



# **Australian Agricultural Company Limited**

ABN 15 010 892 270

## **Half-Year Financial Report**

For the half-year ended 30 June 2008

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The Directors of Australian Agricultural Company Limited ("the company") present their report for the half-year ended 30 June 2008.

## **DIRECTORS**

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

### **PRESENT DIRECTORS**

C E Bright (Chairman, Acting)  
L P Wozniczka  
P Toyne (Appointed 21 May 2008)  
B Heading (Appointed 16 June 2008)  
P Zachert (Alternate Director for L P Wozniczka)

### **FORMER DIRECTORS**

N Burton Taylor, AM (Non Executive Chairman and Acting Chief Executive Officer) (Resigned 21 May 2008)  
Hon. T A Fischer, AC (Resigned 21 May 2008)  
C I Roberts (Resigned 21 May 2008)  
G J Paramor (Resigned 21 May 2008)  
D J Mackay (Chief Executive Officer/Managing Director) (Resigned 22 January 2008)

## **REVIEW AND RESULTS OF OPERATIONS**

### **Financial Results**

One of the key indicators of financial health in the current economy is to be able to generate operating cash flow and the company has for the first half of 2008 delivered a positive operating cash flow of \$5.9 million compared to the prior year's negative \$20 million. This is primarily due to the sale of a significant number of breeding cattle held over from the prior year.

In comparing the current half-year results to the corresponding period, it should be noted that last year the profit and cash flow included the benefit of a \$10.0 million settlement from AMP regarding litigation related to the Stanbroke acquisition process in 2003.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$21.8 million (2007: \$26.3 million) was below the same period last year by 17% (\$4.5 million). Operating earnings before interest and tax (EBIT), when adjusted for the AMP result, increased by \$3.5 million or 28%. As the table below demonstrates this highlights the strong performance of the underlying business:

	<b>6 months to June 2008</b>	<b>6 months to June 2007</b>
	<b>\$million</b>	<b>\$million</b>
EBIT	16.0	21.3
Deduct AMP settlement 2007 (net)	-	(8.8)
<b>Adjusted Operating EBIT</b>	<b>16.0</b>	<b>12.5</b>

Adjusted operating EBIT increased by \$3.5 million over 2007.

A small loss after tax of \$2.1 million was recorded compared to the net profit after tax of \$5.9 million in the prior year.

Total operating overheads for the group contain higher cost in fuel, labour and feed grain compared to the prior period. The poor seasonal conditions on the Barkly Tableland have also sharply increased supplementary feed costs and accelerated transport costs. These dry conditions meant cattle had to be moved earlier through the path to market thus increasing first half costs incurred. Grain costs remain hedged for the balance of 2008, but are on average higher than 2007.

The dry conditions in the Barkly region triggered the company's adverse climate mitigation planning systems which addressed the significant logistic requirement to move large numbers of cattle from the Barkly to other company properties. This demonstrated the value of the company's pathway system and the benefits of flexible cattle types which can be sold into a variety of markets.

The wholesale beef segment has seen significant improvement with profit contribution rising to \$1.5 million for the six months ended 30 June 2008 compared to a loss of \$0.3 million for the previous corresponding period.

## **Cattle Market**

The cattle market for most of the first half of the year has been realising prices below December 2007 levels with a sharp rise in the last two weeks of June 2008. The cattle market indicators have continued to rise since June 2008 with Eastern States Young Cattle Indicator rising approximately 7% on average to the date of this report. Cattle held over from December were mostly older breeding cattle, yet still attracted premium prices to market on sale.

The strong Australian Dollar has had an unfavourable effect on prices as has the return of US beef to Japan and Korea. However the Australian dollar has been weakening since June 2008 and this will have a favourable influence on increased prices related to export beef.

## **Seasonal Conditions**

Most properties experienced a normal season with the exception of the Barkly Tableland properties. Last year the Barkly Tableland experienced a good season and as cattle prices were exceptionally low in the second half of 2007, the company took the decision to retain an additional 20,000 -30,000 animals that would normally have been sold.

The majority of these breeding cattle were held on the Barkly thereby fully stocking those properties which would, under normal conditions, have been able to carry these cows through to calving in mid 2008. As the Barkly received less than average rainfall, these cattle were moved earlier than planned. This resulted in positive cash flow but incurred lower margins as the company did not achieve the additional benefit of calves from these animals. These animals were however sold at prices much higher than would have been achieved in 2007 and commanded a premium above the market average as graziers took advantage of improved seasonal conditions in the south to begin restocking.

The dry conditions on the Barkly meant moving approximately net 40,000 animals (or about 7% of the herd) off station to the Victoria River group, Gulf properties in Queensland or to agistment in the south. A further 10,000 cattle will be moved in the second half. Most of the cattle are on their way to market so transport costs have been incurred earlier than normal.

The dry conditions have meant increased supplementation costs as well as increased agistment costs.

Grain prices have also remained high, and whilst the company has forward purchased for 2008, the average prices are higher than the prior year.

## **Dividend**

Subsequent to 30 June 2008, the Board declared a dividend of 7.00 cents per share, totalling \$18.0 million, as disclosed in Note 12 of the half year financial report.

## **Dividend Reinvestment Plan**

The company's Dividend Reinvestment Plan (DRP) continues and allows Shareholders to have dividends fully or partly contribute to the purchase of new ordinary shares in the company. The shares issued under the plan will be underwritten to the extent that they are not subscribed for, and will be issued at a 5% discount to the relevant prevailing market value.

## **ROUNDING**

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

**Auditor's Independence Declaration**



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

In relation to our review of the financial report of Australian Agricultural Company Limited for the half-year ended 30 June 2008, 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.

A stylized, handwritten signature of "Ernst &amp; Young" in black ink.

Ernst & Young

A handwritten signature of "M J Hayward" in black ink.

Mark Hayward  
Partner  
Brisbane  
12 August 2008

Liability limited by a scheme approved  
under Professional Standards Legislation

Signed in accordance with a resolution of the directors.

A handwritten signature of "Charles Bright" in black ink.

Charles Bright  
Chairman (Acting)

Brisbane, 12 August 2008

	Note	Consolidated Half-Year ended 30/06/08 \$000	Half-Year ended 30/06/07 \$000
<b>Revenue</b>	2	123,604	124,203
Profit/(loss) from disposal of non-current assets	5	(96)	575
		123,508	124,778
Cost of goods sold of value add businesses		(39,757)	(42,280)
Employee expenses		(17,604)	(16,856)
Cattle expenses		(10,968)	(6,845)
Feedlot cattle expenses		(15,826)	(14,707)
Other station operating costs		(10,949)	(8,574)
Lease and property related costs		(2,149)	(2,790)
Business development and other non-station operating costs		(344)	(507)
Administration and other costs		(4,082)	(5,889)
<b>Profit before depreciation, amortisation, income tax and finance costs</b>		21,829	26,330
Depreciation and amortisation		(5,780)	(5,013)
<b>Profit before income tax and finance costs</b>		16,049	21,317
Finance costs		(16,964)	(13,080)
<b>Profit before income tax</b>		(915)	8,237
Income tax benefit/(expense)		(1,249)	(2,424)
<b>Net profit for the period</b>		(2,164)	5,813
Net loss/(profit) attributed to minority interest		-	59
<b>Net profit attributable to members of parent entity</b>		(2,164)	5,872
<b>Earnings per share (cents per share)</b>			
- basic earnings per share		(0.8)	2.4
- diluted earnings per share		(0.8)	2.3
- dividend per share	4	-	2.0

	Note	Consolidated	
		30/06/08 \$000	31/12/07 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		11,335	8,487
Trade and other receivables		15,295	10,633
Interest rate swaps		2,761	2,017
Inventories		28,073	25,382
Biological assets – livestock		151,813	127,305
Current tax asset		2,176	874
Other assets		819	938
<b>Total Current Assets</b>		<b>212,272</b>	<b>175,636</b>
<b>Non-current Assets</b>			
Receivables		149	209
Biological assets – livestock		279,798	299,199
Property, plant and equipment		829,204	810,397
Deferred income tax assets		1,369	1,673
Intangible assets		10,575	10,986
<b>Total Non-current Assets</b>		<b>1,121,095</b>	<b>1,122,464</b>
<b>TOTAL ASSETS</b>		<b>1,333,367</b>	<b>1,298,100</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		31,722	18,163
Provisions		2,751	2,853
Interest bearing loans and borrowings		2,246	1,860
<b>Total Current Liabilities</b>		<b>36,719</b>	<b>22,876</b>
<b>Non-current Liabilities</b>			
Provisions		507	465
Interest bearing loans and borrowings		416,791	417,343
Deferred income tax liabilities		151,868	131,852
<b>Total Non-current Liabilities</b>		<b>569,166</b>	<b>549,660</b>
<b>TOTAL LIABILITIES</b>		<b>605,885</b>	<b>572,536</b>
<b>NET ASSETS</b>		<b>727,482</b>	<b>725,564</b>
<b>EQUITY</b>			
Issued capital	8	154,490	154,070
Reserves		504,279	500,617
Retained earnings		68,713	70,877
<b>Parent interest</b>		<b>727,482</b>	<b>725,564</b>
<b>Minority interest</b>		<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>727,482</b>	<b>725,564</b>

**CONDENSED CASH FLOW STATEMENT** For the Half-Year Ended 30 June 2008

	<b>Consolidated</b>	
	<b>Half-Year ended 30/06/08 \$000</b>	<b>Half-Year ended 30/06/07 \$000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	135,745	107,566
Payments to suppliers and employees	(127,699)	(127,529)
Payment of interest and finance costs	(4,688)	(12,451)
Interest received	220	112
Net GST received from ATO	2,335	3,516
Proceeds from AMP settlement	-	10,000
Stanbroke legal costs	-	(1,245)
<b>Net cash flows from operating activities</b>	<b>5,913</b>	<b>(20,031)</b>
<b>Cash Flows from Investing Activities</b>		
Payments for property, plant and equipment and other assets	(3,596)	(23,450)
Proceeds from sale of property, plant and equipment and other assets	154	2,519
<b>Net cash flows used in investing activities</b>	<b>(3,442)</b>	<b>(20,931)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares	377	730
Proceeds from/(repayment of) borrowings	-	39,400
Payment of dividends	-	(4,992)
<b>Net cash flows from financing activities</b>	<b>377</b>	<b>35,138</b>
Net (decrease)/increase in cash and cash equivalents	2,848	(5,824)
Cash and cash equivalents at the beginning of the financial period	8,487	10,825
<b>Cash and cash equivalents at the end of the financial period</b>	<b>11,335</b>	<b>5,001</b>

**CONDENSED STATEMENT OF CHANGES IN EQUITY** For the Half-Year Ended 30 June 2008

CONSOLIDATED	Attributable to equity holders of the consolidated entity				Minority interest \$'000	Total equity \$'000
	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000		
<b>At 1 January 2007</b>	<b>135,400</b>	<b>357,134</b>	<b>89,710</b>	<b>582,244</b>	<b>124</b>	<b>582,368</b>
Cost of share-based payment	-	206	-	206	-	206
Fair value revaluation of land and buildings	-	20,974	-	20,974	-	20,974
Total income and expense for the period recognised directly in Equity	-	21,180	-	21,180	-	21,180
Profit/(loss) for the period	-	-	5,872	5,872	(59)	5,813
	135,400	378,314	95,582	609,296	65	609,361
Exercise of options	730	-	-	730	-	730
Tax effect of capitalised rights issue costs	44	-	-	44	-	44
Disposal of 51% share in Rural Management Partners	-	-	-	-	(65)	(65)
Equity dividends	-	-	(4,992)	(4,992)	-	(4,992)
<b>At 30 June 2007</b>	<b>136,174</b>	<b>378,314</b>	<b>90,590</b>	<b>605,078</b>	<b>-</b>	<b>605,078</b>
<b>At 1 January 2008</b>	<b>154,070</b>	<b>500,617</b>	<b>70,877</b>	<b>725,564</b>	<b>-</b>	<b>725,564</b>
Cost of share-based payment	-	479	-	479	-	479
Fair value revaluation of land and buildings	-	14,696	-	14,696	-	14,696
Total income and expense for the period recognised directly in Equity	154,070	515,792	70,877	740,739	-	740,739
Profit/(loss) for the period	-	-	(2,164)	(2,164)	-	(2,164)
	154,070	515,792	68,713	738,575	-	738,575
Exercise of options	377	-	-	377	-	377
Tax effect of capitalised rights issue costs	43	-	-	43	-	43
Adjustment to reset tax cost bases	-	(11,513)	-	(11,513)	-	(11,513)
<b>At 30 June 2008</b>	<b>154,490</b>	<b>504,279</b>	<b>68,713</b>	<b>727,482</b>	<b>-</b>	<b>727,482</b>

**1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

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

The half-year financial report should be read in conjunction with the annual Financial Report of Australian Agricultural Company Limited as at 31 December 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by Australian Agricultural Company Limited and its controlled entities during the half-year ended 30 June 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and ASX listing rules.

**(a) Basis of accounting**

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for land and buildings, livestock and derivative financial instruments that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The financial report is presented in Australian dollars and all values 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.

**(b) Statement of compliance**

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

**(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Australian Agricultural Company Limited, and its subsidiaries, referred to collectively throughout these financial statements as the "Consolidated Entity".

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

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

Minority interests represent the interests in Rural Management Partners Pty Ltd, not held by the Consolidated Entity. This investment was sold during the prior year (refer note 5).

**(d) Significant accounting policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2007.

**(e) Changes in accounting policies**

There have been no new Standards issued that are mandatory for annual reporting periods beginning on or after 1 January 2008. The Consolidated Entity has adopted a number of new Interpretations however these did not have any effect on the financial position or performance of the Consolidated Entity.

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

## 2 REVENUES

Profit before income tax expense includes the following revenues whose disclosure is relevant in explaining the performance of the Consolidated Entity:

	<b>Consolidated</b>	
	<b>Half-Year ended 30/06/08 \$000</b>	<b>Half-Year ended 30/06/07 \$000</b>
<b>Revenue</b>		
Cattle revenue	70,940	63,716
Crop revenue	5,557	568
Revenue from sale of goods and value add business	45,703	46,170
Revenue from rendering of services	-	610
	122,200	111,064
<b>Other Revenue</b>		
Interest income – unrelated parties	220	112
Proceeds from AMP settlement	-	10,000
Other revenue	1,184	3,027
	1,404	13,139
	123,604	124,203

During the prior period the Consolidated Entity received \$10,000,000 as a result of legal proceedings against AMP with regard to the Stanbroke sale process.

## 3 INCOME TAX

The major components of income tax expense for the half-year ended 30 June 2008 and 30 June 2007 are:

Profit from continuing operations	(915)	8,237
At the statutory income tax rate of 30% (2007: 30%)	(275)	2,471
Adjustment to reset tax cost bases	1,106	-
Other items (net)	418	(47)
	1,249	2,424

## 4 DIVIDENDS PAID AND PROPOSED

Dividends declared and paid during the half year on ordinary shares:

Unfranked special dividend: Nil (2007: 2.0)	-	4,992
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## 5 NON-CURRENT ASSETS

### Acquisitions and disposals

During the half-year ended 30 June 2008, the Consolidated Entity acquired assets with a cost of \$3,430,000 (2007: \$6,728,000).

The directors have reviewed their valuations of freehold land, pastoral leases, buildings and improvements recorded at 31 December 2007. Recent market transactions in the Northern Territory have indicated an increase in the fair value of the properties in the Barkly Tablelands region. Accordingly, a revaluation increment of \$20,995,000 was recognised with a corresponding increase of \$14,696,000 (net of tax) being credited to the asset revaluation reserve.

During the prior half-year ended 30 June 2007, the Consolidated Entity also acquired assets that had previously been held under operating lease by Goonoo station and feedlot. Assets acquired in this process were an additional \$18,835,000. In conjunction with the acquisition the directors undertook a valuation of the Goonoo properties.

Based upon independent advice a revaluation increment of \$29,664,000 was recognised and a revaluation surplus credited to the asset revaluation reserve.

**5 NON-CURRENT ASSETS (continued)**

Assets with a net book value of \$249,000 (net of livestock) were disposed of by the Consolidated Entity during the half-year ended 30 June 2008 (2007: \$2,304,000), resulting in a loss on disposal of \$96,000 (2007 Gain: \$575,000). During the prior half-year the Consolidated Entity also disposed of its 51% interest in Rural Management Partners (RMP). RMP's results are consolidated in the Income Statement until the date of disposal with the balance attributable to minority interests disclosed separately. As at 30 June 2008 there was no remaining minority interest in the equity of the Consolidated Entity.

**6 INTEREST-BEARING LOANS AND BORROWINGS**

During the half year ended 30 June 2008, there was no net change to the Consolidated Entity's bank borrowings (2007 net change: \$39,400,000).

**7 RELATED PARTY DISCLOSURES**

The following table provides the total amount of transactions that were entered into with related parties for the half-year ended 30 June 2008 and 2007:

<i>Related party</i>		<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Lease payments from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Entities with significant influence over the Group:						
Futuris Corporation	2008	26,954	8,370	-	1,079	1,897
	2007	11,322	8,686	-	2,214	1,808
Nick Burton Taylor, AM (Chairman to 21 May 08) and associated entities	2008	-	141	9	-	-
	2007	-	49	12	-	-

*Terms and conditions of transactions with related parties*

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Lease payments from related parties represent funds received under a livestock lease agreement whereby breeding cattle are leased for a 12-month period. This lease transaction is made both at market prices and on normal commercial terms.

Outstanding balances at half-year end are unsecured, interest free and settlement occurs in cash.

For the half-year ended 30 June 2008, the Consolidated Entity has not made any allowance for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2007: nil).

## 8 ISSUED CAPITAL

	Consolidated	
	30/06/08 \$'000	31/12/07 \$'000
<b>Ordinary shares</b>		
Issued and fully paid	154,490	154,070
	No. of Shares	\$'000
<i>Movements in ordinary shares on issue</i>		
At 1 July 2007	249,741,856	136,174
Issued for cash on exercise of share options	172,964	261
Tax adjustment for rights issue costs	-	42
Dividend reinvestment plan	6,716,375	17,464
Employee share plan	47,988	129
At 31 December 2007	256,679,183	154,070
Issued for cash on exercise of share options	220,238	377
Tax adjustment for rights issue costs	-	43
At 30 June 2008	<b>256,899,421</b>	<b>154,490</b>

## 9 SEGMENT REPORTING

### Business segments

The following table presents the revenue and profit information regarding business segments for the half-year periods ended 30 June 2008 and 30 June 2007.

	Continuing Operations			Total
	Cattle & Farming Operations \$'000	Wholesale Beef \$'000	Other \$'000	
<b>30 June 2008</b>				
Segment revenue	77,750	45,758	-	123,508
Segment result	14,534	1,515	-	16,049
<b>30 June 2007</b>				
Segment revenue	75,563	48,339	876	124,778
Segment result	21,479	(306)	144	21,317

## 10. COMMITMENTS

The Consolidated Entity had contractual obligations to purchase an aeroplane for US\$4,259,789 (AUD\$4,434,970) at 30 June 2008 (2007: US\$4,259,789). This commitment is expected to be settled in December 2008.

The Consolidated Entity had entered into forward purchase contracts for \$7,079,000 worth of grain commodities as at 30 June 2008 (2007: \$9,450,000). The contracts are expected to be settled within 12 months from balance date.

## 11 CONTINGENT ASSETS AND LIABILITIES

At 31 December 2007, the Consolidated Entity reported that it was preparing a claim against a supplier for the supply of a defective product. Subsequently in announcements to the Australian Stock Exchange on 21 May 2008 and 26 May 2008, the Consolidated Entity confirmed that proceedings had been commenced against Elders Limited relating to purchase of product during the period 2002 to 2005. The Consolidated Entity is unable to quantify any potential impact at the date of this report.

## 12 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 30 June 2008 an unfranked dividend of 7.00 cents per share totalling \$17,983,000 was declared by the Directors. The dividend has not been provided for in the 30 June 2008 accounts.

No other material events have occurred subsequent to balance date.

## DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity:
  - (i) give a true and fair view of the financial position as at 30 June 2008 and the performance for the half-year ended on that date of the Consolidated Entity; and
  - (ii) comply 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

A handwritten signature in black ink, appearing to read 'Charles Bright', with a horizontal line underneath it.

Charles Bright  
Chairman (Acting)

Brisbane 12 August 2008



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To the members of Australian Agricultural Company Limited

### Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying 30 June 2008 financial report of Australian Agricultural Company Limited, which comprises the condensed balance sheet as at 30 June 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration, of the consolidated entity comprising the company and the entities it controlled at 30 June 2008 or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the Half-Year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Agricultural Company Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

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**Conclusion**

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

- i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and of its performance for the six months ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in cursive script that reads "M J Hayward".

Mark Hayward  
Partner  
Brisbane  
12 August 2008

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## COMPANY INFORMATION

**Company Secretary**  
Bruce Bennett

**Registered Office**  
**Principal Place of Business**  
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AAco's Website  
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**Share Registry**  
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Brisbane QLD 4000  
Ph: (02) 8280 7454  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

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

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**Bankers**  
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Ground Level  
345 George Street  
Sydney NSW 2000

**Auditors**  
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1 Eagle Street  
Brisbane QLD 4000