CO

THE ART OF
AUSTRALIAN BEEF

Australian Agricultural Company Limited

ABN 15 010 892 270

FINANCIAL REPORT

For the half-year ended
30 September 2021

CONTENTS

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the year ended 31 March 2021 and any public announcements made by Australian Agricultural Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

Your Directors present their report on the Group consisting of Australian Agricultural Company Limited and the entities it controlled (AACo) for the half-year ended 30 September 2021.

DIRECTORS

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

Donald McGauchie AO (Non-executive Chairman)

Hugh Killen (Managing Director)

Stuart Black AM (Non-executive Director)

Tom Keene (Non-executive Director)

Dr Shehan Dissanayake (Non-executive Director)

Anthony Abraham (Non-executive Director)

Neil Reisman (Non-executive Director)

Jessica Rudd (Non-executive Director)

Marc Blazer (Non-executive Director)

OPERATING AND FINANCIAL REVIEW

About AACo

Australian Agricultural Company Limited (AACo) is an Australian beef company with a heritage dating back to 1824. AACo is one of Australia's largest integrated cattle and beef producers, and is the oldest continuously operating company in Australia. AACo distributes branded beef to a range of customers across the world, tailoring its route-to-market model by country to capitalise on regional opportunities. The Company is large enough to obtain scale efficiencies but small enough to ensure the highest of production standards and produce the finest quality beef in the world.

Key Financial Indicators Used by Management

The following table summarises financial indicators used by management to monitor and manage the Company. Operating Profit is one of the key performance metrics of the Company, as Management believe it is a better reflection of actual financial performance under the control of management. It assumes all livestock inventory is valued on a $/kg live-weight (LW) basis and is derived by adjusting statutory EBITDA to substitute the movement in livestock at market value with the movement at cost of production. Management therefore believe that external stakeholders benefit from this metric being reported.

Operating Profit, Statutory EBIT and Statutory EBITDA are unaudited, non-IFRS financial information. Discussion on drivers of movements in key financial indicators are included in the Sales & Marketing, Production and Statutory Financial Results sections below.

	6 MONTHS TO 30 SEP 2021 $'000	6 MONTHS TO 30 SEP 2020 $'000
Meat sales	102,934	102,850
Cattle sales	40,533	41,051
Administration and selling costs	(15,064)	(13,713)
Operating Profit	29,979	23,494
Statutory EBITDA	136,991	15,020
Statutory EBIT	127,286	5,106
Net profit/(loss) after tax	83,218	(1,673)
Net cash inflow from operating activities	17,340	22,322

OPERATING AND FINANCIAL REVIEW (continued)

Key Financial Indicators Used by Management (continued)

Statutory EBITDA was a profit of $137.0 million in H1FY22 ($15.0 million profit in H1FY21) driven by changes in market pricing. Operating Profit was $30.0 million ($23.5 million profit in H1FY21). Operating Profit/Loss does not include unrealised livestock gains or losses, while Statutory EBITDA does include these.

Sales and Marketing

Wagyu beef pricing per kilogram has increased on average 9.3% on the prior comparative period. Improvements in pricing are a combination of market optimisation, mix and exchange rate factors. The Company has continued to execute its branded beef strategy, selling into strategic markets and building brand presence.

	6 MONTHS TO 30 SEP 2021	6 MONTHS TO 30 SEP 2020
Wagyu beef revenue – $ mil	100.5	99.7
Wagyu beef kgs sold – mil kg CW[1]	5.7	6.2
Wagyu beef sold – $/kg CW	17.52	16.03
Cattle revenue – $ mil	40.5	41.1
Cattle sales – mil kg LW[1]	10.8	13.0

[1] LW – live animal weight, CW – carton weight containing saleable boxed meat.

Production

Kilograms produced is a measure of the number of cattle live weight kilograms grown throughout the breeding, backgrounding and feedlot operations of the Company during the period. This metric excludes any offsetting impact of attrition kilograms. Kilograms produced has increased by 31.4% on the prior comparative period, as a result of increased brandings, as the Company rebuilds the herd following years of drought and the 2019 floods.

Cost of production is a measure of the operating costs incurred to produce a kilogram of live weight of cattle throughout the breeding, backgrounding and feedlot operations of the Company during the period. The cost of production decreased by 12.8% on the prior comparative period, which is a reflection of efficiencies in mix and kilograms increasing proportionately greater than the increase in costs.

	6 MONTHS TO 30 SEP 2021	6 MONTHS TO 30 SEP 2020
Kilograms produced – mil kg LW	33.9	25.8
Cost of production – $/kg LW	2.39	2.74

OPERATING AND FINANCIAL REVIEW (continued)

Statutory Financial Results

The H1FY22 results include a Statutory EBITDA profit of $137.0 million (H1FY21 profit of $15.0 million), driven by improvements in cattle and meat sales price, and $87.0 million in fair value improvements of livestock values due to market price increases on March 2021.

An operating cash inflow of $17.3 million was achieved in H1FY22 compared with an operating cash inflow of $22.3 million in H1FY21. This $5.0 million decline is a reflection of timing differences in working capital movements, as well as lower cattle purchases and the inclusion of $4.0 million JobKeeper receipts in H1FY21.

The Livingstone Beef facility continues to be maintained in a suspended state following suspension of operations in July 2018. The accumulated impairment recognised at 31 March 2018 remains unchanged. The Board and management continue to monitor various strategic options for the future of the Livingstone Beef operations.

Reconciliation of Operating Profit to Statutory Profit

Operating Profit is one of the key performance metrics of the Company, as Management believe it is a better reflection of actual financial performance under the control of management. It assumes all livestock inventory is valued on a $/kg live-weight (LW) basis and is derived by adjusting statutory EBITDA to substitute the movement in livestock at market value with the movement at cost of production. Management therefore believe that external stakeholders benefit from this metric being reported.

Operating profit for H1FY22 of $30.0 million (H1FY21 $23.5 million), was driven by a continued focus on costs coupled with the improvements seen in meat and cattle sales prices, yielding increased gross margins.

Operating Profit, Statutory EBIT and Statutory EBITDA are unaudited, non-IFRS financial information. A reconciliation of Operating Profit to Statutory EBITDA and Net Profit/(Loss) After Tax is provided below:

	6 MONTHS TO 30 SEP 2021 $'000	6 MONTHS TO 30 SEP 2020 $'000
Operating Profit/(Loss)	**29,979**	**23,494**
Unrealised mark-to-market of herd	86,967	(10,015)
Cost versus Fair Value: Kgs sold or produced	19,315	1,681
Other income/(expenses)	730	(140)
Statutory EBITDA[1] Profit/(Loss)	**136,991**	**15,020**
Depreciation and amortisation	(9,705)	(9,529)
Gain/(Loss) on equity investments	-	(385)
Statutory EBIT Profit/(Loss)	**127,286**	**5,106**
Finance costs	(7,401)	(7,169)
Income tax benefit/(expense)	(36,667)	390
Net Profit/(Loss) after tax	**83,218**	**(1,673)**

[1] EBITDA is defined by the Company as earnings before interest, tax, depreciation, amortisation, impairment, gains/losses on equity investments and changes in the fair value of property.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

Capital Structure

The Company continues to target a gearing ratio of 20.0% to 35.0% excluding the impacts of AASB 16.

	30 SEP 2021 $'000	31 MAR 2021 $'000
Current debt		
Interest-bearing liabilities	2,787	1,856
Lease liabilities	5,666	4,171
Non-current debt		
Interest-bearing liabilities	6,715	2,725
Lease liabilities	18,359	18,035
Bank loan facility[1]	360,000	365,000
Bank guarantees	1,454	1,454
Cash	(13,312)	(8,875)
Net debt	381,669	384.366
Equity employed	1,126,851	1,044,625
Total capital employed	1,508,520	1,428,991
Gearing (net debt / net debt + equity)	25.3%	26.9%
Gearing (net debt / net debt + equity) pre AASB 16 adoption	24.8%	25.7%

[1] The gearing ratio is calculated utilising the drawn-down balance of the bank loan facility.

Net Tangible Assets

The Company's net tangible assets per share was $1.88 as at 30 September 2021, compared to $1.75 as at 31 March 2021. Net tangible assets of the Company include leasehold land assets.

Wage Subsidy – JobKeeper

During H1FY21, the Company applied for and received wage subsidy payments under the JobKeeper Payment scheme due to the financial impact of COVID-19. The payments received are included in comparative results as Other Income in the Consolidated Income Statement for $6.7 million and as Cash flows from operating activities in the Consolidated Statements of Cash Flows for $4.0 million.

The Company did not apply for the JobKeeper extension which came into effect on 28 September 2020.

Debt Refinancing

During September 2021, the Company executed modifications to the club debt facility arrangements, which were due to expire 8 September 2022. This process occurs every four years due to the facility having a term of five years. The club debt facility plays an integral role in ensuring liquidity and solvency for the Company.

Changes to the facility included extending the expiry to 8 October 2026, with increased capacity and flexibility, increasing borrowing capacity by $50 million to $600 million, and achieving cost savings through lower bank margin rates.

Dividends

There were no dividends declared or paid during the six months to 30 September 2021, 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 the Directors will review dividend policy and payments on a return to sustainable profitability and positive operational cash flows.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

Risk Management

AACo has been, and will continue to be, exposed to a range of interrelated risks. As a branded premium food business, the effective understanding and management of risk requires the Company to consider risks from a supply chain perspective. By focussing on key supply chain considerations in all strategic and operational planning and management processes, this ensures the Company can achieve its sustainability, profitability, growth and stakeholder objectives. The Company believes effective risk management provides a strategic advantage, allowing it to sustain and create value across the organisation.

Business Strategies, Likely Developments and Expected Results

The Board reiterates 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 Company's earnings by increasing the Company's exposure to premium branded beef prices which are underpinned by rising incomes in both the developed and developing world. Business strategy will focus on optimising supply chains, implementing a differentiated branding strategy, and investing in innovation and technology.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 8 and forms part of the directors' report for the period ended 30 September 2021.

ROUNDING

Amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars for presentation where noted ($'000). This has been completed under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Signed in accordance with a resolution of the Directors.

D. McGauchie AO

Chairman

Sydney

18 November 2021

Hugh Killen

Managing Director, CEO

Brisbane

18 November 2021

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors KPMG.

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Australian Agricultural Company Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Australian Agricultural Company Limited for the half-year ended 30 September 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Scott Guse
Partner

Brisbane
18 November 2021

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

For the half-year ended 30 September 2021

	6 MONTHS TO 30 SEP 2021 $'000	6 MONTHS TO 30 SEP 2020 $'000
Meat sales	102,934	102,850
Cattle sales	40,533	41,051
Sales revenue	**143,467**	**143,901**
Cattle fair value adjustments	211,623	77,743
	355,090	221,644
Cost of meat sold	(79,662)	(78,575)
Deemed cost of cattle sold	(39,314)	(39,188)
Cattle and feedlot expenses	(47,594)	(47,930)
Gross margin	**188,520**	**55,951**
Other income	2,027	8,791
Employee expenses	(24,607)	(24,249)
Administration and selling costs	(15,064)	(13,713)
Other operating costs	(12,325)	(10,179)
Property costs	(1,560)	(1,581)
Gain/(Loss) on equity investments	-	(385)
Depreciation and amortisation	(9,705)	(9,529)
Profit/(Loss) before finance costs and income tax	**127,286**	**5,106**
Finance costs	(7,401)	(7,169)
Profit/(Loss) before income tax	**119,885**	**(2,063)**
Income tax (expense)/benefit	(36,667)	390
Net Profit/(Loss) after tax	**83,218**	**(1,673)**

PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT	CENTS	CENTS
Basic earnings/(loss) per share	13.94	(0.28)
Diluted earnings/(loss) per share	13.93	(0.28)

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

For the half-year ended 30 September 2021

	6 MONTHS TO 30 SEP 2021 $'000	6 MONTHS TO 30 SEP 2020 $'000
Net Profit/(Loss) for the period	83,218	(1,673)
Other Comprehensive Income/(Loss)		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of intangible assets	416	-
Items that may be reclassified subsequently to profit or loss:		
Revaluation of foreign currency operations	(506)	927
Changes in fair value of cash flow hedges	(939)	4,944
Other Comprehensive Income/(Loss) for the period, net of tax	(1,029)	5,871
Total Comprehensive Income/(Loss) for the period, net of tax	**82,189**	**4,198**

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 30 September 2021

	NOTE	AS AT 30 SEP 2021 $'000	AS AT 31 MAR 2021 $'000
Current assets			
Cash and cash equivalents		13,312	8,875
Trade and other receivables		9,397	7,202
Inventories and consumables		25,938	26,543
Livestock		320,629	202,730
Derivatives	6	277	2,196
Other assets		1,312	1,888
Total current assets		**370,865**	**249,434**
Non-current assets			
Livestock		332,371	334,641
Property, plant and equipment	3	979,012	975,916
Intangible assets		3,541	2,896
Right-of-use assets	4	23,216	21,612
Investments		288	288
Other assets		78	777
Total non-current assets		**1,338,506**	**1,336,130**
Total assets		**1,709,371**	**1,585,564**
Current liabilities			
Trade and other payables		21,862	16,457
Provisions		4,209	3,562
Interest-bearing liabilities	5	2,787	1,856
Lease liabilities	4	5,666	4,171
Derivatives	6	6,460	5,362
Total current liabilities		**40,984**	**31,408**
Non-current liabilities			
Provisions		1,685	2,881
Interest-bearing liabilities	5	365,099	367,173
Lease liabilities	4	18,359	18,035
Derivatives	6	-	2,675
Deferred tax liabilities		156,393	118,767
Total non-current liabilities		**541,536**	**509,531**
Total liabilities		**582,520**	**540,939**
Net assets		**1,126,851**	**1,044,625**
Equity			
Contributed equity		528,822	528,822
Reserves		557,855	558,847
Retained earnings/(Accumulated losses)		40,174	(43,044)
Total equity		**1,126,851**	**1,044,625**

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

Consolidated Statement of Changes in Equity

For the half-year ended 30 September 2021

	CONTRIBUED EQUITY $'000	RESERVES $'000	(ACCUMULATED LOSSES)/RETAINED EARNINGS $'000	TOTAL EQUITY $'000
At 1 April 2020	**528,822**	**473,085**	**(88,518)**	**913,389**
Profit/(Loss) for the period	-	-	(1,673)	(1,673)
Other comprehensive income/(loss)	-	5,871	-	5,871
Total comprehensive income/(loss) for the period	-	5,871	(1,673)	4,198
Transactions with owners in their capacity as owners:				
Cost of share-based payments	-	62	-	62
At 30 September 2020	**528,822**	**479,018**	**(90,191)**	**917,649**
At 1 April 2021	**528,822**	**558,847**	**(43,044)**	**1,044,625**
Profit/(Loss) for the period	-	-	83,218	83,218
Other comprehensive income/(loss)	-	(1,029)	-	(1,029)
Total comprehensive income/(loss) for the period	-	(1,029)	83,218	82,189
Transactions with owners in their capacity as owners:				
Cost of share-based payments	-	37	-	37
At 30 September 2021	**528,822**	**557,855**	**40,174**	**1,126,851**

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

Consolidated Statement of Cash Flows

For the half-year ended 30 September 2021

	6 MONTHS TO 30 SEP 2021 $'000	6 MONTHS TO 30 SEP 2020 $'000
Cash flows from operating activities		
Receipts from customers	151,632	152,513
Payments to suppliers, employees and others	(125,828)	(122,593)
Interest received	65	7
Net operating cash inflow before interest and finance costs	25,869	29,927
Payment of interest and finance costs	(8,529)	(7,605)
Net cash inflow from operating activities	**17,340**	**22,322**
Cash flows from investing activities		
Payments for property, plant and equipment and other assets	(3,697)	(5,155)
Proceeds from sale of property, plant and equipment	523	-
Proceeds from the sale of equity interest in associates	-	2,653
Net cash outflow from investing activities	**(3,174)**	**(2,502)**
Cash flows from financing activities		
Proceeds from borrowings net of transactions costs	15,000	-
Repayments of borrowings net of transactions costs	(20,000)	(20,700)
Principal repayments of leases	(4,729)	(3,080)
Net cash outflow from financing activities	**(9,729)**	**(23,780)**
Net increase/(decrease) in cash	4,437	(3,960)
Cash at the beginning of the period	8,875	18,125
Cash at the end of the period	**13,312**	**14,165**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2021

1. Basis of preparation and accounting policies

a) Corporate information

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

The interim financial statements for the period ended 30 September 2021 were authorised for issue in accordance with a resolution of the Directors on 18 November 2021.

b) Basis of preparation

This general purpose condensed financial report for the half-year ended 30 September 2021 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the financial report for the year ended 31 March 2021 and considered together with any public announcements made by Australian Agricultural Company Limited during the half-year ended 30 September 2021, in accordance with the continuous disclosure obligations of the ASX listing rules.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with the legislative instrument, amounts in the interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

c) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires judgements, estimates and assumptions to be made that affect the reported amounts in the financial statements. Judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses are continually evaluated. Judgements and estimates are based on historical experience and on other various factors considered 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.

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.

Management's approach to significant judgements, estimates and assumptions is consistent with that applied for the 31 March 2021 consolidated financial report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2021

1. Basis of preparation and accounting policies (continued)

i) Livestock

Livestock 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 livestock is based on its present location and condition. If an active or other effective market exists for a livestock asset 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 access to different markets exists, then the most relevant market is used to determine fair value. The relevant market 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 one of the following are used, 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 livestock in its present condition, the present value of the expected net cash flows from the asset are used, discounted at a current market determined rate in determining fair value.

Consistent with previous reporting periods, at 30 September 2021 cattle have been valued using level 2 and level 3 fair value price inputs as defined by AASB 13 *Fair Value Measurement*.

ii) Pastoral property and improvements at fair value

Pastoral property and improvements 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 the Directors with reference to work performed 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 profit or loss. Any revaluation decrement is recognised in profit or loss 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 property and improvements, 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. Leasehold properties in Queensland are mainly pastoral holdings which are rolling term leases. In the Northern Territory, the pastoral leases held have been granted on a perpetual basis by the Northern Territory Government. We treat statutory pastoral leases held with government bodies as perpetual leases and as such, specifically excluded these from measurement under AASB 16 Leases.

Commercial leases for pastoral properties that are held with third parties are measured under AASB 16 and recorded as a right-of-use asset with a corresponding debt obligation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2021

1. Basis of preparation and accounting policies (continued)

iii) Impacts of COVID-19

Valuations included in the financial report such as the valuation of Pastoral property and improvements and Livestock are based on information available and relevant as at 30 September 2021. These valuations and estimates have not been materially impacted by the uncertainty surrounding COVID-19 since 31 March 2021, however market conditions are still subject to uncertainty as a result of COVID-19.

iv) Property, Plant and Equipment at cost

Plant and equipment and industrial property and improvements are stated at historical cost less accumulated depreciation and any accumulated impairment losses. We review the carrying values of plant and equipment and industrial property and improvements for impairment when events or changes in circumstances indicate the current carrying value may not be recoverable.

The Livingstone Beef CGU is the only location with property and improvements measured under the cost model by the Company per AASB 116 *Property, Plant and Equipment*. Under the requirements of AASB 136 *Impairment of Assets*, at each reporting period an assessment of internal and external factors must be made to determine whether there are indicators of impairment. Where indicators exist, a formal estimate of the recoverable amount of these assets is undertaken.

During H1FY22 operations continue to be suspended at Livingstone Beef. As at 30 September 2021, Management have reassessed internal and external factors that may indicate further impairment of the CGU. As a result of this assessment, no factors were identified that may indicate the CGU's recoverable amount was materially different from its carrying value as at 30 September 2021.

The calculation of the recoverable amount for Livingstone Beef requires management to make key estimates with relation to a number of assumptions that are inherently uncertain. The recoverable amount is sensitive to changes in these key assumptions and accordingly the estimate of the recoverable amount could change in future reporting periods.

v) Taxes

The Company's consolidated effective tax rate in respect of continuing operations for the six months ended 30 September 2021 was 30.4 percent (for the six months ending 30 September 2020 19.3 percent). The change in the effective tax rate is a result of an increase in the ratio of tax losses incurred by controlled foreign companies versus Group profit before tax.

2. Segment information

Identification of reportable segments

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Company, that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director/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/Chief Executive Officer (MD/CEO) on at least a monthly basis.

Reportable segments

Following the suspension of Livingstone Beef processing plant in prior years, management no longer view the business as two distinct operating segments of Livingstone Beef and AACo excluding Livingstone Beef as Livingstone has not been in operation during this financial year or the comparative. The internal reporting to the Board and executive team (chief operating decision makers) is viewed as one segment for all of the Company until such a time as the Livingstone Beef processing plant is not suspended.

The prior period comparative information has been restated to reflect the revised operating segment on the following page.

2. Segment information (continued)

Accounting policies – reportable segments

The accounting policies used in reporting segments are the same as those contained in the financial statements and in the prior period.

Operating Profit is the key indicator used to monitor and manage the Company. It eliminates the potential distraction caused by unrealised livestock and inventory valuation adjustments being recorded in the financial results, and is a better reflection of actual financial performance under the control of management.

The following table presents the revenue and profit information regarding operating segments (incorporating a reconciliation of Operating Profit to Statutory NPAT) for the six months to 30 September 2021 and 30 September 2020.

	30 SEP 2021 $'000	30 SEP 2020 $'000
Segment revenue	143,467	143,901
Inter-segment revenue	-	-
Revenue from external customers	**143,467**	**143,901**
Operating Profit/(Loss)	**29,979**	**23,494**
Unrealised mark-to-market of herd	86,967	(10,015)
Cost versus Fair Value: Kgs sold or produced	19,315	1,681
Other income/(expenses)	730	(140)
Statutory EBITDA Profit/(Loss)	**136,991**	**15,020**
Depreciation and amortisation	(9,705)	(9,529)
Gain/(Loss) on equity investments	-	(385)
Statutory EBIT Profit/(Loss)	**127,286**	**5,106**
Net finance costs	(7,401)	(7,169)
Income tax (expense)/benefit	(36,667)	390
Net Profit/(Loss) after tax	**83,218**	**(1,673)**

Revenues from external customers

MEAT SALES REVENUES	30 SEP 2021 $'000	30 SEP 2020 $'000
South Korea	29,848	36,146
USA	22,082	11,884
Australia	9,309	10,944
Canada	7,133	8,366
China	4,368	7,871
Other countries	30,194	27,639
Total meat sales revenue per Income Statement	**102,934**	**102,850**

CATTLE SALES REVENUES	30 SEP 2021 $'000	30 SEP 2020 $'000
Australia	40,533	41,051
Total cattle sales revenue per Income Statement	**40,533**	**41,051**

3. Property, plant and equipment

Acquisitions and disposals

During the six months ended 30 September 2021, the Company acquired assets with a cost of $3.7 million (six months to 30 September 2020: $5.2 million). No property acquisitions were made during the period.

Assets with a combined net book value of less than $0.2 million were disposed of by the Company during the six months ended 30 September 2021 (six months to 30 September 2020: $0.1 million). No sales of property were made during the period.

4. Right-of-use assets and lease liabilities

Right-of-use assets relate to buildings and property leased by the Company, excluding Pastoral property held under statutory leases. When measuring lease liabilities for leases that were previously classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 April 2020. When measuring lease liabilities for new lease agreements, the Company discounts lease payments using its incremental borrowing rate at the lease commencement date. The average rate applied is 3.6%.

	30 SEP 2021 $'000	31 MAR 2021 $'000
Right-of-use assets		
Non-current	23,216	21,612
Lease liabilities		
Current	(5,666)	(4,171)
Non-current	(18,359)	(18,035)
	(24,025)	**(22,206)**

No new leases were entered into during the six month period to 30 September 2021. The Company renewed leases for Comet Downs on 3-year term and Collie Blue on a 1-year term. Both are central Queensland cattle properties.

5. Interest-bearing liabilities

	30 SEP 2021 $'000	31 MAR 2021 $'000
Current		
Other interest-bearing liabilities	2,787	1,856
Non-Current		
Secured bank loan facility	358,384	364,448
Other interest-bearing liabilities	6,715	2,725
	365,099	**367,173**

Other interest-bearing liabilities are chattel mortgages over vehicles, plant and equipment. Liabilities relating to chattel mortgages are discounted using the interest rate implicit in the financing arrangements. The average rate is 3.2%.

5. Interest-bearing liabilities (continued)

Secured bank loan facility

AACo have secured the refinance of its existing Club Debt Facilities, extending expiry until 8 October 2026. Total committed facility capacity increased from $550 million to $600 million. The interest on these facilities is charged at the applicable BBSY rate + Margin. The facility is currently drawn down by $360 million (31 March 2021: $365 million)

The Facility A limit increased from $390 million to $410 million, repayable on 8 October 2026. The Facility B limit increased from $160 million to $190 million repayable on 8 April 2023, with a rolling 18 month tenor.

Financing facilities are provided on a secured basis, with security provided by Company assets. Financial covenants are in place over the Company's Loan to Value Ratio (LVR). The following financing facilities are available:

	30 SEP 2021 $'000	31 MAR 2021 $'000
Borrowing Capacity under Facility A and Facility B	600,000	550,000
Guarantee Facility Capacity	3,000	3,000
Facility A and B Drawn-down	(360,000)	(365,000)
Bank guarantee utilised	(1,454)	(1,454)
Unused	**241,546**	**186,546**

6. Derivatives

	30 SEP 2021 $'000	31 MAR 2021 $'000
Current assets		
Foreign currency contracts	277	2,196
Current liabilities		
Interest rate swap contracts	5,393	5,351
Foreign currency contracts	1,067	11
	6,460	**5,362**
Non-Current liabilities		
Interest rate swap contracts	-	2,675

Fair values

As at 30 September 2021 and 31 March 2021, the only financial instruments recognised at fair value were interest rate swaps and forward currency contracts. These are valued using a 'level 2' method, which estimates fair value using inputs that are observable either directly (as prices) or indirectly (derived from prices). The carrying amount of all other financial assets and liabilities approximates the fair value.

Forward currency exchange contracts

Foreign currency contracts are attributed to forecast meat sales. As these contracts are hedge accounted, the effectiveness was required to be assessed in terms of AASB 9 *Financial Instruments*. The effective portion of the movement is accounted for in Other Comprehensive Income and the ineffective portion posted to profit or loss. Forward currency contracts can have maturities of up to 36 months. These contracts are in US dollars. The total notional value of these contracts at 30 September 2021 was AUD $46.0 million (31 March 2021: AUD $37.8 million).

6. Derivatives (continued)

Interest rate swap contracts

The Company has entered into interest rate swaps which are economic hedges. The Company fair values these contracts by comparing the contracted rate to the market rates for contracts with the same length of maturity. Interest rate swaps are entered in order to manage the mix of borrowings between fixed and floating rates as per our Treasury Policy. These contracts swap $235 million of floating rate debt for fixed, and have been designated as effective hedges and therefore satisfy the accounting standard requirements for hedge accounting. The swaps expire on 8 September 2022.

As at 30 September 2021, the notional principal amounts and period of expiry of the interest rate swaps are as follows:

	30 SEP 2021 $'000	31 MAR 2021 $'000
0-1 years	235,000	-
1-5 years	-	235,000

7. Equity securities issued

Equity Securities Issued

523,798 shares were issued during the six months to 30 September 2021 (six months to 30 September 2020: nil).

Dividends

No dividend was declared or paid during the six months to 30 September 2021 (six months to 30 September 2020: $nil).

8. Commitments

Capital commitments

Capital expenditure of $3.4million has been contractually committed to in respect of property, plant and equipment as at 30 September 2021 (31 March 2021: $0.7 million).

Other commitments

Forward purchase contracts have been entered into for $13.9 million worth of grain commodities and $6.5 million worth of cattle as at 30 September 2021 (31 March 2021: $7.8 million worth of grain and $12.0 million worth of cattle). The contracts are expected to be settled within 12 months from balance date.

9. Related party disclosures

There were no material transactions with related parties during the six months to 30 September 2021 (30 September 2020: Divestment proceeds of $2.6 million).

10. Events after the balance sheet date

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

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

a) The condensed consolidated financial statements and notes set out on pages 9 to 20 are in accordance with the *Corporations Act 2001*, including:

   i. Giving a true and fair view of the Group's financial position as at 30 September 2021 and its performance for the half-year ended on that date;

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

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

On behalf of the Board

D. McGauchie AO

Chairman

Sydney

18 November 2021

INDEPENDENT AUDITOR’S REVIEW REPORT

KPMG

Independent Auditor’s Review Report

To the shareholders of Australian Agricultural Company Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of **Australian Agricultural Company Limited**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Australian Agricultural Company Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group’s*** financial position as at 30 September 2021 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 30 September 2021;
- Consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date;
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors’ Declaration.

The ***Group*** comprises Australian Agricultural Company Limited (the Company) and the entities it controlled at the half-year’s end or from time to time during the half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REVIEW REPORT

KPMG

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 September 2021 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Scott Guse
Partner

Brisbane
18 November 2021

COMPANY INFORMATION

Name of Entity

Australian Agricultural Company Limited

ABN

15 010 892 270

Registered Office

Principal Place of Business

Level 1, Tower A
Gasworks Plaza
76 Skyring Terrace
Newstead QLD 4006

Ph: (07) 3368 4400
Fax: (07) 3368 4401
www.aaco.com.au

Share Registry

Link Market Services Limited

Level 21, 10 Eagle Street
Brisbane QLD 4000

Ph: 1300 554 474
www.linkmarketservices.com.au

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

Solicitors

Allens Linklaters

Level 26, 480 Queen Street
Brisbane QLD 4000

Auditors

KPMG

Level 16, 71 Eagle Street
Brisbane QLD 4000