Australian Agricultural Company Limited
ABN 15 010 892 270

AACo 2018 Annual Report

22 June 2018

Manager
ASX Market Announcements
Australian Securities Exchange

Attached is the Company's Annual Report for the 12 month period ended 31 March 2018 in the form in which it will be distributed to shareholders of the Company.

This version will be mailed to those shareholders who have elected to receive a printed copy of the Annual Report as at 22 June 2018.

Shareholders who have elected to receive the Annual Report electronically will receive an email on or about 22 June 2018 providing a link to the report on the Company's website.

Issued by:
Bruce Bennett
Company Secretary and General Counsel

Australian Agricultural Company Limited

ABN 15 010 892 270

ANNUAL REPORT 2018

CONTENTS

Annual General Meeting

The Annual General Meeting of Shareholders of the Australian Agricultural Company Limited ("AACo") will be held on Tuesday 31 July 2018 at 10:00am (Brisbane time) at Hall C, Level 1, Brisbane Showgrounds & Royal International Convention Centre (RNA), 600 Gregory Terrace, Bowen Hills, Brisbane, Queensland 4006

CHAIRMAN'S MESSAGE

Dear fellow shareholders,

At Australian Agricultural Company Limited (AACo), we've been passionately perfecting the art of Australian beef since 1824.

What sets us apart is our unique ability to produce luxury branded beef at scale.

It's the combined power of our strategic brand portfolio, integrated supply chain and production expertise that provides us with our strong global competitive advantage. AACo has been building and shaping these assets for generations. They can't be replicated in the short term and are unlikely to be matched in the future. It's this competitive advantage that we have and will continue to invest in.

This journey commenced in 2013 with the decision of the Board to transform AACo into a luxury branded beef business. Since that time, we have made significant progress towards aligning our assets to deliver into that strategy by taking internal control of our supply chain from production to the restaurant.

Reducing our reliance on external supply is a critical part of our ability to deliver our strategy. Controlling our supply chain enables us to regulate costs, ensure the heritage and provenance of our luxury branded products, as well as better understand and anticipate consumer demands and respond accordingly.

We have made some tough decisions within our supply chain that continue our shift away from commoditised beef. This includes our decision to suspend operations at Livingstone Beef, and to improve the profitability of our 1824 supply chain.

It's also why we have appointed Hugh Killen to lead the business, and are backing him to take these decisive actions so the business can focus on executing our luxury branded beef strategy successfully, supported by a value-adding integrated supply chain.

I am pleased to report that over the past year we have continued to make significant progress against our strategy. This Annual Report will provide further insights into the progress that has been achieved, and provide you with the confidence that AACo will continue to grow and strengthen in the future.

The fundamentals are in place, underpinned by our strong, diverse asset portfolio, and AACo is well-positioned to now realise the margin and profit upside that offers.

Combination of assets creates value

We are proud to have stewardship of one of the largest blue-chip portfolios of pastoral assets in some of the best cattle country in the world. This portfolio is spread across a network of stations, helping diversify against climatic conditions while allowing for efficient movement of stock from breeding to backgrounding to finishing.

This is complemented by our herd of over 500,000 premier cattle, bred over generations to thrive in Australian conditions, and includes one of the world's largest herds of Wagyu.

Through our continued investment in innovation and cutting edge genetic technologies, our herd gene pool is continually improving, further driving quality yields and reliability of supply. What this has created is a herd of cattle that can consistently produce beef that meets the highest standards of eating quality, and it is this capability that ultimately uniquely positions AACo to deliver luxury beef at scale to the world.

Most importantly, it's how these assets work together that creates value for our business. We see significant upside in delivering long-term, profitable returns to shareholder through leveraging the power of this unique combination of assets.

Positive underlying business performance

This year's earnings result was impacted by a number of factors. These included increased competition effecting certain parts of our product portfolio, and increased input costs driven by dry weather conditions. Volumes also decreased in line with our strategic decision to move away from a reliance on external supply.

Our operating EBITDA for the 2018 financial year was $13.6 million, compared with $45.0 million in FY17. The result for AACo ex-Livingstone Beef was earnings of $36.0 million, while Livingstone Beef saw an operating EBITDA loss of $22.4 million.

In our core Luxury/Prestige brand segment, sales volumes are now driven almost entirely from our internal supply chain, which has been made possible by our ongoing investment and focus. At the same time, sales are up with improved price per kilo. This is clear evidence of the revenue and margin benefits of these key strategic decisions.

This year, the Company has taken decisive action to stop current operating losses from Livingstone Beef and to simplify the 1824 supply chain. This has had an immediate positive impact on the profitability and cash flow performance of the company, and further advances the company's long-standing strategy of focusing on the production and marketing of high-end branded beef.

Our long-term strategy is the delivery of luxury branded beef at scale to the highest-value customers worldwide, and we have been consistently and steadily working towards that over the past five years. That strategy is working and we are pleased to see the results of that in our initial markets of Singapore and Taiwan, where we are continuing to expand our footprint and reach.

Strongly committed to forward-looking strategy

In recent years, AACo has developed its own unique stable of strategic brands with strong provenance that are market leading in their respective segments.

That strategic direction has positioned the business for ongoing and consistent quality growth and AACo will continue to be disciplined in how it will grow in the future.

Our luxury branded beef strategy is well progressed, and our flagship Westholme and Wylarah brands continue to perform strongly in the markets they are in. AACo enjoys a strong global footprint that offers significant growth opportunities through transitioning to our higher-value brands in markets where we are already established with our heartland brands. These market opportunities will be prioritised and thoroughly evaluated to determine how we should approach these opportunities.

New market launches will be worked out on the basis on robust customer research and analysis, and work continues to profitably expand our footprint.

Balance sheet and finance

One of our significant achievements in FY18 was the completion of refinancing the company's debt facilities. This has ensured our balance sheet remains strong with significant liquidity and there is comfortable headroom within existing facilities. Our gearing ratio is also comfortably within our targeted range.

Board renewal

The Board undertakes a regular review of its performance and of the experience and tenure of its members to ensure it maintains the necessary diverse range of skills and experience required to oversee the strategy and governance of the company in an evolving global market.

To that end, we were pleased to welcome Jessica Rudd as a non-executive director during the year. Her extensive marketing and digital expertise enhances the Board's skills base and brings an added dimension to Board discussions given her generational perspective and deep understanding of markets, especially Asian markets.

Ms Rudd is Founder and Managing Director of Jessica's Suitcase, an online retailer of Australian lifestyle products into China. In 2016 she was appointed Australia and New Zealand Lifestyle Ambassador for Alibaba.

Ms Rudd began her career as a media and intellectual property lawyer, before leaving the profession to work in crisis communications and as a contributor to print and broadcast media. She lived in Beijing for five years where she gained a nuanced knowledge of demand for quality Australian brands.

Looking ahead

AACo is a strong, heritage business with an established presence in high-potential, high-value markets, and we are supported by our own portfolio of world-class assets and market leading brands.

To turn this unique potential into value for shareholders, we will sustain our focus in the year ahead on the continuing growth and evolution of our core business, which is the delivery of luxury branded beef at scale to the highest-value customers worldwide.

We enter the new financial year with good momentum, and we look forward to the coming year with enthusiasm, energy and confidence.

On behalf of the Board, I thank all shareholders for their continued support, and AACo's management team and employees for their ongoing contribution and commitment to the company.

Donald McGauchie AO
Chair

CEO'S MESSAGE

Dear fellow shareholders,

I am proud to have leadership of a company that is unique in the world. No-one else has the ability to produce the highest-quality branded beef at scale, because no-one else has AACo's unique combination of assets that enables us to deliver behind that strategy.

Our strategy is clear. It is to deliver high-quality branded beef to the highest value markets in the world, and to do that at scale.

We deliver this through our integrated supply chain that connects our product to high value, high margin customers around the world. That is what delivers true returns on our assets, and it is where we see significant upside that's yet to be fully realised.

To get this right, however, there is more work to be done.

We need to create a simpler, more productive AACo if we are to deliver premium branded product at scale. Realising this value comes from aligning and activating our assets to work together efficiently.

We will achieve this through:

- Focusing on the parts of our business that generate cash flow and growing the value of our assets
- Driving meat quality and producing yields that deliver superior operating profit margins
- Disciplined allocation of capital to maximise our land, water and herd resources

Getting this right will enable us to realise the best value from what we produce – both beef and cattle – at the optimal moment along the supply chain. It also offers significant efficiencies and immediate upside as we progressively align our assets along our value chain.

That is my focus and that of my management team.

Business performance

The 2018 financial year was one of evolution for AACo. The results for the full year tell an important story for our shareholders.

Most importantly, they show that we are making the tough decisions now that will redirect AACo back toward growth.

At the same time, the results confirm there is a highly profitable business within AACo. AACo continues to present a unique value proposition – we must focus on unlocking that value.

We will achieve that by successfully executing against our long-term strategy, which is our branded beef strategy. That strategy is the right strategy. I'm pleased to report we are making progress against our strategic goals, and we are investing heavily, and prudently, to drive it forward.

Our FY18 financial results were impacted by three key factors:

- The impact of the ongoing operational losses at Livingstone Beef
- A lack of profitability in our Premium brand segment due to its reliance on external service providers in the later stages of the value chain and its exposure to commodity beef price fluctuations
- Pressure from US exports that continued to intensify and resulted in a softening of prices at the more commoditised end of our brand segments

Management has been proactive in implementing prudent yet timely measures that have stopped the losses from Livingstone Beef and our 1824 supply chain, while the strong price performance of our flagship Westholme and Wylarah brands demonstrate the value of our brand strategy in mitigating the impact of pressure from commodity markets.

This decisive action taken by the management team, with the support of the Board, will have an immediate and positive impact on earnings and cash flows.

It underscores the company's commitment to our strategic plan and realising solid, high-quality growth over time. Our strategy is pivotal to our business direction, and will continue to guide our growth, development, capital investments and day-to-day operational decisions.

Livingstone Beef

Aligning and improving our supply chain has allowed us to better assess the true value of our assets, and included a review of Livingstone Beef and its place in our supply chain.

The facility operated at a loss in FY18 and continues to underperform. To put a stop to ongoing operational losses, in May 2018 we announced we would suspend processing operations at Livingstone Beef as soon as practicable.

This was not a decision we have taken lightly, but it is the right one for the business and for shareholders. It means we will stop incurring operating losses at Livingstone Beef before the end of the first half of the 2019 financial year, while enabling us to maintain the value we see in the asset and properly consider other alternatives that may support the realisation of shareholder value.

The facility will be maintained at a level that enables an efficient plant restart, while minimising costs in the meantime.

Operations will continue over the beginning of the first half of the 2019 financial year as we meet our existing commitments, and we are keenly focused on ensuring we are providing all possible support to our staff at Livingstone Beef to assist them through the transition.

Operational efficiency

Ensuring our assets work together efficiently and effectively requires robust financial and capital management, and we are keenly focused on maximising the efficiency and productivity of each of our assets.

That is being achieved by aligning these assets within a coherent supply chain that efficiently connects our brands

CEO'S MESSAGE

to more high margin customers in more places around the world. The tough decisions we've made to improve profitability and cash flow across our supply chain will be instrumental in enabling this, and we have a roadmap in place to align our unique asset mix and pursue sustainable growth.

To that end, our operational review is now complete and the initiatives that have fallen out of this are well underway.

This includes completion of the discovery phase of the Process & Efficiency Review, which has identified material potential ongoing savings. We look forward to providing an update of the implementation of this in November 2018 at our half year results.

Delivering growth

As we've consistently stated, AACo's customer-focus, and brand and marketing strategy, is central to achieving our targeted revenue and earnings growth. A major focus for AACo is to grow our high value customer base and deliver more product through our high price, high margin brands.

Our complete commitment to AACo's branding and marketing strategy is readily understood when the results speak so well for themselves.

Westholme and Wylarah's price performance continues to be strong, and the potential upside is significant. At the same time, our heartland brands enjoy good brand equity in key markets and continue to perform well. We will continue to support these brands in markets where that makes strategic sense as we transition over time towards Westholme and Wylarah.

As we look ahead, we will drive growth and further margin improvement by:

- Investing in our strategic brand portfolio across the luxury, prestige and premium brand segments to deliver improved margin
- Leveraging data insights to deepen our customer understanding and drive sales performance
- Increasing our supply of branded products that meet the needs of our target high-value market segments
- Strengthening partnerships with current and new partners to expand our reach and distribution in target markets, and benefiting from their local knowledge and relationships
- Focused investment in sales and marketing that establishes our Wylarah and Westholme brands as market leaders in prestige beef around the world
- Maintaining our market leadership by leveraging continued customer insights to drive product innovation, and stay ahead of market trends
- Continuing to target select high-value markets with future brand launches.

AACo's branded beef strategy captures the opportunities of the global market, and reduces our exposure to the inherent risks and volatility of traditional commodity markets. Our goal is to build a business that can withstand cyclical demand and commodity price volatility, while at the same time mitigating the impacts of an uncertain climate and production constraints.

Our branded beef strategy will insulate the business from the agricultural cycle, while remaining focused on our core competencies. Our objective is to achieve non-cyclical, high-quality returns and the performance in our initial markets of Singapore and Taiwan shows good progress towards that.

This strategy positions AACo to capture the potential growth made possible by the global consumer trends towards high-value, quality experiences, and has a strong foundation in our own market analysis, supported by extensive customer research and testing.

Our customers

Producing the highest-quality beef at scale allows us to meet the needs of the highest value consumers, more often, in more places around the world.

Our customers are the chefs who buy our product for the ultimate dining experience it offers their guests. They are true connoisseurs who care about more than just marbling, and our luxury and prestige brands are the first in market to be aligned to MSA eating quality standards.

What our chefs know is that high-value customers want high-quality food that reflects their values – they want natural, ethical and sustainable produce, and are willing to pay for it.

We also know the highest value customers are seeking a complete experience, encompassing the quality of the meal, the provenance of the product, and the heritage of its story.

AACo is uniquely placed to meet these rising demands.

The challenge for us to focus on is to continually refine our understanding of our customers and improve the value chains that connects our product to them. This is how we capture more of the premium margins that these high value consumers offer.

Our people

As a management team we need to focus on our people, our customers and how we're running our business if we're to deliver strong financial performance.

Our people and their pastoral expertise is one of our most important assets. Each of our properties is stewarded by families who dedicate their lives to the land and cattle.

At the same time, a great pastoral portfolio needs great business and financial management if it's to return value, and we have made significant progress this year in assembling a team with world-class capabilities to match AACo's traditional operational expertise.

We are pleased to have recently announced two key hires – Nigel Simonsz as CFO and Anna Speer as our new Chief Operating Officer (Pastoral).

CEO'S MESSAGE

Nigel Simonsz has a strong track record of achievement in complex, listed environments, and will be responsible for lifting our financial acumen while ensuring robust, data-driven fiscal management.

Anna Speer joins from AuctionsPlus where she was CEO. She will drive and extend AACo's unique ability to produce the highest-quality beef at scale.

I'm pleased to welcome them both to the AACo leadership team.

Diversity

AACo's business is its people, as it is their expertise and commitment that underpins the strength of the company. We strongly value and encourage diversity in our workforce, and continually invest in increasing the representation of female and Indigenous staff throughout the business.

Female employees currently represent over 35 percent of our workforce and 31 per cent of our managers, and this includes strong female representation at a pastoral level.

We are committed to continuing to improve this gender diversity and supporting women to develop their leadership skills and experience. We also aim to be an employer of choice for women by offering flexible working conditions, providing paid parental leave and clear career advancement opportunities.

Safety

We care about the safety and wellbeing of our people and are committed to actively improving safety. We have a range of policies and mandatory training in place to ensure employees understand their role in ensuring a healthy and safe work environment for all.

We are pleased to report a significant reduction in lost time injuries during the 2018 financial year. In 2018, the Lost Time Injury Frequency Rate (LTIFR) was 8.30 per million hours worked, compared to 16.65 for the previous year.

Our Board and senior management continually monitor the company's safety performance, risk management activities and ongoing improvement of our safety management systems.

Sustainability and corporate social responsibility

As a company, and as individuals, we are passionate about the art of Australian beef, an art we have been honing for almost 200 years. We understand that people care about how the foods they eat are grown and produced.

That's why environmentally and socially sustainable practices are such a crucial part of our ability to deliver the highest-quality beef to the world. This commitment to sustainability is at the core of our values, and will ensure we continue to protect the resources on which our production relies.

AACo recognises and is committed to the important role we and the agricultural industry have to play in ensuring biodiversity and responsible environmental management.

As Australia's oldest continuously-operating company, we have a strong sense of the contribution we can make to the legacy we are leaving for future generations.

We take the custodianship of the land very seriously and are committed to innovative environmental management. We believe quality beef production is dependent on a healthy environment and so our diverse activities are managed with the aim of minimal impact on air, water, land, flora, fauna, and cultural heritage and values.

AACo has a strong commitment to animal welfare, and clear policies in place to ensure best practice in terms of animal husbandry, including adhering to the MLA's 'Australian Animal Welfare Standards for the Land Transport of Livestock' and its 'fit to load' provisions.

We are proud to collaborate with industry, customers and university partners with a view to improving the productivity and sustainability of the Australian beef industry, and will continue to invest time and resources in furthering these important partnerships.

Looking ahead

I am encouraged and excited by what we have achieved over the past year. Our platform for growth is firmly entrenched, and we are well placed to steadily improve our financial performance as we execute our long-term strategy.

Macro conditions were challenging coming into the year, and that looks set to continue. Rainfall was below average overall, with significant variance in conditions between our northern and southern properties, and we are experiencing a significant shortfall against ten-year averages on a number of our properties. Grain prices saw a material step up on 2017, and the dry conditions mean that input costs are likely to rise further in 2019.

Our focus remains firmly fixed on managing factors within our control, and turning challenges into advantages that benefit the overall business.

Over the next 12 months, we will be particularly focused on:

- Maximising the efficiency and productivity of each asset through robust financial and capital management – critical to this is the ongoing operational review of our whole supply chain
- Continued roll out of our targeted brand and marketing strategy
- Clearer accountability for allocation and commitment of capital resources
- Maintaining our robust balance sheet and prudent debt coverage ratios

From these foundations, we see significant potential upside and growth potential. This will come from more consistently capturing price premiums at the high-value end of the market and improving margins across the business; increasing production of the highest-quality branded beef through progressive alignment of our assets; and embedding and maturing improved business

CEO’S MESSAGE

processes across our value chain to drive operating cashflows and overall profitability.

We remain committed to openness and transparency, for our internal team, for our shareholders, for our customers and for the wider market. This means improving the clarity and consistency of the information we capture and that we provide about our financial and business performance, now and into the future. This will enable our progress to be guided and measured by a set of clear goals and metrics.

We anticipate another year of progress and innovation as we continue to focus on improving the performance of the business. We remain focused on delivering sustainable, long-term shareholder returns, and look to the future with excitement and confidence in the upside potential the AACo business has to offer.

On behalf of the dedicated and hard-working AACo team, I thank the Board, our shareholders and all our stakeholders for their ongoing support and commitment.

We look forward to continuing to update you on our progress against our strategy.

Hugh Killen
Managing Director and Chief Executive Officer

DIRECTORS' REPORT

Your Directors submit their report for the year ended 31 March 2018.

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.

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 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), Director of James Hardie Industries plc, 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 Industries plc – resigned August 2016;

> Nufarm Limited* – appointed December 2003; and

> Graincorp Limited* – appointed December 2009.

* Denotes current Directorship

Hugh Killen GMP (Harvard Business School)

Hugh Killen was appointed Managing Director and Chief Executive Officer in February 2018. Prior to this, he held the position of Chief Commercial Officer in a consulting capacity assisting AACo's operations and finance functions.

Hugh is a highly experienced senior executive with over 25 years' experience in global financial markets and has worked in London, New York and Sydney.

Before joining AACo, Hugh spent 15 years at Westpac Institutional Bank. He held several senior executive roles which included managing Westpac Banking Corporation's North American business throughout the global financial crisis, and finally as the Managing Director of Fixed Income, Currency and Commodities.

Hugh has also served as a board member of the Association for Financial Markets Global Foreign Exchange Division, sat on the Reserve Bank of Australia's (RBA) Australian Foreign Exchange Committee. Hugh has represented Australia internationally as the RBA appointed member of the BIS Working Group developing the Global Code of Conduct for foreign exchange markets.

Hugh is an alumni of the Kings School, Parramatta and Harvard Business School and a Member of the Australian Institute of Company Directors. Hugh has a lifelong association with agriculture having being raised on pastoral properties in northern NSW and south-west Queensland, and has retained strong personal involvement in the industry through private investments in farming.

DIRECTORS (continued)

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 and TPI Enterprises Ltd, 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 past 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:

> NetComm Wireless Limited* – appointed March 2013; and
> TPI Enterprises Ltd* – appointed June 2016

*Denotes current Directorship

David Crombie AM, BEcon (UQ)

Mr Crombie was appointed a Director on 5 October 2011. Mr Crombie is a member 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 and Barrack Street Investments Limited. He was a founding Partner and is currently a Non-executive Director of the Palladium Group (formerly GRM International). He is former Commissioner of the Australian Centre for International Agricultural Research (ACIAR) and a Director of Foodbank (QLD). Mr Crombie is a former President of the National Farmers Federation, former Chairman of MLA and a former Director of Grainco Australia, the Meat Industry Council and Export Finance Insurance Corporation.

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 October 2011; and
> Barrack Street Investments Limited* – appointed 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 Chair of the Staff and Remuneration Committee.

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 leading Australian wood fibre exporter, 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.

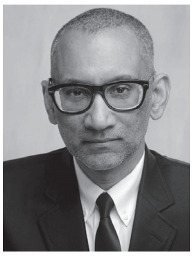
During the past three years Mr Keene has served as a Director of the following listed companies:

> Midway Limited* – appointed August 2008.

* Denotes current Directorship

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (continued)



Dr Shehan Dissanayake Ph.D.

Dr Shehan Dissanayake was appointed a Director on 27 April 2012 and appointed an Executive Director on 11 April 2017. Dr 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 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 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 Dissanayake has not served as a Director of any other listed company.

Anthony Abraham BEc LLB (Accountancy and Law)

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.

Mr Abraham holds a range of continuing non-executive directorships with companies within the Macquarie Group, acts as a consultant to the Clean Energy Finance Corporation and works with ROC Partners, a private equity fund manager where he focused on food and agricultural investments.

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

Neil Reisman JD

Mr Reisman was appointed a Director on 10 May 2016. Mr Reisman is a member of the Audit and Risk Management Committee, the Nomination Committee and a Managing Director and member of the Board of Directors of the Tavistock Group. Since joining the firm in 2004, he has held multiple roles including chairing Tavistock Group's Investment Committee and having the General Counsel and Chief Financial Officer report into him.

Mr Reisman spends most of his time working with portfolio companies within the Tavistock Group. He has more than 30 years of business experience with emphasis on operations, legal, tax and finance. Previously, Mr Reisman worked at various multinational companies, including Arthur Andersen and Amoco Corporation. He received his juris doctor in 1986 from the University of Pennsylvania Law School and his bachelors of science in Accountancy in 1983 from the University of Illinois.

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

> Mirati Therapeutics* – appointed June 2017.

* Denotes current Directorship

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (continued)

Jessica Rudd BCom LLB (Hons)

Ms Rudd was appointed a director on 15 November 2017.

Ms Rudd is founder and chair of Jessica's Suitcase, a Tmall Global store. She launched the fast growing online Australian lifestyle retailer in 2015 when she and her young family returned to Australia after five years living in Beijing. She serves as Alibaba's Australian and New Zealand Lifestyle Ambassador and has worked as a lawyer, in politics and communications. She has written two novels—Campaign Ruby and Ruby Blues—and contributes opinion pieces to newspapers and magazines.

Ms Rudd holds a Bachelor of Laws (Hons)/Bachelor of Commerce from Griffith University and was admitted to the Supreme Court of Queensland as a solicitor in 2007. She was awarded the Griffith University Arts, Education and Law Alumnus of the Year in 2013.

Jason Strong (resigned 11 August 2017)

Mr Strong was appointed Managing Director/Chief Executive Officer on 24 January 2014 and resigned on 11 August 2017.

During the past three years, Mr Strong 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 25 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.

DIRECTORS' REPORT (CONTINUED)

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 the Company were:

CURRENT DIRECTORS	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES	PERFORMANCE RIGHTS
D. McGauchie	1,120,774	Nil	Nil
H. Killen	Nil	Nil	348,236
S. Black	40,000	Nil	Nil
D. Crombie	60,000	Nil	Nil
T. Keene	75,000	Nil	Nil
Dr. S Dissanayake	2,025,000	Nil	Nil
A. Abraham	30,000	Nil	Nil
N. Reisman	45,000	Nil	Nil
J. Rudd	Nil	Nil	Nil

DIVIDENDS AND EARNINGS PER SHARE

EARNINGS PER SHARE	31 MAR 2018 CENTS	31 MAR 2017 CENTS
Basic earnings per share	(17.4)	13.2
Diluted earnings per share	(17.4)	12.5

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

OPERATING AND FINANCIAL REVIEW

About AACo

The Australian Agricultural Company (AACo) is an Australian beef company with a heritage dating back to 1824. AACo is Australia's largest integrated cattle and beef producer, and is the oldest continuously operating company in Australia.

AACo's business activities

AACo owns and operates a strategic balance of properties, feedlots, farms and a processing facility comprising around 6.4 million hectares of land, which equates to roughly 1% of Australia's land mass. AACo specialises in grassfed beef and grainfed beef production. AACo employed 601 employees calculated on a full time equivalent basis as at 31 March 2018 (31 March 2017: 549).

AACo's Business Model

AACo is a fully integrated branded beef business with three principal activities:

> Sales and marketing of high quality branded beef into global markets;

> Ownership, operation and development of pastoral properties; and

> Production of beef including breeding, backgrounding, feedlotting and processing of cattle.

AACo operates an integrated cattle production system across 19 owned cattle stations, 2 leased stations, 7 agisted properties, 2 owned feedlots, a beef processing facility and 2 owned farms located throughout Queensland and the Northern Territory.

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. Despite having the largest cattle herd in the world, AACo produces less than 1% of beef consumed globally. The Company is therefore large enough to obtain production efficiencies but small enough to target key markets and customers.

Key Financial Indicators Used by Management

	31 MAR 2018 $'000	31 MAR 2017 $'000	MOVEMENTS $'000
Meat sales	332,658	383,036	(50,378)
Cattle sales	47,021	63,691	(16,670)
Administration costs	(28,042)	(24,769)	(3,273)
Statutory EBITDA[1]	(35,325)	133,216	(168,541)
Statutory EBIT	(127,967)	116,469	(244,436)
Net (loss)/profit after tax	(102,559)	71,586	(174,145)
Net cash (outflow)/inflow from operating activities	(39,864)	29,260	(69,124)
Operating EBITDA[1]	13,618	45,027	(31,409)

[1] 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. Hence the Company believes that external stakeholders benefit from this metric being reported. Whilst Statutory EBITDA was a loss of $35.3 million in FY18 (gain of $133.2 in FY17), Operating EBITDA was a profit of $13.6 million ($45.0 million in FY17). Operating EBITDA does not include unrealised livestock gains or losses, while Statutory EBITDA does include unrealised livestock gains or losses.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (continued)

Key Operational Indicators Used by Management

Sales and Marketing

In FY18, Luxury/Prestige, Premium and Livingstone beef pricing has continued to improve.

	31 MAR 2018	31 MAR 2017
Luxury/Prestige beef revenue – $ mil	176.9	175.9
Luxury/Prestige beef kgs sold – mil kg CW[1]	12.2	12.5
Luxury/Prestige beef sold – $/kg CW	14.45	14.10
Premium beef revenue – $ mil	63.7	96.9
Premium beef kilograms sold – mil kg CW	6.5	10.4
Premium beef sold – $/kg CW	9.75	9.32
Livingstone beef revenue – $ mil	92.1	110.2
Livingstone beef kgs sold – mil kg CW	21.0	25.4
Livingstone beef sold – $/kg CW	4.39	4.34
Cattle sales – mil kg LW[1]	13.2	18.0
Cattle revenue – $ mil	47.0	63.7

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

Production

Kilograms produced is a measure of the number of kilograms of live weight grown on cattle throughout the breeding, backgrounding and feedlot operations of the Company during the year. Kilograms produced decreased in FY18 mainly as a result of a higher attrition estimate recorded as a result of a refined stock count reconciliation process.

Cost of production is a measure of the operating costs incurred to produce a kilogram of live weight on cattle throughout the breeding, backgrounding and feedlot operations of the Company during the year. The cost of production increased by 10% in FY18 which is largely a reflection of the 4.9 mil kg LW attrition adjustment.

	31 MAR 2018	31 MAR 2017
Kilograms produced – mil kg LW	64.7	70.5
Cost of production – $/kg LW	2.35	2.14

OPERATING AND FINANCIAL REVIEW (continued)

Statutory Financial Results

The FY18 results include a Statutory EBITDA loss of $35.3 million, driven by non-cash market value movements in the value of the closing herd of $71.1 million.

In summary:

> Operating EBITDA of $13.6 million, compared with $45.0 million in FY17;

> Statutory EBITDA loss of $35.3 million, compared with earnings of $133.2 million for FY17;

> Net tangible assets per share was $1.62 as at 31 March 2018, compared to $1.82 as at 31 March 2017;

> Strong balance sheet with significant liquidity, supported by debt refinancing and reduced financing costs;

> Total sales revenue of $379.7 million, compared with $446.7 million in FY17, reflecting lower volumes particularly in our premium brands;

> Negative net operating cash flow of $39.9 million, compared with positive operating cash flow of $29.3 million in FY17; and

> Cost of Production increased 10% compared with FY17 as a result of higher input costs and a one-off attrition write off.

The underlying earnings loss was driven by the cumulative impact of continued investment in building the herd, with a particular focus on quality Wagyu content, leading to a $67.0 million decline in revenue for the 2018 financial year, combined with a higher Australian dollar and increased input costs due to dry weather conditions.

Despite the challenging seasonal conditions, operating expenses were held at comparable levels to the prior comparative period, and there is further potential upside to be achieved through improved focus on higher efficiencies across our supply chain.

The Company benefits from a robust balance sheet, with comfortable headroom remaining within existing bank facilities and capital requirements. Debt re-financing completed in September 2017 have achieved a reduction in the cost of funds and more flexible facility terms.

The balance sheet has been further strengthened by an improvement of 4.5 per cent in the carrying value of our pastoral portfolio (excluding Livingstone). Continuing to maximise the value of our land, water and herd resources through the disciplined allocation of capital will remain a strong focus in the coming year.

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.

Price risks are managed, where possible, through forward sales of branded beef and over-the-counter foreign exchange derivatives.

OPERATING AND FINANCIAL REVIEW (continued)

Net Tangible Assets

The Company's net tangible assets per share was $1.62 as at 31 March 2018, compared to $1.82 as at 31 March 2017. Net tangible assets of the Company includes leasehold land assets.

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 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. 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

On 23 May 2018, the Company announced a decision to suspend processing operations at Livingstone Beef. Please refer to Significant Events After Balance Date.

SIGNIFICANT EVENTS AFTER BALANCE DATE

The Livingstone Beef facility continues to operate at a loss in FY19 YTD. On 23 May 2018, the Company announced a decision to suspend processing operations at Livingstone Beef and mothball the plant until trading conditions improve. This decision follows a Strategic Review performed to assess all available options and determine the optimal path to deliver shareholder value from Livingstone Beef. The Strategic Review included a thorough analysis of the existing Livingstone Beef operations, market environment and outlook, and considered a broad range of potential alternatives. Processing operations at Livingstone Beef will continue over the early part of FY19 as existing employee arrangements, customer commitments and other contractual obligations are met. After this period, AACo will suspend processing operations at Livingstone Beef, and minimise annual maintenance costs while preserving the flexibility to re-start Livingstone Beef operations at a future time should prevailing macro conditions are sufficiently supportive.

DIRECTORS' REPORT (CONTINUED)

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 (Qld)* and administered by the Queensland Department of Agriculture and Fisheries (DAF). 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 2018.
- 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 (Qld)* and the *Water Act 2000 (Qld)*. Regulations specify minimum water flows and heights in the river to allow sufficient environmental flows. Goonoo Station and Wylarah Station have licences to harvest water 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 (Qld)* 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 Company, has constructed and owns and operates the Livingstone Beef 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 (NT) for the storage, treatment, recycling and disposal of waste in connection with the facility.
- The EPL contains stringent and detailed environmental requirements overseen by the Northern Territory Environment 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 Livingstone Beef Processing Facility in October 2014, NABL has experienced some compliance issues under the EPL relating to waste water treatment systems and odour management.

  NABL continues to work on improvements in process and equipment and completed the construction of an extension to the existing waste water treatment system in late 2017. NABL and the NT EPA continue to work together constructively to monitor compliance with the EPL.

SHARE OPTIONS

Unissued Shares

As at the date of this report, there were 1,498,727[1] unissued ordinary shares under options and performance rights.

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 Company issued 160 subordinated convertible notes to an existing shareholder of the Company for $80 million under the AACo Subordinated Notes Deed Poll dated 16 October 2013 (Deed Poll). The notes were unsecured and subordinated to the Company's senior bank debt. The notes were due to expire on 30 September 2023 and the noteholder could elect to cause redemption at the fifth anniversary of the issue date and annually thereafter. The coupon rate was the 6 month BBSW rate plus 0.15% subject to a floor of 3.0% per annum, payable semi-annually in arrears. The noteholder was entitled to convert the notes into ordinary shares in the Company during the period 1 September 2014 until 15 days prior to maturity at $1.1486 per 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.

The noteholder was The AA Trust which is a revocable discretionary trust established in The Bahamas and ultimately controlled by Mr Joseph Lewis, the principal investor and controller of the Tavistock Group.

In April 2017, The AA Trust converted 65 of the Convertible Notes into 28,295,316 ordinary shares at a conversion price of $1.1486 per ordinary share. In October 2017, the AA Trust converted the remaining 36 Convertible Notes into 15,673,981 fully paid ordinary shares at a conversion price of $1.1484 per ordinary share. The conversion price was calculated in accordance with the adjustment mechanisms set out in the Deed Poll.

There are no outstanding Convertible Notes on issue under the Deed Poll.

[1] 1,161,365 of these unissued ordinary shares were calculated based on our best estimates of expected rights to be granted under the Long Term Incentive Plan (defined on page 22)

Shares Issued as a Result of the Exercise of Options

During the financial period and since the end of the financial period, there were no options exercised to acquire shares in the Company.

The Company's Performance Rights Plan has been in place since 2011 and 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 performance rights will remain until such time as they are either exercised or the rights lapse.

There were 87,037 performance rights exercised under the AACo Performance Rights Plan during the year to 31 March 2018.

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.

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement sets out the corporate governance framework adopted by the Board of Australian Agricultural Company Limited. This statement is publically available on the Company's external website: www.aaco.com.au/investors-media/corporate-governance/.

Board Skills Matrix

The aim of the Board Skills Matrix is to set out the mix of skills that the Board currently has and is looking to achieve. It is a summary of the Company's internal assessments of the Board. Information is obtained from a Director review of skills and competencies completed for each Director. This information is summarised into the Board Skills Matrix.

The board recognises that each Director will not necessarily possess experience in all areas relevant to the Company's operations and therefore seeks to ensure that its membership includes an appropriate mix of directors with skills, knowledge and experience in agriculture, other relevant industry sectors, general management and finance. A summary of the Board's skills, knowledge and experience is set out in the table below:

SKILL/KNOWLEDGE/EXPERIENCE	OUT OF 9 DIRECTORS
Leadership and Governance	
Organisational governance	9
Strategy	9
Government relations	8
Previous ASX NED experience	5
Previous ASX CEO experience	1
Operations	
Environment, health and safety	7
Work health and safety committee experience	6
Agribusiness	7
Farmer or producer	3
Innovation	7
Information technology	5
Sectoral Experience	
Livestock	6
Beef manufacturing	3
Sales	4
Branding and marketing	5
Finance, Capital management and risk	
Formal accounting and finance qualifications (CPA or CA)	3
Capital restructuring	6
Audit Committee experience	8
Legal	4
People	
People and culture	9
Remuneration Committee experience	5
Geographic experience	
International markets	8
Asian markets	7
USA markets	6

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 31 March 2018 outlines the remuneration arrangements of the Company 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 Company, 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 Company.

For the purposes of this report, the term 'executive' encompasses the Managing Director/Chief Executive Officer (MD/CEO), senior executives 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

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

(i) Directors

Mr D. McGauchie	Chairman, Non-executive Director	Independent	Appointed 19 May 2010
Mr H. Killen	Managing Director and Chief Executive Officer	Non-Independent[2]	Appointed 1 February 2018
Dr S. Dissanayake	Executive Director[1]	Non-Independent[2]	Appointed 27 April 2012
Mr N. Reisman	Non-executive Director	Non-Independent[2]	Appointed 10 May 2016
Mr A. Abraham	Non-executive Director	Independent	Appointed 7 September 2014
Mr S. Black	Non-executive Director	Independent	Appointed 5 October 2011
Mr D. Crombie	Non-executive Director	Independent	Appointed 5 October 2011
Mr T. Keene	Non-executive Director	Independent	Appointed 5 October 2011
Ms J. Rudd	Non-executive Director	Independent	Appointed 15 November 2017

[1] Dr S. Dissanayake was appointed an Executive Director on 11 April 2017.

(ii) Directors who resigned or retired during the period

Mr J. Strong	Managing Director and Chief Executive Officer	Non-Independent[2]	Resigned effective 11 August 2017

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

Mr J. Strong	Mr J. Strong who retired 11 August 2017 was not considered independent by virtue of his executive office as Managing Director and Chief Executive Officer.
Mr H. Killen	Mr H. Killen who was appointed 1 February 2018 is not considered independent by virtue of his executive office as Managing Director and Chief Executive Officer.
Dr S. Dissanayake	Dr S. Dissanayake is not considered independent as he is an officer of Tavistock Group which controls the AA Trust which is a major 42.48% shareholder of the Company and was appointed an Executive Director on 11 April 2017.
Mr N. Reisman	Mr N. Reisman is not considered independent as he is an officer of Tavistock Group which controls the AA Trust which is a major 42.48% shareholder of the Company.

(iii) Executives

Mr T. McCormack	Chief Operating Officer	Ceased employment 2 April 2018
Mr B. Bennett	Company Secretary/General Counsel	Appointed 20 November 2006
Mr D. FitzGibbon	Head of Strategy & Growth	Appointed 1 June 2017
Mrs S. Grant	Head of People & Culture	Appointed 20 September 2017

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

Mr S. Prebble	Acting Chief Financial Officer	Resigned effective 16 February 2018

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 whilst being 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, medium and long term key performance criteria;

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

> Payment of cash bonus 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;

> Offer participation in the long term incentives (LTI) plan to the MD/CEO and KMP;

> 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%); and

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

REMUNERATION REPORT (AUDITED) (continued)

2. Remuneration at a Glance (continued)

The following table illustrates the structure of the Company's executive remuneration arrangements in 2018:

REMUNERATION COMPONENT	MECHANISM	PURPOSE	LINK TO PERFORMANCE
Total fixed remuneration (TFR)	Comprises base salary, superannuation contributions any 'packaged' benefits including FBT grossed-up on a Total Employment Cost (TEC) basis.	To reward executives with market and 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.
Long Term Incentive (LTI) component	Deferred Equity (Performance rights)	To better align remuneration of the Company's senior executives with the long-term strategic goals of the Company, as well as for retention.	Linked to achievement of the Company's targeted market capitalisation as well as meeting individual service 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[(2)] %	TOTAL TARGETED REWARD (TTR) %
MD/CEO	56	28	14	2	100
Key Management	46-63	23-29	13-15	0-16	100

(1) 50% of cash bonus actually paid

(2) Percentages disclosed are best estimates of the expected value of rights to be granted under the LTI plan

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.

REMUNERATION REPORT (AUDITED) (continued)

2. Remuneration at a Glance (continued)

BoardRoom, Crichton Associates, Guerdon Associates and Allens Linklaters have provided assistance 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;
> Deferred Equity Award (DEA) benefit recommendations for the CEO and senior executives;
> Valuation of Share Based Payments; and
> Long Term Incentive (LTI) Plan implementation.

The independent assistance confirmed that Board and Executive remuneration at the Company were within market expectations and were reasonable at that time. No recommendations have been made by these external parties as a result of the remuneration assistance.

In the year ended 31 March 2018, services provided by BoardRoom, Crichton Associates, Guerdon Associates and Allens Linklaters totalled $174,635 (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, Mr D. McGauchie and Mr T. Keene (Committee Chairman)).

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 high performing Directors and an 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 H. Killen (MD/CEO) (and previously Mr J. Strong) attends certain Staff and Remuneration Committee meetings by invitation but is not present during any discussions relating to his own remuneration arrangements.

Remuneration approval process

The Board is responsible for and approves the remuneration arrangements for the MD/CEO and executives and all awards made under any deferred equity award (DEA) and long term incentive (LTI) plan. The Staff and Remuneration Committee provide recommendations for these remuneration arrangements and obtain independent remuneration advice as necessary. In the case of the MD/CEO, these arrangements are then subject to shareholder approval.

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

The Board oversees the MD/CEO's recommendations for remuneration of senior executives with the assistance of the Staff and Remuneration Committee and independent remuneration advice, where necessary.

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

Voting and comments made at the company's 23 August 2017 Annual General Meeting ('AGM')

The Company received 78% of 'for' votes in relation to its remuneration report for the year-ended 31 March 2017.

An increase to the maximum aggregate annual amount of Directors' fees that may be paid by AACo to all of its non-executive Directors was approved, with 93% 'for' votes in relation to this.

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 AGM held on 23 August 2017, when shareholders approved an aggregate remuneration of $1,250,000 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. Generally directors are not separately remunerated for membership of such subcommittees.

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 Company's overall remuneration philosophy and aligns NEDs with shareholder interests.

The remuneration of NEDs for the years ended 31 March 2018 and 31 March 2017 is detailed in Table 1 on page 27 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 2018, the executive remuneration framework consisted of the following components:

> Fixed remuneration; and
> Variable or 'at risk' STI remuneration including a Cash Bonus, the Deferred Equity Award (DEA); and the Long Term Incentive (LTI).

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 units.

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 27 to 28).

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 STI in the form of a cash bonus that is generally set at a maximum of 30 to 50% of the executive's total fixed remuneration. The STI will be paid within three months of the financial year end on which the executive's performance is being measured.

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 Company 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 DEA 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 DEA to vest (and be exercised).

The Board assesses the performance of the MD/CEO against targets and determines 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 MD/CEO assesses the performance of other senior executives against their targets and determines the actual STI 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 (STI)** CEO: 50% of fixed remuneration Other executives: 30-50% of fixed remuneration **Deferred equity award (DEA)** CEO: 50% of short-term incentive cash bonus Other executives: Generally 50% of short-term incentive cash bonus	
Minimum opportunity	**Short-term incentives (STI)** 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	40%
	Operating cash flow	40%
	Individual performance metrics	20%
Delivery of STI	The STI 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.	

DEAs are provided to the MD/CEO and Senior Executives based on the level of STI earned each year. The last offer under this plan was made on 3 July 2017 and 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 MD/CEO in the current period.

The STI cash bonus for the MD/CEO or any other executive in respect of performance during the year to 31 March 2018 amounts to $nil (31 March 2017: $249,640).

A DEA will not be issued in respect of performance during the year to 31 March 2018. The DEA issued in July 2017 to the MD/CEO and other executives in respect of performance during the year to 31 March 2017 totalled $11,625.

REMUNERATION REPORT (AUDITED) (continued)

5. Executive Remuneration Arrangements (continued)

Long-term incentives

Following an extensive review of its remuneration practises for employees and executives, the Board approved the Company's adoption of a Long Term Incentive (**LTI**) Plan on 9 May 2017 (**LTI Plan Implementation Date**). The LTI Plan better aligns remuneration of the Company's senior executives with the long-term strategic goals of the Company.

The introduction of an LTI Plan is consistent with the Company's objectives for remuneration, which include providing competitive total rewards to attract and retain high calibre senior executives, having a meaningful portion of remuneration "at risk" and, above all, creating value for shareholders.

It is anticipated that performance rights under the LTI Plan will be granted in a number of rounds. The number of performance rights (if any) granted to eligible persons in each grant round and the performance conditions applying to the vesting of those performance rights will be determined at the discretion of the Board.

It is currently contemplated by the Board that there will be four grant rounds in total. The following summary reflects the key features of the first grant round and what is currently contemplated by the Board with respect to subsequent grant rounds:

FEATURE	DESCRIPTION
Timing of grant	Grants of performance rights in a grant round will not be made unless and until the specific 'commencing' market capitalisation of the Company for that grant round is achieved. The commencing market capitalisation of the Company for the first grant round was the market capitalisation of the Company on the LTI Plan Implementation Date.
Performance condition	The performance condition which applies to the vesting of performance rights in a grant round is the achievement of the specific 'target' market capitalisation of the Company during the performance period for that grant round. The performance condition for the first grant round was satisfied on 5 June 2017.
Performance period	The performance period for each grant round is calculated by reference to the target market capitalisation of the Company for that grant round and an assumed annualised growth rate of 20%.
Determination of market capitalisation of the Company for the purposes of the LTI Plan	For the purposes of calculating the market capitalisation of the Company in order to determine if the commencing market capitalisation of the Company or the target market capitalisation of the Company for each grant round has been achieved, the twenty day volume weighted average price (VWAP) of ordinary shares in the capital of the Company will be used.
Vesting period	In respect of each grant round, there is a four-year staggered vesting period for performance rights in that grant round which commences on satisfaction of the performance condition for that grant round.
Number of available performance rights	In each grant round, eligible persons may be offered a percentage of the "Total Available Performance Rights" for that grant round (rounded down to the nearest whole number). In respect of each grant round, the number of "Baseline Shares" will be the number of ordinary shares in the Company acquired on market by the AACo Employee Share Trust in respect of that grant round having an aggregate share acquisition price of $5 million. In respect of each grant round, the number of "Total Available Performance Rights" will be (a) the number of Baseline Shares for that grant round; plus (b) the number of any Total Available Performance Rights for previous grant rounds which, at the time of completion of acquisition of all of the Baseline Shares for that grant round and all previous grant rounds, are not notionally allocated to a previous grant round.

REMUNERATION REPORT (AUDITED) (continued)

5. Executive Remuneration Arrangements (continued)

FEATURE	DESCRIPTION
Lapsing conditions	Holders of performance rights will be entitled to exercise those performance rights if they have vested and have not otherwise lapsed. The circumstances in which performance rights may lapse include non-satisfaction of performance conditions or ceasing employment with the Company group. If the holder of performance rights ceases to be an employee as a result of an "Uncontrollable Event" (e.g. death, permanent disablement, retirement, retrenchment, or such other circumstances which the Board determines is an Uncontrollable Event), any unvested performance rights held by that person are expected to continue to be subject to the requirements for vesting and exercise applying to those performance rights, unless the Board determines that the vesting conditions applying to some or all of those performance rights will be waived or that some or all of those performance rights will lapse.
Change of control event	If a change of control event for the Company occurs, the treatment of any unvested performance rights will be within the discretion of the Board to determine.
On market acquisition of shares	The requirement to deliver shares in the Company upon the vesting and exercise of performance rights under the LTI Plan must be satisfied by way of on market acquisition of shares in the Company.

The applicable commencing market capitalisation of the Company, performance condition and performance period for each contemplated grant round are as set out in the following table:

	COMMENCING MARKET CAPITALISATION OF THE COMPANY	PERFORMANCE CONDITION (TARGETED MARKET CAPITALISATION OF THE COMPANY)	PERFORMANCE PERIOD (CALCULATED USING AN ASSUMED ANNUALISED GROWTH RATE OF 20%)
FIRST GRANT ROUND	The market capitalisation of the Company on the LTI Plan Implementation Date	$1 billion	Within 2 quarters of the LTI Plan Implementation Date (i.e. performance period ends 30 September 2017)
SECOND GRANT ROUND	$1 billion	$1.5 billion	Within 9 quarters of the LTI Plan Implementation Date (i.e. performance period ends 30 June 2019)
THIRD GRANT ROUND	$1.5 billion	$2 billion	Within 16 quarters of the LTI Plan Implementation Date (i.e. performance period ends 30 April 2021)
FOURTH GRANT ROUND	$2 billion	$2.5 billion	Within 22 quarters of the LTI Plan Implementation Date (i.e. performance period ends 30 September 2022)

During the period the total number of shares purchased for the LTI Plan grant rounds one and two was 4,335,859 at an average price per share of $1.59.

The performance condition for the first grant round of targeted market capitalisation of $1 billion was achieved on 5 June 2017. The shares associated to the first grant round are still being purchased and therefore are yet to be issued to the relevant senior executives. Amounts disclosed in this report are best estimates of the value and amount of shares yet to be granted. At 31 March 2018 the fair value of each right expected to be granted under the LTI plan has been estimated at $1.185 and is based on the Company's share price at that date.

REMUNERATION REPORT (AUDITED) (continued)

6. Executive Contractual Arrangements

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below. Company 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 $323,000 and $383,000
Short Term Incentive (STI) Cash Bonus	Maximum opportunity of $300,000 (50% of TFR)	Maximum opportunity between 30 – 50% 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
Long Term Incentive	Subject to Company performance conditions being satisfied and the service conditions being met	Subject to Company performance conditions being satisfied and the service conditions being met
Contract duration	Ongoing	Ongoing

The MD/CEO'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 MD/CEO 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 MD/CEO.

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

FY2018 performance and impact on remuneration

The Company's performance for the 12 months to 31 March 2018 in relation to the metrics for the payment of short term incentives for KMP, being Operating EBITDA and Operating cash flow, were below the Board approved thresholds. As a result, no STI cash bonus payments have been accrued or DEA issued with respect to the 2018 financial year.

REMUNERATION REPORT (AUDITED) (continued)

7. Link Between Remuneration and Performance

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

Statutory performance indicators

The table below shows measures of the Company's financial performance over the last five years. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

MEASURE	2018	2017	2016	2015	2014
Profit/(loss) for the year attributable to owners ($000)	(102,559)	71,586	67,807	9,623	(39,898)
Basic earnings/(loss) per share (cents)	(17.4)	13.2	12.7	1.8	(9.3)
Dividend payments ($000)	0	0	0	0	0
Dividend payout ratio (%)	0	0	0	0	0
Increase/(decrease) in share price (%)	(31%)	28%	(19%)	30%	0%
Operating EBITDA ($000)	13,618	45,027	14,797	(3,591)	165
Operating cash flow ($000)	(39,864)	29,260	21,789	(75,881)	18,451

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 27 to 28.

	FIXED REMUNERATION		AT RISK – STI - CASH		AT RISK –STI – DEA[1]		AT RISK –LTI[2]	
	2018	2017	2018	2017	2018	2017	2018	2017
Directors								
H. Killen	85%	-	0%	-	0%	-	15%	-
Dr S. Dissanayake	100%	100%	0%	0%	0%	0%	0%	0%
Former Directors								
J. Strong [3]	79%	83%	0%	15%	0%	2%	21%	0%
Executives								
T. McCormack[4]	100%	85%	0%	15%	0%	0%	0%	0%
B. Bennett	74%	83%	0%	13%	2%	4%	24%	0%
D. FitzGibbon	84%	-	0%	-	0%	-	16%	-
S. Grant	100%	-	0%	-	0%	-	0%	-
Former Executives								
S. Prebble[5]	100%	91%	0%	8%	0%	1%	0%	0%

[1] Based on the share based payment expense incurred by the Company in relation to a prior year award.

[2] Percentages disclosed are best estimates of the expected value of rights to be granted under the LTI plan.

[3] Mr J. Strong ceased employment with the Company on 11 August 2017.

[4] Mr T. McCormack ceased employment with the Company on 2 April 2018.

[5] Mr S. Prebble ceased employment with the Company on 16 February 2018.

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 27 to 28), 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			
H. Killen[1]	64,110	0%	100%
Former Directors[1]			
J. Strong[2]	168,904	0%	100%
Executives			
T. McCormack[3]	287,438	0%	100%
B. Bennett	253,011	5%	95%
D. FitzGibbon[1]	200,475	0%	100%
S. Grant[1]	98,766	0%	100%
Former Executives[1]			
S. Prebble[4]	100,479	0%	100%

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

[2] Mr J. Strong ceased employment with the Company on 11 August 2017.

[3] Mr T. McCormack ceased employment with the Company on 2 April 2018.

[4] Mr S. Prebble ceased employment with the Company on 16 February 2018.

REMUNERATION REPORT (AUDITED) (continued)

7. Link Between Remuneration and Performance (continued)

Remuneration of Key Management Personnel
Table 1: Directors

DIRECTORS	SHORT TERM			POST-EMPLOYMENT	LONG-TERM BENEFIT	TERMINATION	SHARE BASED PAYMENT		TOTAL
	SALARY & FEES	CASH BONUS (UNDER STI)	NON-MONETARY BENEFITS	SUPERANNUATION	LONG SERVICE LEAVE[1]	BENEFITS	SHORT TERM INCENTIVE (DEA)[2]	PERFORMANCE RIGHTS (LTI)[3]	
	$	$	$	$	$	$	$		$
Non-executive Directors									
D. McGauchie									
31/03/2018	226,045	-	-	21,474	N/A	-	-	-	247,519
31/03/2017	189,280	-	-	17,982	N/A	-	-	-	207,262
S. Black									
31/03/2018	113,284	-	-	10,762	N/A	-	-	-	124,046
31/03/2017	95,304	-	-	9,054	N/A	-	-	-	104,358
D. Crombie									
31/03/2018	118,284	-	-	11,237	N/A	-	-	-	129,521
31/03/2017	101,975	-	-	9,688	N/A	-	-	-	111,663
A. Abraham									
31/03/2018	88,284	-	-	8,387	N/A	-	-	-	96,671
31/03/2017	74,003	-	-	7,030	N/A	-	-	-	81,033
T. Keene									
31/03/2018	128,284	-	-	12,187	N/A	-	-	-	140,471
31/03/2017	108,633	-	-	10,320	N/A	-	-	-	118,953
N. Reisman									
31/03/2018	103,284	-	-	-	N/A	-	-	-	103,284
31/03/2017	73,518	-	-	-	N/A	-	-	-	73,518
J. Rudd[4]									
31/03/2018	37,808	-	-	3,592	N/A	-	-	-	41,400
31/03/2017	-	-	-	-	N/A	-	-	-	-
Executive Directors									
Dr S. Dissanayake[5]									
31/03/2018	224,447	-	-	-	-	-	-	-	224,447
31/03/2017	70,304	-	-	-	-	-	-		70,304
H. Killen[6]									
31/03/2018	100,912	-	-	3,341	-	-	-	18,708	122,961
31/03/2017	-	-	-	-	-	-	-	-	-
Former Executive Directors									
J. Strong[7]									
31/03/2018	535,136	-	-	21,102	-	-	-	113,481	669,719
31/03/2017	618,306	118,500	-	31,767	-	-	18,483	-	787,056
Total Remuneration: Directors									
31/03/2018	1,675,768	-	-	92,082	-	-	-	132,189	1,900,039
31/03/2017	1,331,323	118,500	-	85,841	-	-	18,483	-	1,554,147

(1) Long service leave balances are only accrued from 5 years' service onwards, and this is not applicable to the directors.

(2) The STI expense amounts to the value expensed by the Company for the period.

(3) The LTI expense is based on estimates of the expected value of rights to be granted under the LTI plan.

(4) Ms J. Rudd was appointed a Non-executive Director on 15 November 2017.

(5) Dr S. Dissanayake was appointed as an Executive Director on 11 April 2017.

(6) Mr H. Killen was appointed Managing Director and Chief Executive Officer on 1 February 2018.

(7) Mr J. Strong ceased employment with the Company on 11 August 2017.

REMUNERATION REPORT (AUDITED) (continued)

7. Link Between Remuneration and Performance (continued)

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

	SHORT TERM			POST-EMPLOYMENT	LONG-TERM BENEFIT	TERMINATION	SHARE BASED PAYMENT		
	SALARY & FEES	CASH BONUS (UNDER STI)	NON-MONETARY BENEFITS	SUPERANNUATION	LONG SERVICE LEAVE	BENEFITS	SHORT TERM INCENTIVE (DEA)[5]	PERFORMANCE RIGHTS (LTI)[6]	TOTAL
EXECUTIVES	$	$	$	$	$	$	$		$
Other KMP									
B. Bennett									
31/03/2018	292,088	-	-	19,940	16,094	-	11,625	105,411	445,158
31/03/2017	291,275	49,996	-	19,539	5,477	-	16,135	-	382,422
D. FitzGibbon[1]									
31/03/2018	250,249	-	3,500	23,355	-	-	-	52,705	329,809
31/03/2017	-	-	-	-	-	-	-	-	-
S. Grant[2]									
31/03/2018	172,705	-	2,275	15,127	-	-	-	-	190,107
31/03/2017	-	-	-	-	-	-	-	-	-
T. McCormack[3]									
31/03/2018	356,519	-	4,200	39,818	-	270,749	-	-	671,285
31/03/2017	370,032	75,692	4,200	39,751	-	-	-	-	489,675
Former Other KMP									
S. Prebble[4]									
31/03/2018	248,738	-	-	18,804	-	-	-	-	267,542
31/03/2017	60,936	5,452	-	4,642	-	-	911	-	71,941
Total Remuneration: Other KMP									
31/03/2018	1,320,299	-	9,975	117,044	16,094	270,749	11,625	158,116	1,903,902
31/03/2017	722,244	131,140	4,200	63,931	5,477	-	17,046	-	944,038

(1) Mr D. FitzGibbon was appointed Head of Strategy & Growth on 1 June 2017 and became a member of KMP on the same date.

(2) Mrs S. Grant was appointed Head of People & Culture on 20 September 2017 and became a member of KMP on the same date.

(3) Mr T. McCormack ceased employment with the Company on 2 April 2018.

(4) Mr S. Prebble ceased employment with the Company on 16 February 2018.

(5) The STI expense amounts to the value expensed by the Company for the period.

(6) The LTI expense is based on estimates of the expected value of rights to be granted under the LTI plan.

REMUNERATION REPORT (AUDITED) (continued)

8. Equity Instrument Disclosures

1,161,365 performance rights under the LTI plan and 37,362 DEA performance rights were granted during the twelve months to 31 March 2018 (31 March 2017: nil).

No shares were issued to key management personnel during the year-ended 31 March 2018 (31 March 2017: nil).

Rights to shares

The fair value of 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 (where appplicable, i.e. 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 F6 Share-Based Payments.

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:

2018	YEAR GRANTED	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERATION (1)	EXERCISED DURING THE YEAR	NET CHANGE OTHER(2)	BALANCE AT END OF PERIOD	NOT VESTED AND NOT EXERCISABLE	VESTED AND EXERCISABLE (3)	VALUE YET TO VEST(4)
		NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	$
Executives									
H. Killen(5)	2018	-	348,236	-	-	348,236	348,236	-	412,659
T. McCormack(6)	-	-	-	-	-	-	-	-	-
B. Bennett	2015, 2018	26,268	367,659	26,268	-	367,659	367,659	-	447,718
D. FitzGibbon	-	-	174,118	-	-	174,118	174,118	-	206,330
S. Grant	-	-	-	-	-	-	-	-	-
Former Executives									
J. Strong(7)	2015, 2018	30,091	130,120	30,091	(130,120)	-	-	-	-
S. Prebble(8)	-	-	-	-	-	-	-	-	-

(1) The rights granted during 2018 include rights under the LTI plan, which are based on best estimates of the expected number of rights to be granted.

(2) Includes forfeitures, and the removal from the table of options and rights for key management personnel who have resigned during the period.

(3) Includes LTI rights which have vested due to conditions being met, but not yet issued as the shares associated to the first grant round are still being purchased Amounts disclosed in this report are best estimates of the value and amount of shares yet to be granted.

(4) The maximum value of the deferred shares yet to vest has been determined based on the share price of the company at 31 March 2018. The minimum value of deferred shares yet to vest is nil, as the shares will be forfeited if the vesting conditions are not met.

(5) Performance rights awarded to Mr H. Killen were granted prior to his appointment as KMP.

(6) Mr T. McCormack ceased employment with the Company on 2 April 2018.

(7) Mr J. Strong ceased employment with the Company on 11 August 2017.

(8) Mr S. Prebble ceased employment with the Company on 16 February 2018.

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 shareholdings of key management personnel, including their personally related parties, in the Company for the period.

2018	BALANCE AT BEGINNING OF PERIOD NUMBER	GRANTED AS REMUNERATION NUMBER	EXERCISE OF OPTIONS/RIGHTS NUMBER	NET CHANGE OTHER NUMBER	BALANCE AT END OF PERIOD NUMBER
Directors					
D. McGauchie	1,120,774	-	-	-	1,120,774
H. Killen	-	-	-	-	-
S. Black	40,000	-	-	-	40,000
D. Crombie	60,000	-	-	-	60,000
T. Keene	75,000	-	-	-	75,000
A. Abraham	20,000	-	-	10,000	30,000
Dr S. Dissanayake	2,025,000	-	-	-	2,025,000
N. Reisman	-	-	-	45,000	45,000
J. Rudd	-	-	-	-	-
Former Directors					
J. Strong	148,587	-	30,091	(178,678)	-
Executives					
B. Bennett	70,874	-	26,268	-	97,142
T. McCormack[1]	-	-	-	-	-
D. FitzGibbon	-	-	-	-	-
S. Grant	-	-	-	-	-
Former Executives					
S. Prebble	-	-	-	-	-
Total	**3,560,235**	**-**	**56,359**	**(123,678)**	**3,492,916**

[1] Mr T. McCormack ceased employment with the Company on 2 April 2018.

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 2018 (31 March 2017: nil), nor have there been any transactions that would be considered 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 2018 (31 March 2017: nil).

DIRECTORS' MEETINGS

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

	DIRECTORS' MEETINGS		AUDIT & RISK MANAGEMENT COMMITTEE		STAFF & REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
	A	B	A	B	A	B	A	B
Mr. D McGauchie	7	7	*	8	5	5	1	1
Mr. H. Killen¥	1	1	*	1	*	1	*	*
Mr. T Keene	7	7	8	8	5	5	1	1
Mr. D Crombie	7	6	8	5	5	4	1	1
Mr. S Black	7	7	8	8	*	5	1	1
Dr S. Dissanayake	7	7	*	4	*	5	*	1
Mr. A Abraham	7	7	*	8	*	5	1	1
Mr. N Reisman	7	6	8	8	*	4	1	1
Ms. J Judd	1	1	*	1	*	1	*	*
Mr. J Strong**	4	4	*	3	*	2	*	1

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

B = Number of meetings attended

* Not a member of the relevant committee

¥ Mr. Killen is invited to all Committee meetings but as an executive is not a member of those Committees

** Mr. Strong resigned on 11 August 2017.

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

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.

AUDITOR INDEPENDENCE

We have obtained the following independence declaration from our auditors 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 audit of Australian Agricultural Company Limited for the financial year ended 31 March 2018 there have been:

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

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

KPMG

KPMG

Simon Crane
Partner

Brisbane
23 May 2018

NON AUDIT SERVICES

The following non-audit services were provided by the entity's lead auditor, KPMG. 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 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. The lead auditor received or are due to receive the following amounts for the provision of non-audit services:

	31 MAR 2018 $	31 MAR 2017 $
Due dilligence services	15,840	9,500
	15,840	9,500

Signed in accordance with a resolution of the Directors

Donald McGauchie
Chairman

Sydney
23 May 2018

Hugh Killen
Managing Director

Sydney
23 May 2018

CONSOLIDATED FINANCIAL STATEMENTS

Index

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

For the year ended 31 March 2018

	NOTE	31 MAR 2018 $000	31 MAR 2017 $000
Revenue			
Meat sales		332,658	383,036
Live cattle sales		47,021	63,691
		379,679	446,727
Cattle fair value adjustments	A3	162,971	300,026
		542,650	746,753
Cost of meat sold		(317,425)	(343,645)
Cost of live cattle sold		(45,589)	(61,604)
Cattle expenses		(102,788)	(99,753)
Gross operating margin	A2	76,848	241,751
Other income	F3	2,822	4,722
Expenses			
Employee expenses	F3	(54,080)	(53,079)
Administration costs		(28,042)	(24,769)
Other operating costs		(27,059)	(28,681)
Property costs		(5,814)	(6,728)
Loss on equity investments		(303)	-
Depreciation and amortisation		(17,394)	(19,032)
Impairment	A1	(69,502)	-
Onerous contract (impairment related to Livingstone)	A1	(5,443)	-
Change in fair value of property	A4	-	2,285
(Loss)/Profit before finance costs and income tax		(127,967)	116,469
Finance costs	F3	(17,418)	(20,170)
(Loss)/Profit before income tax		(145,385)	96,299
Income tax benefit/(expense)	F2	42,826	(24,713)
Net (loss)/profit after tax		(102,559)	71,586

EARNINGS PER SHARE FOR (LOSS)/PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT		CENTS	CENTS
Basic (loss)/earnings per share	C5	(17.4)	13.2
Diluted (loss)/earnings per share	C5	(17.4)	12.5

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 2018

	NOTE	31 MAR 2018 $000	31 MAR 2017 $000
(Loss)/Profit for the year		(102,559)	71,586
Other comprehensive income			
Items not to be reclassified to profit or loss:			
Fair value revaluation of land and buildings, net of tax	F4	18,421	29,421
Items to be reclassified subsequently to profit or loss:			
Changes in the fair value of cash flow hedges, net of tax	F4	2,155	1,058
Other comprehensive income for the year, net of tax		20,576	30,479
Total comprehensive (loss)/income for the year, net of tax		(81,983)	102,065

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 2018

	NOTE	31 MAR 2018 $000	31 MAR 2017 $000
Current Assets			
Cash	B1	11,218	42,533
Trade and other receivables	B4	20,515	14,091
Inventories and consumables	B3	35,068	28,574
Livestock	A3	259,104	269,850
Derivatives	C2	-	73
Other assets		696	1,406
Total Current Assets		326,601	356,527
Non-Current Assets			
Livestock	A3	369,182	392,632
Property, plant and equipment	A4	753,777	792,373
Intangible assets		2,840	3,024
Investments		2,897	1,099
Total Non-Current Assets		1,128,696	1,189,128
Total Assets		1,455,297	1,545,655
Current Liabilities			
Trade and other payables	B5	27,525	31,242
Provisions		3,445	3,727
Borrowings	C1	3,025	3,691
Derivatives	C2	457	6,186
Total Current Liabilities		34,452	44,846
Non-Current Liabilities			
Provisions		5,215	1,977
Borrowings	C1	353,363	362,918
Deferred tax liabilities	F2	84,747	118,171
Total Non-Current Liabilities		443,325	483,066
Total Liabilities		477,777	527,912
Net Assets		977,520	1,017,743
Equity			
Contributed equity	C3	531,937	490,713
Reserves	F4	417,718	396,606
Retained earnings/(losses)		27,865	130,424
Total Equity		977,520	1,017,743

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

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	CONTRIBUTED EQUITY (NOTE C3) $000	RESERVES (NOTE F4) $000	RETAINED EARNINGS/ (LOSSES) $000	TOTAL EQUITY $000
At 1 April 2016	461,213	366,085	58,838	886,136
Profit for the year	-	-	71,586	71,586
Other comprehensive income	-	30,479	-	30,479
Total comprehensive income for the year	-	30,479	71,586	102,065
Transactions with owners in their capacity as owners:				
Issue of share capital, net of transaction costs	29,500	-	-	29,500
Treasury shares acquired	-	-	-	-
Cost of share-based payment	-	42	-	42
At 31 March 2017	490,713	396,606	130,424	1,017,743
At 1 April 2017	490,713	396,606	130,424	1,017,743
Loss for the year	-	-	(102,559)	(102,559)
Other comprehensive income	-	20,576	-	20,576
Total comprehensive loss for the year	-	20,576	(102,559)	(81,983)
Transactions with owners in their capacity as owners:				
Issue of share capital, net of transaction costs	48,109	-	-	48,109
Treasury shares acquired	(6,885)	-	-	(6,885)
Cost of share-based payment	-	536	-	536
At 31 March 2018	531,937	417,718	27,865	977,520

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

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	NOTE	31 MAR 2018 $000	31 MAR 2017 $000
Cash flows from operating activities			
Receipts from customers		376,013	499,860
Payments to suppliers, employees and others		(395,558)	(452,189)
Interest received		144	100
Net operating cash (outflow)/inflow before interest and finance costs		(19,401)	47,771
Payment of interest and finance costs		(20,463)	(18,511)
Net cash (outflow)/inflow from operating activities	B2	(39,864)	29,260
Cash flows from investing activities			
Payments for property, plant and equipment and other assets		(19,720)	(28,644)
Proceeds from sale of property, plant and equipment		380	258
Investments in associates		(2,100)	-
Net cash outflows from investing activities		(21,440)	(28,386)
Cash flows from financing activities			
Proceeds from borrowings net of transaction costs		41,874	52,000
Repayment of borrowings		(5,000)	(25,000)
Acquisition of treasury shares		(6,885)	-
Net cash inflow from financing activities		29,989	27,000
Net (decrease)/increase in cash		(31,315)	27,874
Cash at the beginning of the year		42,533	14,659
Cash at the end of the year	B1	11,218	42,533

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

INDEX – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A FINANCIAL PERFORMANCE

A1 Significant matters

Safety

In FY18, AACo continued the improvement on previous years' health and safety performance with a further 47% reduction in the Lost Time Injury Frequency Rate (LTIFR). This was largely driven by an ongoing focus on operational leadership, skills training, and the continued development of a strong safety culture.

Property Revaluation

The Company recorded a $26.3 million increase in the value of the Company's property portfolio following a directors' assessment of fair value at 31 March 2018. In assessing fair value the directors utilised information provided by an independent valuation performed by CBRE during FY18. The revaluation reflects value increases resulting from increased activity and sale prices for recent property sales in Northern Australia, as well as capital investments made to our properties.

Herd Profile

The closing herd size increased by 2.5% or 13.6 thousand head (5.9 mil kg LW) in FY18. This included an 11 thousand head attrition adjustment. The Company's ability to estimate attrition has improved due to the ongoing investment in individual animal identification systems. The closing herd position was also impacted by lower cattle purchases.

Herd Valuation

Market value adjustments arising from market price changes to the herd values at the close of the period, resulted in an unrealised cattle price loss of $71.1 million driven by a decrease in cattle market prices.

Livingstone Impairment

At 31 March 2018, AACo had $104.8 million of property, plant and equipment and $4.9 million of working capital on the balance sheet relating to Livingstone Beef. Livingstone Beef is considered to be a single Cash-generating Unit (CGU).

During the period, the CGU experienced adverse market conditions due to high cattle procurement costs and a lower than average meat sales demand. As indicators of impairment existed, the Company tested the CGU for impairment. The recoverable amount of the CGU was calculated to be $40.2 million, which was lower than the carrying value by $69.5 million. The Company therefore recognised an impairment loss of $69.5 million with respect to buildings, improvements, plant and equipment, and decreased the carrying value of these assets by this amount. There was an additional $5.4 million impairment provision recorded for an onerous contract in relation to Livingstone Beef. Refer to note F1 for further information.

A2 Operating margin

Operating margin represents value added through the production chain. Margin is achieved through sales of meat products and live cattle, as well as cattle production (pastoral and feedlot).

	NOTE	31 MAR 2018 $000	31 MAR 2017 $000
Meat sales			
Sales		332,658	383,036
Cost of meat sold[1]		(317,425)	(343,645)
Operating margin		15,233	39,391
Live cattle sales			
Sales		47,021	63,691
Cost of cattle sold[2]		(45,589)	(61,604)
Operating margin		1,432	2,087
Cattle production			
Fair value adjustments	A3	162,971	300,026
Cattle expenses		(47,897)	(61,768)
Feedlot expenses		(54,891)	(37,985)
Operating margin		60,183	200,273
Gross operating margin		**76,848**	**241,751**

(1) This includes the transfer of cattle at the applicable fair value at the time they leave the property gate en-route to a processing plant.

(2) This represents the fair value of the cattle at the time of live sale. At that time the cost of cattle sold equates to the recorded fair value less costs to sell and hence margin apart from selling costs is earned through the cattle production process.

Refer to note A3 for financial information and accounting policies related to Livestock.

A3 Livestock

CATTLE AT FAIR VALUE	31 MAR 2018 $000	31 MAR 2018 HEAD	31 MAR 2017 $000	31 MAR 2017 HEAD
Current	259,104	183,394	269,850	163,872
Non-current	369,182	379,075	392,632	384,976
Total livestock	628,286	562,469	662,482	548,848

LIVESTOCK MOVEMENT	31 MAR 2018 $000	31 MAR 2017 $000
Opening carrying amount	662,482	563,248
Changes in fair value	162,971	300,026
Purchases of livestock	103,254	118,825
External sale of livestock less selling expenses	(45,589)	(61,604)
Transfers for meat sales	(254,832)	(258,013)
Closing carrying amount	628,286	662,482

CATTLE FAIR VALUE ADJUSTMENTS	31 MAR 2018 $000	31 MAR 2017 $000
Market value movements[1]	(71,145)	80,824
Biological transformation[2]	157,976	137,840
Natural increase	106,072	100,878
Attrition	(29,571)	(19,459)
Other	(361)	(57)
Total cattle fair value adjustments	162,971	300,026

[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 a trading animal and then as it ages. All these changes occur and are measured before the ultimate sale (cash realisation).

Accounting Policies – Livestock

Livestock is 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 livestock 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 the Company has access to different markets, 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 is used in determining fair value in the below order:

> 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 us, 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 cashflows from the asset discounted at a current market determined rate may be used in determining fair value.

A3 Livestock (continued)

Livestock fair value

At the end of each reporting period, we measure livestock at fair value. The fair value is determined through price movements, natural increase and the weight of the herd.

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

> The difference between the total fair value of livestock recognised at the beginning of the financial year and the total fair 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).

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 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 Price Inputs – are inputs for the asset or liability that are not based on observable market data (unobservable inputs).

FAIR VALUE INPUT	CATTLE TYPE	31 MAR 2018 $000	31 MAR 2018 HEAD	31 MAR 2017 $000	31 MAR 2017 HEAD
Level 1	None	-	-	-	-
Level 2	Commercial & stud breeding herd	328,595	290,659	348,302	284,016
Level 2	Trading cattle	146,462	140,235	142,227	117,368
Level 2	Unbranded calves	36,021	86,716	40,826	99,898
Level 3	Feedlot cattle	117,208	44,859	131,127	47,566
		628,286	562,469	662,482	548,848
Average value per head			$1,117		$1,207

TYPE	LEVEL	VALUATION METHOD
Commercial & stud breeding herd	2	The value of these cattle (comprising principally females and breeding bulls) is determined by independent valuation with reference to prices received from representative sales of breeding cattle similar to the Company's herd. Prices for these cattle generally reflect a longer term view of the cattle market. Independent valuations were undertaken by Elders Limited. In performing the valuation, consideration is given to the class, age, quality and location of the herd. Direct comparisons are made to recent sales evidence in relevant cattle markets.
Trading cattle	2	Relevant market indicators used include Roma store cattle prices, MLA over-the hook market indicators, and cattle prices received/quoted for the Company'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. Live export cattle (Victoria River Group, Anthony Lagoon & Darwin Group) are valued based on market quotes available at each reporting date. Wagyu trading cattle are valued on the basis of independent valuation by Elders Limited. In performing the valuation, consideration is given to class, age, quality, genetics, recent comparable sales evidence and current market conditions for Crossbred Wagyu cattle.
Unbranded calves	2	The value of unbranded calves is determined with reference to Roma store calf prices at the Company's reporting date. The number of calves is determined by applying the percentage of branding assessed each year to the number of productive cows and the results of pregnancy testing.
Feedlot cattle	3	Feedlot cattle are valued internally by the Company 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 and average daily gain of weight. The average daily gain of weight is in the range of 0.7kgs to 1.9kgs. 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.

A3 Livestock (continued)

UNBRANDED CALVES	31 MAR 2018 $000	31 MAR 2018 HEAD	31 MAR 2017 $000	31 MAR 2017 HEAD
Calf accrual opening	40,826	99,898	33,862	82,559
Movement[1]	(4,805)	(13,182)	7,112	17,339
Fair value adjustments	-	-	(148)	-
Calf accrual closing	36,021	86,716	40,826	99,898
Average value per head		$415		$409

[1] Unbranded calves are assessed at each reporting date based on information available at the time. The Company does not track individual calves until such time as they have been branded and recorded in the livestock management system.

FEEDLOT CATTLE	31 MAR 2018 $000	31 MAR 2018 HEAD	31 MAR 2017 $000	31 MAR 2017 HEAD
Opening values	131,126	47,566	100,521	48,185
Inductions	152,151	67,136	149,219	82,143
Sales	(181,508)	(69,492)	(181,416)	(82,238)
Attritions & rations	(1,015)	(351)	(1,205)	(524)
Fair value adjustments recognised	16,454	-	64,007	-
Closing values	117,208	44,859	131,126	47,566
Average value per head		$2,613		$2,757

A4 Property

PROPERTY PLANT AND EQUIPMENT	NOTE	31 MAR 2018 $000	31 MAR 2017 $000
Pastoral property and improvements at fair value		698,207	667,860
Industrial property and improvements at cost	F1	31,443	77,516
Plant and equipment at cost	F1	22,602	40,562
Capital work in progress	F1	1,525	6,435
Total property, plant and equipment		753,777	792,373

Pastoral property and improvements at fair value

31 MAR 2018	FREEHOLD LAND $000	PASTORAL LEASES $000	BUILDINGS AND IMPROVEMENTS $000	TOTAL $000
Opening balance	69,403	497,547	100,910	667,860
Additions	1,906	-	6,993	8,899
Disposals	-	-	-	-
Net revaluation increment/(decrement) recognised in the Income Statement	-	-	-	-
Net revaluation increment/(decrement) recognised in asset revaluation reserve	8,896	17,419	-	26,315
Depreciation	-	-	(4,867)	(4,867)
Closing balance	80,205	514,966	103,036	698,207

31 MAR 2017	FREEHOLD LAND $000	PASTORAL LEASES $000	BUILDINGS AND IMPROVEMENTS $000	TOTAL $000
Opening balance	65,519	457,116	92,465	615,100
Additions	-	-	13,137	13,137
Disposals	-	-	(2)	(2)
Net revaluation increment/(decrement) recognised in the Income Statement	18	2,267	-	2,285
Net revaluation increment/(decrement) recognised in asset revaluation reserve	3,866	38,164	-	42,030
Depreciation	-	-	(4,690)	(4,690)
Closing balance	69,403	497,547	100,910	667,860

Accounting policies – Property and improvements at fair value

Property and improvements, with the exception of industrial 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 the income statement. Any revaluation decrement is recognised in the Income Statement unless it directly offsets a previous increment of the same asset in the asset revaluation reserve. In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal 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.

Refer to note F1 and note G3 for the financial information and accounting policies as they relate to property, plant and equipment at cost respectively.

A4 Property (continued)

Fair value

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.

The following valuation techniques and key inputs are used for the level 3 (there are no level 1 and level 2) property and improvement valuations:

31 MAR 2018 $000	31 MAR 2017 $000	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	31 MAR 2018 RANGE/ (AVERAGE)	31 MAR 2017 RANGE/ (AVERAGE)
604,507	580,000	Direct Comparison (Productive Unit Approach)	Number of adult equivalents	5,350 - 81,500 24,585	5,350 - 80,200 24,332
			Dollar per adult equivalents	$1,000 - $4,505 $1,644	$1,000 - $4,000 $1,384
			Number of properties	18	17
60,600	56,860	Direct Comparison (Hectare Rate Approach)	Dollar per hectare	$973 $973	$951 $951
			Number of properties	1	1
33,100	31,000	Direct Comparison (Hectare Rate and Standard Cattle Unit Approach)	Dollar per hectare	$3,467 - $3,518 $3,493	$3,127 - $3,413 $3,270
			Standard cattle units	16,000 - 17,400 16,700	16,000 - 20,000 18,000
			Number of properties	2	2

An independent valuation was performed by valuers CBRE to determine the fair value using the market based direct comparison method. One of three direct comparison method techniques were utilised, being either a Productive Unit Approach, Hectare Rate Approach or a Summation Approach using Standard Cattle Units and Hectare Rate. 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 property and improvements being valued. From the sales analysed, an appropriate rate per adult equivalent or hectare has been applied to the subject property and improvements. The effective date of the valuation is 31 March 2018.

Under the Productive Unit Approach a dollar per Adult Equivalent is adopted inclusive of all structures. This method takes into consideration the type and mix of land types, rainfall, extent of water, fencing and structural improvements, carrying capacity and potential and location to markets and services. An external expert, Dr Steve Petty of Spekrum, was engaged during FY18 as part of the valuation process to perform an independent assessment of adult equivalent carrying capacity using a consistent methodology based on scientific analysis of grazing distribution, land system analysis, station and paddock stocking history and published data for the relevant regions.

Under the Hectare Rate Approach a range of dollar per hectare rates are applied to land components exclusive of all structures. This method takes into consideration the land type composition of the property and therefore the proportion of land that lies outside the watered area and its potential or lack thereof. The basis of assessment is direct comparison with sales evidence on an analysed hectare rate, excluding structures. The improved market value is determined from the summation of land with the added value of structures, such as residences, sheds and yards.

The Hectare Rate and Standard Cattle Unit Approach applies the same principles as the Hectare Rate Approach but includes a dollar per Standard Cattle Unit rate which is applied to feedlot infrastructure. The basis of assessment is direct comparison with sales evidence on an analysed Standard Cattle Unit rate. The improved market value is determined from the summation of land and feedlot infrastructure with the added value of structures, such as residences, sheds and yards. The derived valuation amount for the buildings and yards is obtained from analysis of comparable sales evidence.

Significant increases (decreases) in any of the significant unobservable valuation inputs under the Productive Unit Approach, Hectare Rate Approach or Hectare Rate and Standard Cattle Units 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.

A4 Property (continued)

Deemed Cost

If freehold land, pastoral leases, buildings and improvements were measured using the deemed cost model (the fair value of the assets in 2005 plus subsequent acquisitions at cost) the carrying amounts would be as follows:

	31 MAR 2018 $000	31 MAR 2017 $000
Deemed cost	329,312	322,319
Accumulated depreciation	(52,411)	(47,544)
Net carrying amount	276,901	274,775

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 rolling 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.

A5 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

The change in segments in the current reporting period reflects the change in company strategy following the appointment of a new MD/CEO. Following this appointment a new operational structure was introduced. Under the new internal reporting framework, the financial results of the Livingstone processing plant are disclosed seperately in monthly management reports from the rest of the Company. This results in the following operating segments:

> Livingstone Beef processing plant; and

> AACo excluding Livingstone.

To get to a final segment result, the above two segments results include a corporate overheads expense allocation.

Accounting policies and inter-segment transactions

The accounting policies used in reporting segments are the same as those contained in note G3 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.

Operating EBITDA is the key indicator 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. Operating EBITDA 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 inventory at market value with the movement in inventory at standard cost.

The following table presents the revenue and profit information regarding operating segments (incorporating a reconciliation of Operating EBITDA to Statutory NPAT) for the twelve months to 31 March 2018 and 31 March 2017. Segment assets and libilities are not reported to the MD/CEO and therefore segment assets and liabilities are not separately disclosed.

A5 Segment information (continued)

31 MAR 2018	AACO EX LIVINGSTONE $'000	LIVINGSTONE BEEF $'000	ELIMINATIONS $'000	TOTAL $'000
Segment revenue	341,754	92,055	(54,130)	379,679
Inter-segment revenue	(54,130)	-	54,130	-
Revenue from external customers	287,624	92,055	-	379,679
Operating EBITDA	**36,048**	**(22,430)**	**-**	**13,618**
Difference between movement of inventory at standard cost versus market value	(48,943)	-	-	(48,943)
Statutory EBITDA	**(12,895)**	**(22,430)**	**-**	**(35,325)**
Depreciation and amortisation	(11,647)	(5,747)	-	(17,394)
Impairment	-	(69,502)	-	(69,502)
Onerous contract (impairment related to Livingstone)	-	(5,443)	-	(5,443)
Loss on equity investments	(288)	(15)	-	(303)
Change in fair value of property	-	-	-	-
Statutory EBIT	(24,830)	(103,137)	-	(127,967)
Net finance costs				(17,418)
Income tax benefit				42,826
Net loss after tax				**(102,559)**

31 MAR 2017	AACO EX LIVINGSTONE $'000	LIVINGSTONE BEEF $'000	ELIMINATIONS $'000	TOTAL $'000
Segment revenue	404,473	110,175	(67,922)	446,727
Inter-segment revenue	(67,922)	-	67,922	-
Revenue from external customers	336,552	110,175	-	446,727
Operating EBITDA	**59,038**	**(14,011)**	**-**	**45,027**
Difference between movement of inventory at standard cost versus market value	**88,189**	**-**	**-**	**88,189**
Statutory EBITDA	**147,227**	**(14,011)**	**-**	**133,216**
Depreciation and amortisation	(13,254)	(5,778)	-	(19,032)
Impairment	-	-	-	-
Onerous contract (impairment related to Livingstone)	-	-	-	-
Loss on equity investments	-	-	-	-
Change in fair value of property	2,285	-	-	2,285
Statutory EBIT	**136,258**	**(19,789)**	**-**	**116,469**
Net finance costs				(20,170)
Income tax expense				(24,713)
Net profit after tax				**71,586**

A5 Segment Information (continued)

Revenues from external customers

REVENUE FROM EXTERNAL CUSTOMERS	31 MAR 2018 $000	31 MAR 2017 $000
Australia	100,580	145,907
South Korea	71,405	77,578
USA	71,198	78,581
Japan	16,338	18,557
Other countries	120,158	126,104
Total revenue per income statement	379,679	446,727

Revenues of $101.5 million (31 March 2017: $104.6 million) were derived from two of the Company's major external customers. No other customer contributed to more than 10% of the Company's revenue.

B WORKING CAPITAL

B1 Net working capital

	NOTE	31 MAR 2018 $000	31 MAR 2017 $000
Cash		11,218	42,533
Inventory and consumables	B3	35,068	28,574
Trade and other receivables	B4	20,515	14,091
Trade and other payables	B5	(27,525)	(31,242)
Net working capital		39,276	53,956

B2 Cash

RECONCILIATION OF NET PROFIT/(LOSS) AFTER TAX TO NET CASH FLOWS FROM OPERATIONS	31 MAR 2018 $000	31 MAR 2017 $000
Net (loss)/profit after income tax	(102,559)	71,586
Adjustments for:		
Depreciation and amortisation	17,394	19,032
Impairment	69,503	-
Loss on equity investments	303	-
Change in fair value of property	-	(2,285)
Loss/(gain) on sale of property, plant and equipment	(380)	(258)
Amortisation of borrowing costs	(379)	2,288
Non-cash share based payment expense	536	208
(Increment)/decrement in fair value of livestock	34,196	(99,234)
Income tax expense reported in equity	(9,402)	(13,025)
Derivative movement reported in equity	2,973	1,998
Changes in assets and liabilities:		
(Increase)/decrease in inventories	(6,494)	5,542
(Increase)/decrease in trade and other receivables	(6,424)	9,614
(Increase)/decrease in prepayments and other assets	710	(392)
(Decrease)/increase in deferred tax liabilities	(33,424)	37,738
(Decrease)/increase in trade and other payables	(3,717)	(1,533)
(Decrease)/increase in derivatives	(5,656)	(2,210)
(Decrease)/increase in provisions	2,956	191
Net cash (outflow)/inflow from operating activities	(39,864)	29,260
Non-cash financing and investing activities		
Acquisition of assets by means of finance leases	3,810	1,645

B3 Inventory and consumables

	31 MAR 2018 $000	31 MAR 2017 $000
Meat inventory	18,488	16,032
Feedlot commodities	6,732	2,470
Bulk stores	7,853	8,161
Other inventory	1,995	1,911
	35,068	28,574

B4 Trade and other receivables

	31 MAR 2018 $000	31 MAR 2017 $000
Trade receivables	15,908	13,129
Provision for impairment of receivables	-	-
	15,908	13,129
Other receivables	4,607	962
	20,515	14,091

Trade receivables are non-interest bearing. An impairment is recognised when there is objective evidence that an individual trade receivable may not be collectible. The ageing of trade and other receivables is outlined below:

	31 MAR 2018 $000	31 MAR 2017 $000
Current or past due under 30 days	15,865	13,112
Past due 31-60 days	33	-
Past due 61+ days	10	17
Total trade and other receivables	15,908	13,129

Our maximum exposure to credit risk is the net carrying value of receivables. We do not hold collateral as security, nor is it our policy to transfer (on-sell) receivables to special purpose entities. Refer to note D1 for more information on the risk management policy of the Company.

B5 Trade and other payables

	31 MAR 2018 $000	31 MAR 2017 $000
Trade payables	20,738	19,353
Other payables	4,691	4,044
Deferred revenue	2,096	7,845
	27,525	31,242

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. Deferred revenue relates to payments received in advance on sales.

C FUNDING AND CAPITAL MANAGEMENT

C1 Borrowings

	31 MAR 2018 $000	31 MAR 2017 $000
Current		
Obligations under finance leases	3,025	3,691
Non-current		
Obligations under finance leases	4,547	3,704
Secured bank loan facility	348,816	311,452
Convertible notes	-	47,762
	353,363	362,918

Secured bank loan facility

The Company concluded a successful refinancing process in September 2017 to expand the debt facilities and extend the maturity out to 5 years. The Company received total commitments of $500m across multiple banks at improved credit margins. After exploring a range of alternatives, the dual facility structure ($340m Facility A + $160m Facility B) was retained as the best use of the underlying asset base. The new facilities and current market conditions have resulted in significantly lower cost of funds and increased financing flexibility going forward. Facility A loans are repayable on 8 September 2022 and Facility B loans are repayable on 8 September 2019. The interest on these facilities is charged at the applicable BBSY rate + Margin. The facility is currently drawn down by $350.2 million (31 March 2017: $312.0 million) and is offset in the Statement of Financial Position by a prepaid facility participation fee of $1.4 million (31 March 2017: $0.5 million).

Financing facilities are provided on a secured basis, with security given over all fixed and floating assets. Financial covenants are in place over the Company's Loan to Value Ratio (LVR). We have the following financing facilities available:

	31 MAR 2018 $000	31 MAR 2017 $000
Total available under Facility A and Facility B	500,000	400,000
Guarantee facility	3,000	3,000
Drawn-down (including bank guarantees - refer note C4)	(351,654)	(313,454)
Unused	151,346	89,546

Convertible notes

The Company issued 160 subordinated convertible notes to an existing shareholder of the Company for $80 million under the AACo Subordinated Notes Deed Poll dated 16 October 2013 (Deed Poll). The notes were unsecured and subordinated to the Company's senior bank debt. The notes were due to expire on 30 September 2023 and the noteholder could elect to cause redemption at the fifth anniversary of the issue date and annually thereafter. The coupon rate was the 6 month BBSW rate plus 0.15% subject to a floor of 3.0% per annum, payable semi-annually in arrears. The noteholder was entitled to convert the notes into ordinary shares in the Company during the period 1 September 2014 until 15 days prior to maturity at $1.1486 per share (subject to adjustment mechanisms set out in the Deed Poll), with no price payable on conversion. The number of underlying ordinary shares per convertible note was 434,783, or 69,565,280 ordinary shares for the full convertible notes issue.

The noteholder was The AA Trust which is a revocable discretionary trust established in The Bahamas and ultimately controlled by Mr Joseph Lewis, the principal investor and controller of the Tavistock Group.

In April 2017, the AA Trust converted 65 of the Convertible Notes into 28,295,316 fully paid ordinary shares at a conversion price of $1.1486 per ordinary share. In October 2017, the AA Trust converted the remaining 36 Convertible Notes into 15,673,981 fully paid ordinary shares at a conversion price of $1.1484 per ordinary share. There are no outstanding Convertible Notes on issue under the Deed Poll.

	31 MAR 2018 $000	31 MAR 2017 $000
Face value of notes issued	-	50,500
Other equity securities – value of conversion rights (note C3)	-	(6,700)
Fair value of embedded interest rate derivative in convertible note – at trade inception	-	(630)
Capitalised transaction costs	-	(1,546)
Accumulated amortisation	-	6,138
	-	47,762

C2 Derivatives

	31 MAR 2018 $000	31 MAR 2017 $000
Current assets		
Foreign currency contracts	-	73
Current liabilities		
Interest rate swap contracts	355	5,382
Foreign currency contracts	102	-
Embedded interest rate derivative in convertible note	-	804
	457	6,186

Foreign currency contracts

SELL FX/BUY AUD	NOTIONAL AMOUNTS (AUD) 31 MAR 18 $000	NOTIONAL AMOUNTS (AUD) 31 MAR 17 $000	AVERAGE EXCHANGE RATE 31 MAR 18 AUD/USD	AVERAGE EXCHANGE RATE 31 MAR 17 AUD/USD
Sell USD Maturity 0-12 months	11,354	10,811	0.7787	0.7575

The Company fair values these contracts by comparing the contracted rate to the market rates for contracts with the same length of maturity. Foreign currency contracts are attributed to forward meat sale agreements. 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 recognised in the Income Statement The net fair value gain on foreign currency derivatives during the twelve months to 31 March 2018 was $102,000 with $84,000 effective and $18,000 ineffective (12 months to 31 March 2017: $73,000 gain with $10,000 effective and $74,000 ineffective).

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 future 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. The $235 million of swaps have been designated as effective interest rate swaps and therefore satisfy the accounting standard requirements for hedge accounting. The swaps expire on 8 September 2022 in line with the expiry date of the bank facility.

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

	31 MAR 2018 $000	31 MAR 2017 $000
0-1 years	-	-
1-5 years	235,000	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 2018 the loss recognised for interest rate swaps into profit or loss was $4.1 million (twelve months to 31 March 2017: $3.1 million). There was no hedge ineffectiveness in the current or prior year.

C3 Equity

	31 MAR 18 SHARES	31 MAR 17 SHARES	31 MAR 18 $000	31 MAR 17 $000
Opening balance	558,710,413	532,936,231	490,713	461,213
Shares issued on exercise of performance rights	87,037	90,742	-	-
Shares issued on exercise of options	-	-	-	-
Treasury shares acquired	(4,335,859)	-	(6,885)	-
Value of conversion rights – convertible notes	43,969,297	25,683,440	48,109	29,500
Total contributed equity	598,430,888	558,710,413	531,937	490,713

C4 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.

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 Company's financial risk management objectives and policies refer to note D1.

ASSET AND CAPITAL STRUCTURE	31 MAR 2018 $000	31 MAR 2017 $000
Debt:		
Current interest-bearing loans and borrowings	3,025	3,691
Non-current interest-bearing loans and borrowings		
Obligations under finance leases	4,547	3,704
Bank loan facility[1]	350,200	312,000
Convertibles notes[1]	-	50,500
Bank guarantees	1,454	1,454
Cash:	(11,218)	(42,533)
Net debt	**348,008**	**328,816**
Net equity	**977,520**	**1,017,743**
Total capital employed	**1,325,528**	**1,346,559**
Gearing (Net debt/net debt+equity)	**26.3%**	**24.4%**

[1] The gearing ratio is calculated utilising the drawn-down balance of the bank loan facility and convertible notes. This is not offset for $1.2 million of prepaid borrowing costs.

C5 Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

	31 MAR 2018 $000	31 MAR 2017 $000
Net (loss)/profit attributable to ordinary equity holders of the parent (basic)	(102,559)	71,586
Interest expense on convertible notes, net of tax	388	1,967
Net (loss)/profit attributable to ordinary equity holders of the parent (diluted)	(102,171)	73,553

The following reflects the weighted average number of ordinary shares used in the basic and diluted earnings per share computations:

	31 MAR 2018 NUMBER	31 MAR 2017 NUMBER
Weighted average number of ordinary shares (basic)	589,060,929	543,620,852
Adjustments for calculation of diluted earnings per share:		
Weighted average options, rights and convertible notes	-	44,091,524
Weighted average number of ordinary shares (diluted) as at 31 March	589,060,929	587,712,376

Convertible notes (refer note C1) held at 31 March 2017 were fully converted during the year ending 31 March 2018 and are therefore no longer included in the calculation of diluted earnings per share.

C6 Dividends

No final or interim dividends were declared and paid during the twelve months to 31 March 2018 (twelve months to 31 March 2017: nil). There are no franking credits available for the subsequent financial year (31 March 2017: nil).

D FINANCIAL RISK MANAGEMENT

Exposure to key financial risks are managed in accordance with our financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security. The Audit and Risk Management Committee under the authority of the Board hold primary responsibility for identification and control of financial risks. The Board reviews and agrees policies for managing each of the risks identified. Different methods are used to measure and manage the different types of risks to which the Company is exposed. The main risks arising from financial instruments are interest rate, foreign currency, commodity, credit and liquidity risk.

D1 Financial Risk

(i) Interest rate risk

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. 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. We regularly analyse our interest rate exposure taking into consideration potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

In 2018 the Company entered into interest rate swaps totalling $235 million. These swaps expire on 8 September 2022 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. The net fair value loss on interest rate swaps during the twelve months to 31 March 2018 was $0.4 million (31 March 2017: $5.4 million). The Company fair values these contracts by comparing the contracted rate to the future market rates for contracts with the same length of maturity. At 31 March 2018, after taking into account the effect of interest rate swaps, approximately 67% (31 March 2017: 64%) of our borrowings are at a fixed rate of interest.

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

	31 MAR 2018 $000	31 MAR 2017 $000
Financial Assets		
Cash assets	11,218	42,533
Financial Liabilities		
Bank loan	(115,200)	(105,000)
Convertible notes	-	(50,500)
Interest rate swaps	(355)	(5,382)
Embedded interest rate derivate	-	(804)
Net exposure	(104,337)	(119,153)

The following sensitivity analysis is based on reasonably possible changes in interest rates applied to the interest rate risk exposures in existence at the reporting date. Such a reasonably possible change is determined using historical interest rate movements for the preceding two year period.

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	EFFECT ON PROFIT BEFORE TAX $000	EFFECT ON EQUITY $000
31 MAR 2018		
+1% (100 basis points)	(1,152)	(9,400)
-1% (100 basis points)	1,152	9,400
31 MAR 2017		
+1% (100 basis points)	(1,300)	(2,500)
-1% (100 basis points)	1,300	2,500

D1 Financial Risk (continued)

(ii) Foreign currency risk

The majority of our revenue is received in US dollars and 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.

We have transactional currency exposures (refer note C2) arising from sales of meat in currencies other than in Australian dollars. We undertake forward sales in foreign currencies. All forward sales are hedged with foreign currency 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 and it is our policy not to enter into forward contracts or foreign exchange options until a firm commitment is in place. At 31 March 2018, substantially all foreign currency receivables were covered by forward currency contracts or foreign exchange contracts.

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 $102,000 movement in other comprehensive income and a $18,000 movement in profit and loss in the twelve months to 31 March 2018 (31 March 2017: $73,000 movement in other comprehensive income and a $10,000 movement in profit and loss).

At reporting date we had the following mix of financial assets and liabilities exposed to foreign exchange risk.

	31 MAR 2018 EUR $000	31 MAR 2018 USD $000	31 MAR 2017 EUR $000	31 MAR 2017 USD $000
Financial Assets				
Trade receivables	-	5,944	155	4,439
Derivatives	-	-	-	73
Financial Liabilities				
Derivatives	-	(102)	-	-
Net exposure	-	5,842	155	4,512

At 31 March 2018, had the Australian Dollar moved and all other variables held constant, profit before tax and equity would have been affected as illustrated in the table below. The sensitivity analysis is based on a reasonably possible movement using observations of historical spot rates for the preceding two year period.

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	EFFECT ON PROFIT BEFORE TAX $000	EFFECT ON EQUITY $000
31 MAR 2018		
AUD/USD +10%	237	1,097
AUD/USD -10%	(290)	(1,341)
31 MAR 2017		
AUD/USD +10%	181	1,110
AUD/USD -10%	(221)	(1,357)

D1 Financial Risk (continued)

(iii) Commodity price risk

We have transactional commodity price risk primarily in the sale of cattle and beef. Other commodity price exposures include feed inputs for our 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; they 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 Company. As at 31 March 2018, we had forward purchased approximately 58% (31 March 2017: 62%) 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; they 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.

(iv) Credit Risk

Credit risk arises from our financial assets, which comprise cash, 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.

We manage our credit risk by maintaining strong relationships with a limited number of quality customers. The risk is also mitigated by paying an annual insurance premium 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. Credit risk relating to trade receivables is disclosed in note B4.

(v) Fair Values

As at 31 March 2018 and 31 March 2017, the only financial instruments recognised at fair value were interest rate swaps and forward currency contracts. These are valued using a level 2 method (refer to note C2) 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.

(vi) 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 Company is exposed to counterparty credit risk from its operating activities (primarily from trade receivables) and from its financing activities. As at 31 March 2018, 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 following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 31 March 2018. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which we can be required to pay. When we are committed to make amounts available in instalments, each instalment is allocated to the earliest period in which we are required to pay.

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

D1 Financial Risk (continued)

(vi) Liquidity risk (continued)

	LESS THAN 6 MONTHS $000	6-12 MONTHS $000	1-2 YEARS $000	2-5 YEARS $000	TOTAL $000	CARRYING AMOUNT $000
31 MAR 2018						
Financial assets						
Cash	11,218	-	-	-	11,218	11,218
Trade and other receivables	20,515	-	-	-	20,515	20,515
Derivatives	-	-	-	-	-	-
Financial liabilities						
Trade and other payables	(27,525)	-	-	-	(27,525)	(27,525)
Borrowings	(7,811)	(7,880)	(174,543)	(224,691)	(414,925)	(356,388)
Derivatives	(628)	(526)	(1,053)	(2,632)	(4,839)	(457)
Net maturity	(4,231)	(8,406)	(175,596)	(227,323)	(415,556)	(352,637)
31 MAR 2017						
Financial assets						
Cash	42,533	-	-	-	42,533	42,533
Trade and other receivables	14,091	-	-	-	14,091	14,091
Derivatives	73	-	-	-	73	73
Financial liabilities						
Trade and other payables	(31,242)	-	-	-	(31,242)	(31,242)
Borrowings	(8,128)	(8,598)	(319,924)	(52,122)	(388,772)	(366,609)
Derivatives	(1,915)	(1,918)	(1,716)	-	(5,549)	(5,382)
Net maturity	15,412	(10,516)	(321,640)	(52,122)	(368,866)	(346,536)

E UNRECOGNISED ITEMS

E1 Commitments

	31 MAR 2018 $000	31 MAR 2017 $000
Future minimum lease payments under non-cancellable operating leases for land and buildings are as follows:		
Not later than one year	1,994	2,971
Later than one year but not later than five years	3,075	4,545
Later than five years	18	202
Total leased land and buildings	5,087	7,718
Future minimum lease payments for motor vehicles under finance leases and hire purchase are as follows:		
Within one year	1,141	1,681
After one year but not more than five years	1,934	1,175
Total minimum lease payments	3,075	2,856
Future minimum payments under equipment finance together with the present value of the net minimum lease payments are as follows:		
Within one year	1,884	2,160
Later than one year but not later than five years	2,613	2,668
Total equipment finance	4,497	4,828

Other commitments

We have entered into forward purchase contracts for $14.6 million worth of grain commodities as at 31 March 2018 (31 March 2017: $14.1 million) and forward purchase contracts for $21.5 million worth of cattle as at 31 March 2018 (31 March 2017: $42.8 million). The contracts are expected to be settled within 12 months from balance date.

Capital expenditure has been contracted in respect of property, plant and equipment for $0.5 million as at 31 March 2018 (31 March 2017: $2.9 million).

E2 Contingencies

At 31 March 2018 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.

F OTHER

F1 Property, plant and equipment at cost

31 MAR 2018	INDUSTRIAL PROPERTY AND IMPROVEMENTS $000	PLANT AND EQUIPMENT $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
Opening balance	77,516	40,562	6,435	124,513
Additions and transfers	(7,220)	22,760	(2,878)	12,662
Disposals	-	(71)	-	(71)
Depreciation	(1,795)	(10,237)	-	(12,032)
Impairment	(37,058)	(30,412)	(2,032)	(69,502)
Closing balance	31,443	22,602	1,525	55,570
Cost	75,618	143,702	3,557	222,877
Accumulated depreciation and impairment	(44,175)	(121,100)	(2,032)	(167,307)

31 MAR 2017	INDUSTRIAL PROPERTY AND IMPROVEMENTS $000	PLANT AND EQUIPMENT $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
Opening balance	78,976	47,708	-	126,684
Additions and transfers	230	5,540	6,435	12,205
Disposals	-	(249)	-	(249)
Depreciation	(1,690)	(12,437)	-	(14,127)
Closing balance	77,516	40,562	6,435	124,513
Cost	82,838	121,013	6,435	210,286
Accumulated depreciation	(5,322)	(80,451)	-	(85,773)

Impairment of property, plant and equipment at cost

At 31 March 2018, AACo had $104.8 million of property, plant and equipment and $4.9 million of working capital on the balance sheet relating to Livingstone Beef. Livingstone Beef is considered to be a single Cash-generating Unit (CGU). This 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 the period, the CGU experienced adverse market conditions due to high cattle procurement costs and a lower than average meat sales demand. As indicators of impairment existed, the Company tested the CGU for impairment.

The recoverable amount of the CGU was calculated based on Level 3 fair value inputs to arrive at the present value of future cash flows expected to be derived from the CGU less disposal costs (fair value less costs of disposal). Assumptions were made regarding operational expenditure, throughput and yield to forecast cash flows, which were adjusted using a pre-tax discount rate of 12% and a terminal value growth rate of 2.5% from FY23. The recoverable amount of the CGU was calculated to be $40.2 million, which was lower than the carrying value by $69.5 million. The Company therefore recognised an impairment loss of $69.5 million with respect to buildings, improvements, plant and equipment, and decreased the carrying values of these assets in the CGU by this amount. There was an additional $5.4 million impairment provision recorded for an onerous contract in relation to Livingstone Beef.

F2 Tax

THE MAJOR COMPONENTS OF TAX EXPENSE ARE:	31 MAR 2018 $000	31 MAR 2017 $000
Income statement		
Current income tax		
Current income tax charge/(benefit)	-	(7)
Deferred income tax		
Relating to origination and reversal of temporary differences	(43,166)	28,138
Under/(over) provision in prior years	340	858
Research and development claims from prior years	-	(4,276)
Income tax (benefit)/expense in the income statement	(42,826)	24,713
Statement of changes in equity		
Deferred income tax		
Net gain on cash flow hedges	1,508	416
Net gain on revaluation of land and buildings	7,894	12,609
Income tax expense reported in equity	9,402	13,025
Tax reconciliation		
Accounting (loss)/profit before tax	(145,385)	96,299
At the statutory income tax rate of 30%	(43,616)	28,890
Research and development offsets	-	(4,461)
Other items (net)	790	284
Income tax (benefit)/expense in the income statement	(42,826)	24,713
Deferred income tax in the balance sheet relates to:		
Deferred tax liabilities		
Accelerated depreciation for tax purposes	(1,793)	(1,551)
Adjustments to land, buildings and improvements	(59,259)	(70,034)
Revaluations of trading stock for tax purposes	(30,307)	(56,174)
Other	(3,044)	(1,383)
Offsetting deferred tax asset	9,656	10,971
	(84,747)	(118,171)
Deferred tax assets		
Accruals and other	523	272
Capitalised expenses accelerated for book purposes	382	1,114
Interest rate swaps	137	1,692
Cash flow hedges	-	200
Leave entitlements and other provisions	2,190	1,263
Franking deficit tax	1,012	1,012
Research and development offsets	4,716	5,351
Deferred income	629	-
Individually insignificant balances	67	67
Total deferred tax asset (offset against deferred tax liability)	9,656	10,971
Deferred income tax in the income statement relates to:		
Revaluations of trading stock for tax purposes	(23,357)	25,191
Accruals and other	(1,075)	55
Capitalised expenses accelerated for book purposes	769	465
Change in fair value of property, plant and equipment	-	686
Impairment of property, plant and equipment	(20,935)	-
Other	1,432	1,741
Total deferred tax (benefit)/expense	(43,166)	28,138

F3 Other earnings disclosures

	31 MAR 2018 $000	31 MAR 2017 $000
Other income	2,822	3,662
Cropping income	-	1,060
Total other income	2,822	4,722
Interest expense	16,366	17,725
Other finance costs	1,052	2,445
Total finance costs	17,418	20,170
Remuneration and on-costs	46,315	46,716
Superannuation and post-employment benefits	3,831	3,848
Other employment benefits	3,398	2,471
Share-based payments expense	536	44
Total employee expenses	54,080	53,079
Other earnings information:		
Minimum lease payments – operating leases	4,725	5,367
Commodity and foreign currency expense/(benefit)	241	(1,151)

F4 Reserves

	ASSET REVALUATION RESERVE $000	CAPITAL PROFITS RESERVE $000	CASH FLOW HEDGE RESERVE $000	EMPLOYEE EQUITY BENEFITS RESERVE $000	TOTAL $000
At 1 April 2016	280,473	84,762	(4,762)	5,612	366,085
Revaluation of land and buildings	42,030	-	-	-	42,030
Tax effect on revaluation of land and buildings	(12,609)	-	-	-	(12,609)
Net movement in cash flow hedges, net of tax	-	-	1,058	-	1,058
Share based payment	-	-	-	42	42
At 31 March 2017	309,894	84,762	(3,704)	5,654	396,606
At 1 April 2017	309,894	84,762	(3,704)	5,654	396,606
Revaluation of land and buildings	26,315	-	-	-	26,315
Tax effect on revaluation of land and buildings	(7,894)	-	-	-	(7,894)
Net movement in cash flow hedges, net of tax	-	-	2,155	-	2,155
Share based payment	-	-	-	536	536
At 31 March 2018	328,315	84,762	(1,549)	6,190	417,718

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

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

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.

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 F6 for further details of these plans.

F5 Related parties

COMPENSATION FOR KEY MANAGEMENT PERSONNEL	31 MAR 2018 $000	31 MAR 2017 $000
Short-term employee benefits	3,007	3,130
Post-employment benefits	209	254
Share-based payment	290	36
Termination benefits	271	502
Long-term benefits	16	5
Total compensation	3,793	3,927

Transactions with other related parties

In a 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 The AA Trust, which is ultimately controlled by Mr Joseph Lewis who is a shareholder through his controlled entity and has significant influence over the parent entity. The notes were due to expire on 30 September 2023 and could be redeemed at the fifth anniversary of the issue date and annually thereafter. The noteholder was entitled to convert the notes in ordinary shares from 1 September 2014 until 15 days prior to maturity at a conversion price of $1.1486 per ordinary AACo share (subject to adjustment mechanisms set out in the Deed Poll), with no price payable on conversion. In April 2017, The AA Trust converted 65 of the Convertible Notes into 28,295,316 fully paid ordinary shares at a conversion price of $1.1486 per ordinary share. In October 2017, The AA Trust converted the remaining 36 Convertible Notes into 15,673,981 fully paid ordinary shares at a conversion price of $1.1484 per ordinary share. There are no outstanding Convertible Notes on issue under the Deed Poll.

The interest paid during the year amounts to $0.4 million (31 March 2017: $2.2 million).

F6 Share-based payments

The share-based payment plans are described below. During 2018, expense arising from equity settled share-based payment transactions was $536,000 (31 March 2017: $42,000).

Executive Option Plan (EOP)

The Company 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, including none for 2017 and 2018.

Performance rights plan (PRP)

The Company's Performance Rights Plan has been in place since 2011 and 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 performance rights will remain until such time as they are either exercised or the rights lapse. 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. Performance rights issued are subject to: external performance conditions (TSR outperformance of S&P/ASX Small Ordinaries Accumulates Index; ASX Code:XSOA); internal performance conditions (EPS performance based on compound % growth rates over 3 financial years following issue of the performance rights); and termination/change of control provisions. 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.

Long-term incentives

Following an extensive review of its remuneration practises for employees and executives, the Board approved the Company's adoption of a Long Term Incentive (**LTI**) Plan on 9 May 2017 (**LTI Plan Implementation Date**). The LTI Plan better aligns remuneration of the Company's senior executives with the long-term strategic goals of the Company.

The introduction of an LTI Plan is consistent with the Company's objectives for remuneration, which include providing competitive total rewards to attract and retain high calibre senior executives, having a meaningful portion of remuneration "at risk" and, above all, creating value for shareholders.

It is anticipated that performance rights under the LTI Plan will be granted in a number of rounds. The number of performance rights (if any) granted to eligible persons in each grant round and the performance conditions applying to the vesting of those performance rights will be determined at the discretion of the Board.

It is currently contemplated by the Board that there will be four grant rounds in total. The following summary reflects the key features of the first grant round and what is currently contemplated by the Board with respect to subsequent grant rounds:

FEATURE	DESCRIPTION
Timing of grant	Grants of performance rights in a grant round will not be made unless and until the specific 'commencing' market capitalisation of the Company for that grant round is achieved. The commencing market capitalisation of the Company for the first grant round was the market capitalisation of the Company on the LTI Plan Implementation Date.
Performance condition	The performance condition which applies to the vesting of performance rights in a grant round is the achievement of the specific 'target' market capitalisation of the Company during the performance period for that grant round. The performance condition for the first grant round was satisfied on 5 June 2017.
Performance period	The performance period for each grant round is calculated by reference to the target market capitalisation of the Company for that grant round and an assumed annualised growth rate of 20%.
Determination of market capitalisation of the Company for the purposes of the LTI Plan	For the purposes of calculating the market capitalisation of the Company in order to determine if the commencing market capitalisation of the Company or the target market capitalisation of the Company for each grant round has been achieved, the twenty day volume weighted average price (VWAP) of ordinary shares in the capital of the Company will be used.
Vesting period	In respect of each grant round, there is a four-year staggered vesting period for performance rights in that grant round which commences on satisfaction of the performance condition for that grant round.

F6 Share-based payments (continued)

FEATURE	DESCRIPTION
Number of available performance rights	In each grant round, eligible persons may be offered a percentage of the "Total Available Performance Rights" for that grant round (rounded down to the nearest whole number). In respect of each grant round, the number of "Baseline Shares" will be the number of ordinary shares in the Company acquired on market by the AACo Employee Share Trust in respect of that grant round having an aggregate share acquisition price of $5 million. In respect of each grant round, the number of "Total Available Performance Rights" will be (a) the number of Baseline Shares for that grant round; plus (b) the number of any Total Available Performance Rights for previous grant rounds which, at the time of completion of acquisition of all of the Baseline Shares for that grant round and all previous grant rounds, are not notionally allocated to a previous grant round.
Lapsing conditions	Holders of performance rights will be entitled to exercise those performance rights if they have vested and have not otherwise lapsed. The circumstances in which performance rights may lapse include non-satisfaction of performance conditions or ceasing employment with the Company group. If the holder of performance rights ceases to be an employee as a result of an "Uncontrollable Event" (e.g. death, permanent disablement, retirement, retrenchment, or such other circumstances which the Board determines is an Uncontrollable Event), any unvested performance rights held by that person are expected to continue to be subject to the requirements for vesting and exercise applying to those performance rights, unless the Board determines that the vesting conditions applying to some or all of those performance rights will be waived or that some or all of those performance rights will lapse.
Change of control event	If a change of control event for the Company occurs, the treatment of any unvested performance rights will be within the discretion of the Board to determine.
On market acquisition of shares	The requirement to deliver shares in the Company upon the vesting and exercise of performance rights under the LTI Plan must be satisfied by way of on market acquisition of shares in the Company.

The applicable commencing market capitalisation of the Company, performance condition and performance period for each contemplated grant round are as set out in the following table:

	COMMENCING MARKET CAPITALISATION OF THE COMPANY	PERFORMANCE CONDITION (TARGETED MARKET CAPITALISATION OF THE COMPANY)	PERFORMANCE PERIOD (CALCULATED USING AN ASSUMED ANNUALISED GROWTH RATE OF 20%)
FIRST GRANT ROUND	The market capitalisation of the Company on the LTI Plan Implementation Date	$1 billion	Within 2 quarters of the LTI Plan Implementation Date (i.e. performance period ends 30 September 2017)
SECOND GRANT ROUND	$1 billion	$1.5 billion	Within 9 quarters of the LTI Plan Implementation Date (i.e. performance period ends 30 June 2019)
THIRD GRANT ROUND	$1.5 billion	$2 billion	Within 16 quarters of the LTI Plan Implementation Date (i.e. performance period ends 30 April 2021)
FOURTH GRANT ROUND	$2 billion	$2.5 billion	Within 22 quarters of the LTI Plan Implementation Date (i.e. performance period ends 30 September 2022)

During the period the total number of shares purchased for the LTI Plan grant rounds one and two was 4,335,859 at an average price per share of $1.59.

F6 Share-based payments (continued)

The performance condition for the first grant round of targeted market capitalisation of $1 billion was achieved on 5 June 2017. The shares associated to the first grant round are still being purchased and therefore are yet to be issued to the relevant senior executives. Amounts disclosed in this report are estimates of the total shares to be granted. At 31 March 2018 the fair value of each right expected to be granted under the LTI plan has been estimated at $1.185 and is based on the Company's share price at that date.

Equity settled awards outstanding:

The table below shows the number (No.) and weighted average exercise prices (WAEP) of options and performance rights outstanding. There have been no cancellations or modifications to any of the plans during the twelve months to 31 March 2018.

31 MAR 2018	EOP NO.	EOP WAEP $	PRP NO.
Outstanding at the beginning of the period	590,625	2.64	87,037
Granted during the period	-	-	102,271
Granted during the period LTIP estimate[1]	-	-	2,023,248
Forfeited during the period	(290,625)	2.04	(926,792)
Exercised during the period	-	-	(87,037)
Outstanding at the end of the period	300,000	3.22	1,198,727
Exercisable at the end of the period	300,000		-
Weighted average remaining contractual life (days)	282		848
Weighted average fair value at grant date	-		1.20
Range of exercise prices ($)	3.22		-

31 MAR 2017	EOP NO.	EOP WAEP $	PRP NO.
Outstanding at the beginning of the period	590,625	2.64	190,653
Granted during the period	-	-	-
Forfeited during the period	-	-	(12,874)
Exercised during the period	-	-	(90,742)
Outstanding at the end of the period	590,625	2.64	87,037
Exercisable at the end of the period	590,625		-
Weighted average remaining contractual life (days)	468		127
Weighted average fair value at grant date	-		1.24
Range of exercise prices ($)	2.04-3.22		-

[1] Expected number of rights to be granted under the LTIP, calculated based on our best estimates

F7 Controlled entities

The consolidated financial statements include the following controlled entities:

NAME OF ENTITY	NOTES	COUNTRY OF INCORPORATION	31 MAR 2018 % OF SHARES HELD	31 MAR 2017 % 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	(a)	Australia	100	100
AACo Innovation Pty Ltd		Australia	100	100
AACo Innovation (US) Pty Ltd		Australia	100	100

a) These companies have entered into a deed of cross guarantee dated 22 November 2006 (amended 1 April 2015) 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 (b).

b) Financial information for class order Closed Group:

	31 MAR 2018 $000	31 MAR 2017 $000
Current Assets		
Cash	11,218	42,533
Trade and other receivables	20,515	14,091
Inventories and consumables	35,068	28,574
Livestock	259,104	269,850
Derivatives	-	73
Other assets	696	1,406
Total Current Assets	326,601	356,527
Non-Current Assets		
Livestock	369,182	392,632
Property, plant and equipment	753,777	792,373
Intangible assets	2,840	3,024
Investments	2,897	1,099
Intercompany receivable	3,342	3,342
Total Non-Current Assets	1,132,038	1,192,470
Total Assets	1,458,639	1,548,997

F7 Controlled entities (continued)

	31 MAR 2018 $000	31 MAR 2017 $000
Current Liabilities		
Trade and other payables	27,525	31,242
Provisions	3,445	3,727
Borrowings	3,025	3,691
Derivatives	457	6,186
Total Current Liabilities	34,452	44,846
Non-Current Liabilities		
Provisions	5,215	1,977
Borrowings	353,363	362,918
Deferred tax liabilities	84,747	118,171
Total Non-Current Liabilities	443,325	483,066
Total Liabilities	477,777	527,912
Net Assets	980,862	1,021,085
Equity		
Contributed equity	531,937	490,713
Reserves	417,718	396,606
Retained earnings	31,207	133,766
Total Equity	980,862	1,021,085

INCOME STATEMENT OF THE CLOSED GROUP:	31 MAR 2018 $000	31 MAR 2017 $000
Revenue		
Meat sales	332,658	383,036
Cattle sales	47,021	63,691
	379,679	446,727
Cattle fair value adjustments	162,971	300,026
	542,650	746,753
Cost of meat sold	(317,425)	(343,645)
Deemed cost of cattle sold	(45,589)	(61,604)
Cattle expenses	(102,788)	(99,753)
Gross operating margin	76,848	241,751
Other income	2,822	4,722
Expenses		
Administration and other non-station operating costs	(28,042)	(24,769)
Other operating costs	(27,059)	(28,681)
Employee expenses	(54,080)	(53,079)
Lease and property related costs	(5,814)	(6,728)
Loss on equity investments	(303)	-
Depreciation and amortisation	(17,394)	(19,032)
Impairment	(69,502)	-
Onerous contract (impairment related to Livingstone)	(5,443)	-
Change in fair value of property	-	2,285
(Loss)/Profit before finance costs and income tax expense	(127,967)	116,469
Net finance costs	(17,418)	(20,170)
(Loss)/Profit before income tax	(145,385)	96,299
Income tax benefit/(expense)	42,826	(24,713)
Net (loss)/profit after tax	(102,559)	71,586

F8 Parent entity

	31 MAR 2018 $000	31 MAR 2017 $000
Current assets	-	149
Non-current assets	908,574	874,010
Total assets	908,574	874,159
Current liabilities	1,053	9,539
Non-current liabilities	348,816	359,214
Total liabilities	349,869	368,753
Net assets	558,705	505,406
Contributed equity	536,562	495,338
Reserves	87,832	85,948
Accumulated losses	(65,689)	(75,880)
Total equity	558,705	505,406
Profit/(Loss) of the parent entity	(10,191)	(9,898)
Total comprehensive profit/(loss) of the parent entity	(8,307)	(2,194)

Australian Agricultural Company Limited and the wholly owned entities listed in F7 are parties to a deed of cross guarantee as described in F7. 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 Company as at 31 March 2018. No liability was recognised by Australian Agricultural Company Limited in relation to these guarantees, as the fair value of the guarantees is immaterial.

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.

F9 Auditors' remuneration

	31 MAR 2018 $	31 MAR 2017 $
Remuneration received, or due and receivable, by KPMG for:		
An audit or review of the financial report of the entity and any other entity in the consolidated Group	415,300	352,500
Due dilligence services	15,840	9,500
Total	431,140	362,000

F10 Significant events after balance date

The Livingstone Beef facility continues to operate at a loss in FY19 YTD. On 23 May 2018, the Company announced a decision to suspend processing operations at Livingstone Beef and mothball the plant until trading conditions improve. This decision follows a Strategic Review performed to assess all available options and determine the optimal path to deliver shareholder value from Livingstone Beef. The Strategic Review included a thorough analysis of the existing Livingstone Beef operations, market environment and outlook, and considered a broad range of potential alternatives. Processing operations at Livingstone Beef will continue over the early part of FY19 as existing employee arrangements, customer commitments and other contractual obligations are met. After this period, AACo will suspend processing operations at Livingstone Beef, and minimise annual maintenance costs while preserving the flexibility to re-start Livingstone Beef operations at a future time should prevailing macro conditions are sufficiently supportive.

G POLICY DISCLOSURES

G1 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 2018 were authorised for issue in accordance with a resolution of the Directors on 23 May 2018.

We recommend the financial statements be considered together with any public announcements made by the Company during the year ended 31 March 2018 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.

G2 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 Company 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 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 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 Company'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 the relevant notes.

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

Throughout the period to 31 March 2018, prior period comparatives have been reclassified to conform with current year presentation. None of the reclassification are considered material.

(f) Rounding Amounts in the financial statements 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.

G3 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 new and amended Australian Accounting Standards and AASB Interpretations as of 1 April 2017. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Company.

(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. The Standards and Interpretations that may have a material impact on the Company are:

> AASB 9 Financial Instruments
AASB 9 introduces changes in the classification and measurement of financial assets and financial liabilities, including a new expected credit loss model for impairment. The standard also introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. This standard becomes mandatory for the Company's 31 March 2019 financial statements. Management have assessed the impact of this standard and has determined that adopting AASB 9 will have no material impact on the reported financial position or performance of the Company.

> AASB 15 Revenue from Contracts with Customers
The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This standard becomes mandatory for the Company's 31 March 2019 financial statements. Management have assessed the impact of this standard and has determined that adopting AASB15 will have no material impact on the reported financial position or performance Company.

> AASB 16 Leases
AASB 16 eliminates the classification of leases as either 'operating' or 'finance'. There is now a single lessee model, which requires a lessee to recognise on statements of financial positions assets and liabilities for leases with terms of more than 12 months unless the underlying asset is of low value. This standard becomes mandatory for the Company's 31 March 2020 financial statements. Management are still assessing the impact of adopting AASB 16 and have yet to quantify the effect on the reported financial position or perfomance of the Company.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Australian Agricultural Company Limited, and its subsidiaries (as outlined in note F8) as at 31 March each year or from time to time during the 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) 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.

G3 Accounting policies (continued)

(c) Significant accounting judgements, estimates and assumptions (continued)

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 A4;
> Fair value determination of livestock, refer note A3;
> Fair value determination of financial liability and embedded derivative component of the convertible note issued on 16 October 2013 refer note C1 and C2 respectively; and
> Impairment of non-financial and financial assets, refer note F1.

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.

(d) 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.

(e) Cash

Cash in the Statement of Financial Position comprise cash at bank and in hand which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash is 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.

(f) 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 the Company 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.

(g) 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. The quality of inventories is taken into account in the assessment of net realisable value.

G3 Accounting policies (continued)

(h) Derivative financial instruments and hedge accounting

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:

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 utilise interest rate swaps to hedge our exposure to cash flow movements in loan movements. See note C2 for more details.

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 C2 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.

(i) Plant and equipment

(i) Recognition and measurement

Refer to A4 for the accounting policy note for plant and equipment at fair value. 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.

G3 Accounting policies (continued)

(i) Plant and equipment (continued)

(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 lease, pastoral/perpetual lease, industrial)	Not depreciated
Buildings	40 years
Fixed improvements	30 years
Owned plant and equipment	3-10 years
Plant and equipment under lease	2-5 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.

(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 A4).

(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 classified as operating leases 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.

G3 Accounting policies (continued)

(j) Leases & agistment (continued)

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) 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.

(l) 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.

(m) Share-based payment 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).

(n) 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.

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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 meat sales

Revenue from the sale of livestock and meat 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).

G3 Accounting policies (continued)

(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.

(p) Income tax and other taxes

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The Company is the head entity within the tax-consolidated group. Foreign entities are taxed individually within their respective tax jurisdictions. Income tax expense represents the sum of current tax and deferred 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.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated as net profit attributable to ordinary shareholders 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.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:
   a) The financial statements, notes and remuneration report of Australian Agricultural Company Limited for the year ended 31 March 2018 are in accordance with the *Corporations Act 2001*, including:
      (i) Giving a true and fair view of its financial position as at 31 March 2018 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 G2.
   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 2018.
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 F7 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

Sydney
23 May 2018

INDEPENDENT AUDIT REPORT

KPMG

Independent Auditor's Report

To the shareholders of Australian Agricultural Company Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Australian Agricultural Company Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 March 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of Financial Position as at 31 March 2018;
- Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- Notes, including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *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* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Key Audit Matters	
The ***Key Audit Matters*** we identified are: • quantity and valuation of livestock; • valuation of pastoral property and improvements; and • carrying value of the Livingstone Beef cash generating unit.	***Key Audit Matters*** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period. These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Quantity and valuation of livestock $628.3m	
Refer to note *A3 Livestock* in the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
The quantity and valuation of livestock is considered a Key Audit Matter due to: • the size of the balance (being 43.2% of total assets); • the risk of error associated with quantifying livestock at year end given the nature of the assets. In quantifying livestock the Group uses estimates of birth rates, animal growth rates and rates of attrition; and • the level of judgement required by us in evaluating the market prices used by the Group. The Group has appointed an external independent valuer to value livestock where there is no readily observable market price. The judgements made in assessing the quantity and value of livestock have a significant impact on the Group's financial performance and financial position. In assessing this Key Audit Matter, we involved senior audit team members who understand the industry and the complexities involved in quantifying and valuing livestock.	Our procedures included: • an evaluation of the Group's livestock accounting process. We tested the key controls in this process and the Group's periodic reconciliation of physical livestock records with accounting systems; • comparing estimates of birth rates, animal growth rates and rate of attrition to historical data and our industry understanding; • comparing a sample of market prices adopted by the Group to a range of observable market prices; • evaluating the competence, capabilities and objectivity of the external independent valuer used by the Group; and • reading the report of the external independent valuer and evaluating their conclusions for consistency with our understanding of the business, industry conditions and other information available to us.

KPMG

<table>
<tr><th colspan="2">Valuation of pastoral property and improvements $698.2m</th></tr>
<tr><td colspan="2">Refer to Note A4 Property in the Financial Report.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The valuation of pastoral property and improvements is considered a Key Audit Matter due to:

the size of the balance (being 48.0% of total assets); and
the level of judgement required by us to evaluate the Group’s assessment of the fair value of pastoral property and improvements.

The Group’s assessment of fair value of pastoral property and improvements involves significant judgements, including determination of:

the valuation methodology applied to each property;
the Adult Equivalent carrying capacity of each property; and
the corresponding dollar per Adult Equivalent, per Standard Cattle Unit or per hectare.

The Group has appointed external independent valuers and other external experts to assist in the determination of these key valuation inputs.

The judgements made in assessing the fair value of property and improvements have a significant impact on the Group’s financial position.

In assessing this Key Audit Matter, we involved senior audit team members, including valuation specialists, who understand the nature of the Group’s properties, comparable properties and recent comparable market transactions.</td>
<td>Our procedures included:

evaluating the competence, capabilities and objectivity of external independent valuers and other external experts used by the Group;
reading the reports of the external independent valuers and other external experts and evaluating their conclusions for consistency with our understanding of the properties, environmental conditions and other information available to us; and
comparing the valuation methodology for each property to accepted market practices, industry experience, and criteria in the accounting standards.
</td></tr>
</table>

KPMG

Carrying value of the Livingstone Beef cash generating unit $40.2m	
Refer to Note *F1 Property, plant and equipment at cost* in the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
Assessment of the carrying value of the Livingstone Beef cash generating unit is considered a Key Audit Matter due to the level of judgement required by us in evaluating the Group's impairment assessment. The Group's impairment assessment is performed through their fair value less cost of disposal (FVLCD) model and includes the following significant assumptions: • future cattle purchase prices and meat sales prices; • future capital expenditure, expected production levels and operating costs; and • long-term growth rate and discount rate applied. In addition, the meat processing sector is experiencing unfavourable market conditions relating to cattle purchase prices and meat sales prices. As a result of these challenging market conditions the Group recorded an impairment charge of $69.5m against Livingstone Beef at 31 March 2018. These factors created complexity and resulted in increased audit effort in this key audit area. In assessing this Key Audit Matter, we involved senior audit team members, including valuation specialists, with experience in the industry and the valuation methodology.	Our procedures included: • consideration of the appropriateness of the FVLCD method applied by the Group in performing the test for impairment against the requirements of the accounting standards; • assessing the integrity of the FVLCD model used, including the accuracy of the underlying calculations; • evaluating controls relating to the Group's assessment of impairment of Livingstone Beef, including board approval of key inputs to the assessment such as budgets, and the underlying operating and capital expenditure assumptions; • assessing the discount rate applied and terminal growth rate by comparing to external data, such as peer group forecasts, and our own assessments based on industry experience and knowledge of the Group; • critically evaluating the key cash flow assumptions by: – comparing future cattle purchase prices and meat sales prices to published industry information, including past market price trends; and – assessing the Group's forecast future operating cash flows, capital expenditure and production levels against previous and current levels achieved; • performing sensitivity analysis on key assumptions to assess the Group's consideration of alternate assumptions or outcomes which could indicate further impairment; • recalculating the impairment charge recorded and disclosed; and • assessing the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

INDEPENDENT AUDIT REPORT

KPMG

Other Information

Other Information is financial and non-financial information in Australian Agricultural Company Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, including the Remuneration Report, ASX Additional Information and Company Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

INDEPENDENT AUDIT REPORT

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Australian Agricultural Company Limited for the year ended 31 March 2018, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 14 to 30 of the Directors' Report for the year ended 31 March 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

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Simon Crane
Partner

Brisbane
23 May 2018

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 23 April 2018.

(a) Distribution of equity securities

Ordinary share capital

602,766,747 fully paid ordinary shares are held by 10,834 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	2,278
1,001 to 5,000	3,986
5,001 to 10,000	1,845
10,001 to 100,000	2,504
100,001 and Over	221
TOTAL	**10,834**

Unquoted equity securities

As at 23 April 2018, there were 1,198,727[1] unlisted performance rights granted over unissued ordinary shares in the Company.

[1] 1,161,365 of the above are the expected number of rights to be granted under the LTIP (refer note F6), calculated based on our best estimates.

ASX ADDITIONAL INFORMATION (CONTINUED)

(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	199,786,708	33.14%
J P MORGAN NOMINEES AUSTRALIA LIMITED	155,169,070	25.74%
CITICORP NOMINEES PTY LIMITED	30,599,177	5.08%
NATIONAL NOMINEES LIMITED	15,401,606	2.56%
BNP PARIBAS NOMS PTY LTD <DRP>	8,622,133	1.43%
BBRC INTERNATIONAL PTE LTD <THE BB FAM INTERNATIONAL A/C>	7,853,249	1.30%
FORTE LAND PTY LTD	7,540,311	1.25%
AACO NOMINEES PTY LIMITED <AACO EMP SHARE SCHEME A/C>	4,335,859	.72%
BBRC INTERNATIONAL PTE LTD <THE BB FAM INTERNATIONAL A/C>	3,800,000	.63%
QUOTIDIAN NO2 PTY LTD	3,739,185	.62%
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	3,608,872	.60%
NIZIN HOLDINGS PTY LTD <CHARLES CROPPER A/C>	2,800,000	.46%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,500,167	.41%
BELFORT INVESTMENT ADVISORS LIMITED	2,087,945	.35%
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	1,725,000	.29%
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	1,450,000	.24%
MR JOHN QIANG HE	1,422,113	.24%
NEASHAM HOLDINGS PTY LTD <THE NEASHAM A/C>	1,220,735	.20%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,185,601	.20%
MR BARRY MARTIN LAMBERT	1,177,660	.20%

(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	256,080,561
Ausbil Investment Management Limited	39,911,237

(d) Marketable Shares

The number of security investors holding less than a marketable parcel of 432 securities ($1.160 on 23 April 2018) is 801 and they hold 142,454 securities.

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

Annual General Meeting

The Annual General Meeting of Shareholders of the Australian Agricultural Company Limited will be held on Tuesday 31st July at 10:00am (Brisbane time) at Brisbane Showgrounds, 600 Gregory Terrace, Bowen Hills, Brisbane, Queensland 4006.