Agricultural Company Limited for the year ended to 31 March 2015 are in accordance with the Corporations Act 2001, including:

      (i) Giving a true and fair view of its financial position as at 31 March 2014 and of its performance for the year ended on that date.

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

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

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

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year to 31 March 2015.

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

On behalf of the Board

Donald McGauchie
Chairman

Brisbane
13 May 2015

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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 2015, 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 year 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 31 March 2015 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 2015 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 2015 financial report. The procedures selected depend on the auditor's judgement, 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 2015 financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

a. the 31 March 2015 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 2015 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 March 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Australian Agricultural Company Limited for the year ended 31 March 2015, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

M J Hayward

Mark Hayward
Partner
Brisbane
13 May 2015

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 20 April 2015.

(a) Distribution of equity securities

Ordinary share capital

532,824,721 fully paid ordinary shares are held by 8,535 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	1,711
1,001 to 5,000	3,220
5,001 to 10,000	1,433
10,001 to 100,000	2,020
100,001 and Over	151
TOTAL	**8,535**

Unquoted equity securities

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

(b) Twenty largest holders of quoted equity securities

The names of the twenty largest holders of quoted shares as shown in the Company's Share Register are:

	NUMBER	PERCENTAGE
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	135,894,505	25.50%
J P MORGAN NOMINEES AUSTRALIA LIMITED	133,481,676	25.05%
NATIONAL NOMINEES LIMITED	61,188,440	11.48%
CITICORP NOMINEES PTY LIMITED	59,928,497	11.25%
BNP PARIBAS NOMS PTY LTD <DRP>	5,845,313	1.10%
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	3,419,744	0.64%
NATIONAL NOMINEES LIMITED <N A/C>	3,000,000	0.56%
CATHOLIC CHURCH INSURANCE LTD	2,621,001	0.49%
MR DAVID DIXON + MS CATHERINE RAMM	2,568,747	0.48%
QIC LIMITED	1,947,477	0.37%
WARBONT NOMINEES PTY LTD <ACCUMULATION ENTREPOT A/C>	1,745,779	0.33%
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,643,343	0.31%
BRISPOT NOMINEES PTY LTD < HOUSE HEAD NOMINEE NO 1 A/C>	1,531,445	0.29%
AUST EXECUTOR TRUSTEES LTD <LANYON AUST VALUE FUND>	1,529,354	0.29%
UBS NOMINEES PTY LTD	1,501,431	0.28%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	1,440,791	0.27%
MR TROY CHRISTOPHER ANGUS	1,400,000	0.26%
JLPN MAY LIMITED <JLPN MAY A/C>	1,220,736	0.23%
NEASHAM HOLDINGS PTY LTD <THE NEASHAM A/C>	1,220,735	0.23%
BNP PARIBAS NOM (NZ) LTD <DRP>	1,186,967	0.22%

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

ORDINARY SHAREHOLDERS	NUMBER
Bryan Glinton as trustee of The AA Trust	154,465,496
UBS Group AG	28,763,832
Kaplan Equity Limited	28,284,428
Dimensional Fund Advisors LP and its associates and related bodies corporate	15,652,112

(d) Marketable Shares

The number of security investors holding less than a marketable parcel of 307 securities ($1.630 on 20 April 2015) is 438 and they hold 24,945 securities.

COMPANY INFORMATION

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Principal Place of Business
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Fax: (07) 3368 4401
www.aaco.com.au

Share Registry

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www.linkmarketservices.com.au

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

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Bankers

National Australia Bank
Portfolio Management and Origination
Institutional Banking
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ANZ
Consumer and Agribusiness
Level 20, 111 Eagle Street
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Rabobank
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Commonwealth Bank
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Auditors

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