Annual Report 2023

Australian Agricultural Company Limited

ABN 15 010 892 270

About AACo

Our Purpose

is to *evolve together* to benefit future generations.

Our Vision

is to be trusted globally as the producers of the *finest quality* Australian beef.

Established in 1824

We continuously adapt to dynamic conditions across our integrated supply chain. This is why we've been around for nearly 200 years and is how we will continue to improve to meet the challenges of the future. We know this is one of our strengths.

Extraordinary assets

The extraordinary people, animals and land we care for and the exceptional product we create are the hallmarks of our success. But we are only today's custodians and it's our responsibility to leave our world in better shape for the generations to follow. This is our legacy.

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Our History

Established in 1824, the Australian Agricultural Company Limited (AACo) is one of Australia's largest integrated cattle and beef producers and is the *oldest continuously operating company in Australia.*

Today, AACo owns and operates a strategic balance of stations, feedlots and farms spanning approximately 6.5 million hectares of land across Queensland and the Northern Territory.

Our values influence our culture and our brand, and provide clear expectations in how we interact with each other, our customers, our communities and stakeholders.

The integration of our values into our behaviours makes AACo an extraordinary place to work and helps to achieve our vision: to be trusted globally as producers of the finest quality Australian beef.

Respect what makes it *possible*

- The future of AACo depends on our people, our animals and our land. We treat each other with respect. We raise our cattle with attention and care. We keep our land sustainably productive. For nearly 200 years these resources have made our work possible.
- This is our heritage and also our future.

Aim *higher*

- Excellence is an attitude, not an outcome.
- We take pride in everything we do – as individuals and as teams working toward shared goals.
- There's no such thing as good enough; we continue to evolve and improve.

Embrace *change*

- We embrace change and adapt.
- We exchange ideas and share knowledge to solve challenges and capture opportunities.
- We encourage new approaches to moving forward and respect the diverse experience of our people.

Take the *reins*

- We all own the success of our business. When opportunities arise and challenges emerge, it's up to every person at AACo to take the reins.
- This means understanding and excelling in our own roles and working together to achieve success as a team.

Do it for the *diner*

Whether in the paddock, feedlot or the office, everyone at AACo is here to serve the same person – the diner experiencing our beef.

- Each of us have an essential role in creating an exceptional product.
- Our commitment to diners is at the core of everything we do, but never at the expense of our people, our animals or the land.

Our Business Model

AACo is an integrated branded beef business with three principal activities:

Distribution of high-quality branded beef into global markets

Breeding, growing, feedlotting and trading of our animals

Ownership, operation, and development of pastoral properties

AACo distributes branded beef to customers across the world, tailoring its route-to-market model by country to capitalise on regional opportunities. The company is large enough to obtain scale efficiencies but small enough to ensure the highest production standards to produce some of the finest quality beef in the world. Our continuous investment in our strategy and assets serves to support supply chain excellence and operational resilience.

We operate a *cattle production* system across Queensland and the Northern Territory:

19

OWNED CATTLE STATIONS,

4

LEASED STATIONS,

2

OWNED FEEDLOTS,

2

OWNED FARMS, AND

1

LEASED FARM.

Responsible stewards of our people, livestock and land

We are proud custodians of the land we nurture. We recognise that *nature and biodiversity are integral* to our business.

Our Australian hard-working attitude, spirit and craftsmanship, combined with years of experience grazing cattle on our pristine pastoral assets is unique to our country and our company; we take great pride in that.

How we harness and prioritise resilience across our assets helps to meet the changing needs of customers, minimise risk and improve efficiency.

We are custodians of a special relationship between our people, livestock, land and communities, that serve to position us internationally as the finest Australian Wagyu beef producer. We will continue to be responsible stewards to benefit future generations.

We capture the wonder and charm of Australia and craft this into remarkable dining experiences for people around the world to enjoy.

Our world-class supply chain

1 Breeding & Genetics
By combining the science of genetics and the art of breeding, we produce animals which will perform well under tough conditions. This ensures we maximise value and consistently produce quality animals.

2 Grazing
On the most extensive aspect of our operations – with properties spanning the rangelands of northern Australia, cattle graze for two to three years, roaming and eating an incredibly diverse diet of native grasses and shrubs.

3 Farming
Our farming operations focus on what grows well locally and what cattle flourish on. At Wylarah, Rewan, Glentana, Gordon Downs, Comanche and Goonoo we farm a variety of crops for harvesting and foraging.

4 Feedlotting
Our cattle are finished on a blend of grains for up to 550 days at Goonoo and Aronui. Our feedlots focus on optimising animal comfort, welfare and nutrition, producing consistently high quality beef.

5 Processing
AACo partners with state of the art processing facilities in Australia and we are onsite to ensure best-practice standards are maintained – low stress handling, hygiene, efficiency and quality control.

6 Distribution
Our supply chain is predominantly focused on delivering premium beef to global markets. We also sell the Mitchell composite and Brahman cattle from our internal supply chain to reputable customers.

7 Sales & Marketing
Our customer-facing team meets with chefs and distributors regularly, sharing the stories of where our product comes from and the best way to prepare it. This is also how we receive feedback from our customers on what's important to them.

★ Customers
Our entire supply chain is focused on producing consistent quality product for our customers.

A Year in Review

Strong operating results delivered during continued global volatility.

$67.4m
OPERATING PROFIT(1)
AN INCREASE OF 35% VS PCP(2)

$16.0m
OPERATING CASH FLOW
A DECREASE OF 34% VS PCP

$4.6m
STATUTORY NET PROFIT AFTER TAX
VS $136.9M PCP

(1) Key financial indicators are defined on page 49 in the Directors' Report.
(2) PCP represents prior comparative period.

Continued execution of our branded beef strategy with a focus on *obtaining premium prices* has helped to deliver:

$245.0m
MEAT SALES
AN INCREASE OF 18% VS PCP

$21.98/kg
WAGYU MEAT SALES PRICE
AN INCREASE OF 17% VS PCP

Strengthening of our balance sheet continues.

$2.4bn
TOTAL ASSETS
AN INCREASE OF 16% VS PCP

$2.59
NTA PER SHARE
AN INCREASE OF 14% VS PCP

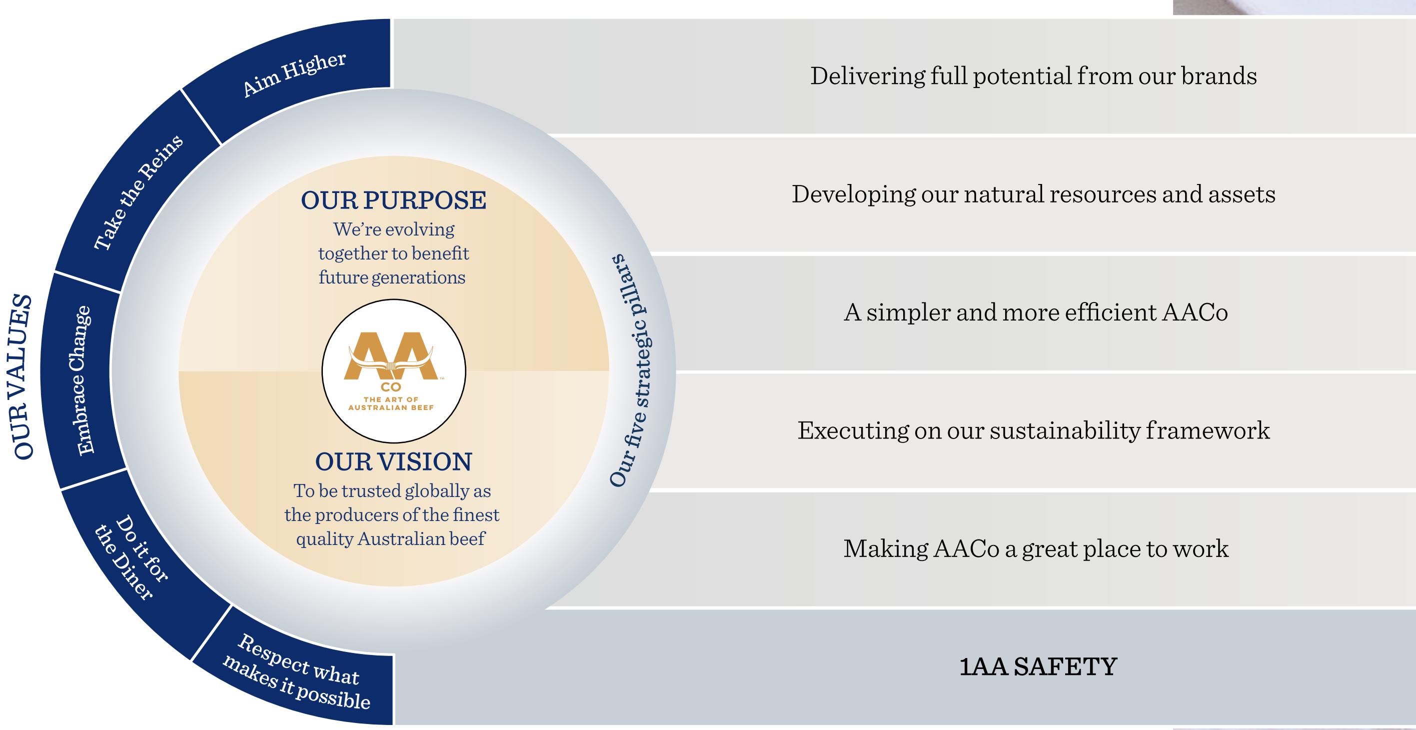
Strategic roadmap for growth

The future is ours to seize as we continue to reimagine agriculture and the future of food.

AACo continues to execute against our strategy to ensure we are continuously adapting and adding value for our shareholders.

We will continue to invest back into the business under our five strategic pillars, and in doing so, will build on our strong FY23 results and further grow the company as we look to our 200th year anniversary in 2024.

Our team will focus on realising further efficiencies through continuous improvement, risk mitigation and robust planning.



Driving our future success

Our brands in the spotlight

AACo is celebrated around the world for our Wagyu brands, Westholme and Darling Downs. These brands consistently deliver quality, integrity, flavour, and tenderness.

The passion and respect our people have for our animals and land, creates extraordinary dining experiences in some of the most recognised and awarded restaurants around the world.

It's how we share *the magic of Australia.*

There's a story in every mouthful of Westholme

A story of Australian craftsmanship and ingenuity, and an unyielding dedication to perfection and care from station to plate.

Westholme builds on our strong heritage of breeding, pairing a Wagyu herd of unrivalled provenance with our own northern Australian breed, the Mitchell, to craft a signature eating experience that is enjoyed around the world.

With every bite of Westholme, diners will experience the layering of rich, complex, buttery flavours. A flavour that only northern Australia can produce, and only Westholme can perfect.

Darling Downs isn't just a product, it's a way of life

Crafted by our people who love what they do and take enormous pride in caring for the land. Their dedication ensures that Darling Downs provides home chefs with high quality goodness they can count on.

By honing our craft and building on our experience, Darling Downs delivers the most flavoursome, tender and versatile Wagyu, with strong consumer demand in the Asian market.

Progress against strategy in FY23

At a glance

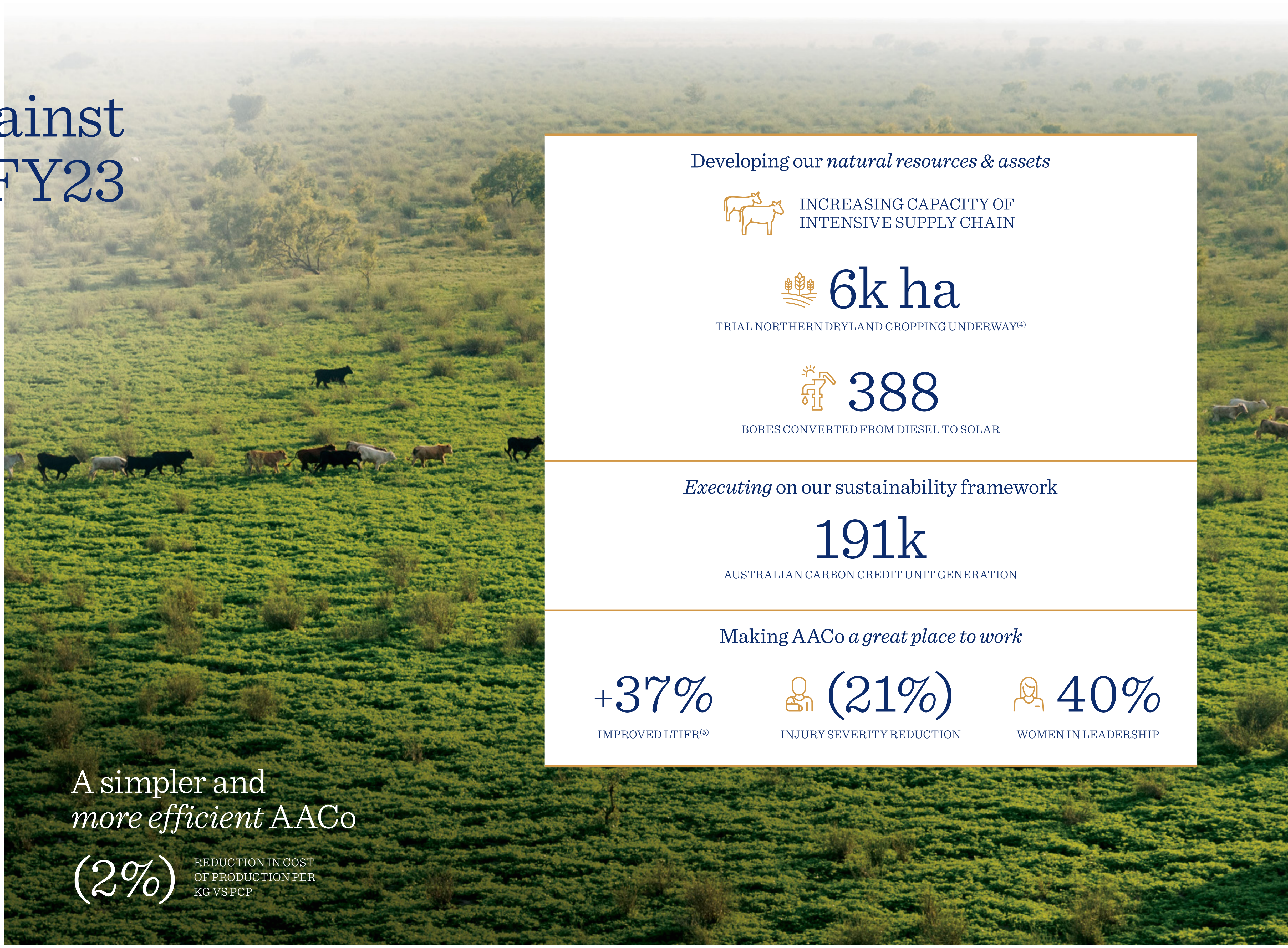
Delivering full potential from our brands

+17%

WAGYU MEAT SALES $/KG CW[(1),(2)] INCREASE VS PCP

+22%

BRANDED SALES GROWTH NORTH AMERICA[(3)]



A simpler and *more efficient* AACo

(2%)

REDUCTION IN COST OF PRODUCTION PER KG VS PCP

Developing our *natural resources & assets*

INCREASING CAPACITY OF INTENSIVE SUPPLY CHAIN

6k ha

TRIAL NORTHERN DRYLAND CROPPING UNDERWAY[(4)]

388

BORES CONVERTED FROM DIESEL TO SOLAR

Executing on our sustainability framework

191k

AUSTRALIAN CARBON CREDIT UNIT GENERATION

Making AACo *a great place to work*

+37%

IMPROVED LTIFR[(5)]

(21%)

INJURY SEVERITY REDUCTION

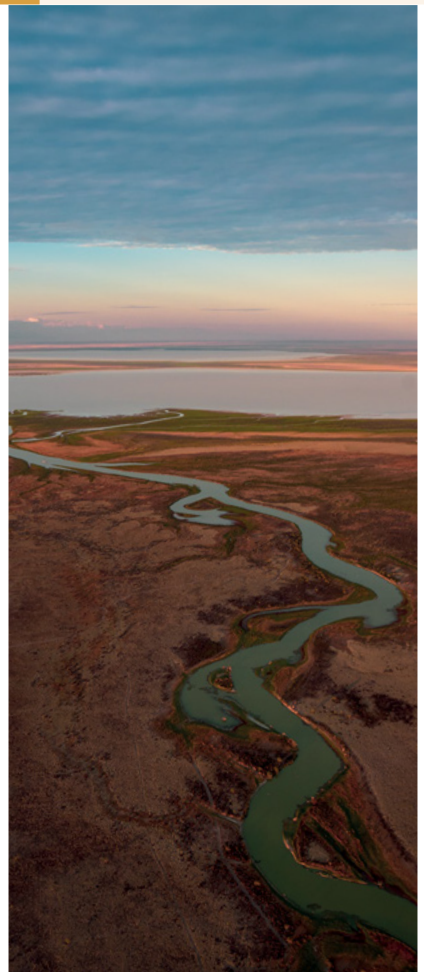
40%

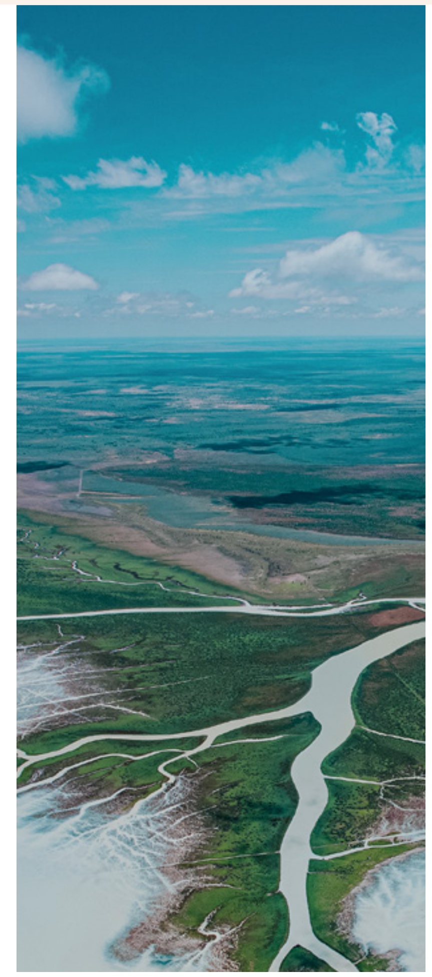
WOMEN IN LEADERSHIP

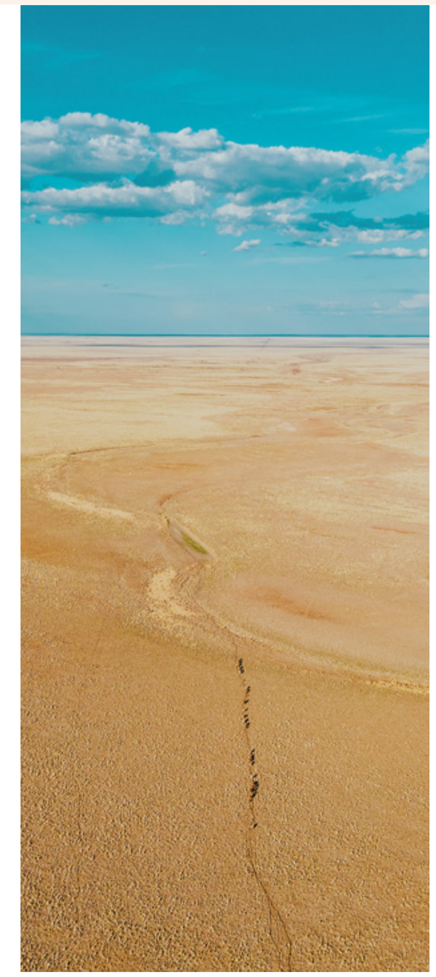
(1) CW represents carton weight containing saleable boxed meat.
(2) Wagyu meat sales represents total meat sales excluding by-products
(3) Branded meat sales represents total meat sales excluding trim and by-products.

(4) Trial northern dryland cropping underway for additional farming capacity.
(5) LTIFR represents Long Term Injury Frequency Ratio.

Chairman and MD’s Report







Donald McGauchie

David Harris

We are proud of our considerable achievements this past year, proving the strength and resilience of our company. We are grateful to our teams that have maintained focus and dedication in an unstable and challenging market environment, including crews on our properties who work so hard to care for our cattle and our people based in markets around the world.

Dear shareholders,

We are pleased to present the 2023 Annual Report for the Australian Agricultural Company Limited.

This is another strong financial result, demonstrating continued progress against our strategy. This year’s performance is testament to our dedicated teams who continue to meet our customers needs and build on what we have achieved in-market and across our supply chain. We have extraordinary people, assets and brands, and are proud of the resolve, continuity and focus that has helped shape our positive results.

Strategy Delivering Strong Operating Results

The success of our strategy is highlighted by our strong Operating Profit[1] of $67.4 million, up 35% on FY22. It marks four consecutive years of positive Operating Profit growth, achieved through brand supported price increases in all major markets.

Whilst Statutory Net Profit After Tax for FY23 was $4.6 million, compared with $136.9 million for FY22, this was driven by a $112.0 million unrealised herd valuation loss as a result of softening live cattle prices. The majority of this unrealised loss relates to our breeding herd, which is held to produce branded beef.

The company’s strategy of selling beef into global markets decouples our operating results from fluctuations in the Australian cattle market. Therefore, Operating Profit is a more accurate representation of company performance, as it removes the impact of unrealised gains or losses on our herd.

Net Operating Cashflow remains positive at $16.0 million, with increased cash outlays on the prior year for production costs supporting the 19% increase in liveweight kilograms produced. There has been additional funding deployed to right-size the business post COVID-19 and towards the 13% increase in our herd, and our commercial momentum has meant an increase in working capital levels at year end.

This past wet season has been one of the best we have ever seen. Strong pasture growth will continue to support the investment in our herd.

We also achieved a modest reduction in the cost of production per kilogram in FY23 despite cost pressures over the year, in a high inflationary environment.

Key executive positions were filled and made a seamless transition during the year. We have a highly experienced and focused team, engaged and working positively with the Board, building on strong foundations to achieve positive outcomes for our shareholders and people.

Our achievements this year can be directly attributed to our strategy and progress made across the business, along with our commitment to invest in our brands and assets. This will remain a priority as we move into FY24

Strength of our Assets

Our land assets include stations, farms and feedlots spread over 6.5 million hectares of pristine country in Queensland and the Northern Territory.

The increasing value of our properties supported our results, with a material uplift in pastoral property valuations. We continue to maintain these assets to a high standard as custodians of some of the best pastoral properties in Australia.

The assets we manage, including our land and cattle, are amongst the best in the world and the foundation of our ability to produce the highest quality beef at scale.

Progress in Key Markets

Our strategy includes a relentless focus on maximising returns from every cut of meat we produce, allocating volume through our global distribution networks to provide branded products to markets that deliver the best value.

With a focus on in-market support and building closer relationships with our distribution partners and chefs, the marketing, commercial and innovation teams are working with purpose as they champion our brands, deepen our collaboration opportunities, and fast-track our digital presence to expand consumer reach and engagement. We are excited about our programs and progress.

Improved distribution in our major markets, as well as selective expansion into new, affluent markets, is becoming a key enabler of AACo’s global strategy and focus on premium prices through brand.

Overall, this resulted in a further 17% increase in average Wagyu meat sales price per kilogram and revenue growth of our Westholme brand in key markets including North America, Australia, Europe and the Middle East. The price and volume increases were driven by increased brand awareness and strategic allocation of product, enabled by our strong distribution network. Our retail market in Asia also saw growth in price, with brand and digital engagement supporting the premium status of the Darling Downs brand.

(1) Key financial indicators are defined on page 49 in the Directors’ Report.

Chairman and MD's Report (cont.)

Sustainability Focus

The FY23 Sustainability Report is the fourth account of AACo's sustainability activities. We are pleased that we are making progress across a range of environmental and social areas.

At the heart of our business is the concept of 1AA, reflecting our commitment to the care of our people, animals and the environment. Our operations depend on natural assets such as healthy soil, nutritious pasture, clean water, and abundant diversity. We value the passion and contribution of our people, and the connections we have with the communities in which we operate, and we continue to drive the importance of animal health and welfare across our supply chain.

Some of our headline sustainability initiatives in 2023 include:

- Slow rotational grazing trial at Eva Downs station in the Northern Territory.
- Completed land restoration work at Headingly Station in North West Queensland.
- Completed our first trial to test Asparagopsis in long-fed Wagyu cattle, assessing its methane abatement potential and influence on eating quality, carcass grading and cattle feedlot performance.
- Completed the third year of the Beef Cattle Herd Management Project, registering a net benefit of 191,036 Australian Carbon Credit Units.
- Progressed our conversion of bores from diesel to solar. With 388 solar bores, we have now converted 62% of our active and viable bores to solar and are on track for the remainder to be converted in 2024.

To support with the execution of our sustainability framework, we continue to make progress on our sustainability foundations in the areas of climate and nature risk, data and reporting, stakeholder engagement and capital allocation.

Positioning for Growth in the Years Ahead

The AACo supply chain includes three principal activities: distribution of high-quality branded beef into global markets; breeding, growing, feedlotting and trading of our animals; and ownership, operation, and development of our pastoral properties.

We are monitoring headwinds into FY24, with rising inflationary pressures and increased local supply in key markets such as Korea and the US off the back of recent herd liquidations, creating price pressures. These could also materialise as opportunities as these herds are rebuilt.

Our five strategic pillars sit at the centre of our plans for growth:

- Delivering full potential from our brands;
- Developing our natural resources and assets;
- A simpler and more efficient AACo;
- Executing on our sustainability framework; and
- Making AACo a great place to work.

Our People

Our people have always been our greatest strength. We would like to congratulate David Harris on his appointment as Managing Director and CEO in September 2022. As our former COO, David has been front and centre of developing and driving AACo's strategy and has continued to steward this business on a path of sustainable growth with confidence.

We would like to thank the executive team and fellow Directors for continuing to represent the needs of our customers, our people, shareholders, and the communities we serve.

The success of FY23 and our plans for the future, would not be possible without our dedicated teams on properties, in our support office and in markets around the world bringing our strategy to life. They continue to grow, adapt, and lead with purpose and resolve. The last several years have underscored that change is constant, and the company has shown its ability to operate successfully in a dynamic and changing world.

We are pleased with what we have achieved so far and look forward to the future with purpose.

As we approach our 200th anniversary in 2024, we are eager to continue our work and further the success of the company.

Yours sincerely,

Donald McGauchie AO
Chairman

David Harris
Managing Director and CEO

Regional Beef Market Overview

AACo distributes quality beef product around the world.

In FY23, we delivered another year of strong commercial performance. Underpinning the higher operating profit was our ability to secure increases in the average sales price per kilogram across all markets in which we distribute our high quality beef.

We continue to optimise our market allocation and sales mix, focusing on strategic market allocation and adapting our channel strategies to evolving consumer and market trends.

We also continued to reinforce our successful branded beef strategy with targeted digital marketing campaigns, improved branding of our products on menu and in-store, and in-market presence of our commercial teams.

Our $/kg has been boosted by premium prices achieved through brand and optimised market allocation of product.

North America

A key strategic region and continued priority for expansion.

Our focus and investment in the USA has been a key driver of positive results, with targeted placement of product and in-person events increasing Westholme's brand awareness:

- Deepening our engagement and collaboration within established networks of customers across this highly strategic market has supported price growth.
- Westholme collaborations with high profile US-based chefs continue to be broadcast across our digital channels, growing brand awareness.
- Increased distribution reach in the food service channel has underpinned our volume growth through various market conditions.

North America Branded Meat Sales(1)

REVENUE
↑ 22%
VS PCP

PRICE/MIX	VOLUME
19%	3%

VS PCP

E-mart in Korea

E-mart is the largest retailer and first hypermarket franchise in South Korea.

Our Darling Downs brand has a long history in Korea and is now the #1 Wagyu beef brand in E-mart. The brand has secured leading market share, and is now available in 136 E-mart stores.

Asia

Represents a core strategic market.

Sales were allocated away from retail into food service markets around the world as part of our overall global strategy. Solid price increases were achieved in this region due to:

- Expanded brand visibility, value-add promotions and in-store tastings to support premium status of Darling Downs in Korea.
- Further investment in digital presence to expand consumer reach and engagement.

Asia Branded Meat Sales(1)

REVENUE
↑ 13%
VS PCP

PRICE/MIX	VOLUME
16%	(3%)

VS PCP

(1) Branded meat sales represents total meat sales excluding trim and by-products.

Australia

Our spiritual home and always a key focus.

We honour both the prestige of Westholme and the unique history of AACo in this country, driving value through:

- Targeted menu placements with influential chefs and iconic restaurants who best represent the Westholme brand.
- Continuing to build brand awareness.

Australia Branded Meat Sales[1]

REVENUE ↑ 13% VS PCP

PRICE/MIX 11% VOLUME 2% VS PCP

Europe/ Middle East

Area of selective growth, expanding into new, affluent markets.

In this region, we are predominately targeting the high-end food service market. Building on post COVID-19 recovery, our focus has been on:

- Strengthening our partnerships and collaborations with our distribution partners.
- Building credibility of Westholme with key chefs across key cities.
- Expanding Westholme into new markets, aligning brand with market to achieve price premiums.

Europe/Middle East Branded Meat Sales[1]

REVENUE ↑ 43% VS PCP

PRICE/MIX 34% VOLUME 9% VS PCP

(1) Branded meat sales represents total meat sales excluding trim and by-products.

Financial & Operational Performance Highlights

Continued positive momentum

In the face of continuing global volatility and uncertainty, we have been able to deliver another strong result. The success of our global brands and supply chain partnerships have continued to prosper, thanks to our committed team.

The company delivered total revenue of $313.4 million, up 14% from the previous year. This result has been driven by an improvement in price realisation, with higher average prices achieved on both meat and cattle sales. Meat sales volumes were materially in line with the prior year, while cattle sales volumes were down 6%.

Branded sales growth in key markets has helped drive this operating performance, as margins improved, and the strategy was further reinforced with growing brand awareness and demand.

Cost of production per kilogram has realised a 2% reduction on the prior year, primarily due to higher liveweight kilograms produced, with improved seasonal conditions.

The company maintains a robust balance sheet, with comfortable headroom under existing bank covenants.

IMPRESSIVE MOBILE FLEET

7 ROAD TRAINS

100 EARTH MOVING EQUIPMENT ASSETS

5 AIRCRAFT

90 MOTORBIKES

160 PASSENGER VEHICLES

80 TRUCKS

Fleet Management Optimisation Continues

AACo manages an impressive mobile fleet of assets. This includes five aircraft, seven road trains, and approximately 100 earth moving equipment assets, 160 passenger vehicles, 80 trucks and 90 motorbikes.

FY23 saw a continued focus on asset management and tier-1 fleet management principles, with particular focus on two predominant areas: earth moving equipment assets and passenger vehicles.

- The earth moving equipment project (Project "Yellow Bull" – a partnership between Caterpillar/Hastings Deering and AACo) anticipates this fleet size will reduce by ~25%.
- The passenger vehicle project (Project "White Horse" – a partnership between Custom Fleet and AACo), anticipates this fleet size will reduce by ~15%.

Both projects optimised the fleet to produce a reduced carbon footprint, with fewer vehicles and equipment in the field.

Both projects are ongoing and AACo anticipates benefits will continue into the future.

Aviation is also an essential part of our business to support operations and transport staff and contractors safely across remote locations within our supply chain. Our team manage and operate aircraft across multiple locations.

Financial and Operational Performance Highlights (cont.)

Our Operations

At AACo, we operate a strategic balance of world class assets across 6.5 million hectares of Australia, underpinning the value of our business.

Our unique property portfolio is core to our production system and comprises a strategic mix of cattle stations, feedlots and farms across Queensland and the Northern Territory. The quality of these assets enables us to produce the highest quality beef at scale and this is key to supporting our branded beef strategy.

Leveraging our generational experience with these properties, we continuously evolve and improve the efficiency of our operations. The value of our pastoral property grew over the year by $294.2 million due to increases in fair value. These assets are now worth $1.5 billion, supporting our total assets value of $2.4 billion.

The quality of our herd is also key to delivering our strategy and this is supported by our dedicated experts in breeding and genetics, rangelands, sustainability, and livestock.

Feature

Sam Graham: Celebrating 35 years

Sam has an impressive history with AACo, which began in 1988 when he joined the crew at Brunette Downs as a station hand.

"AACo has magnificent people and magnificent properties. I have been given so much opportunity across the portfolio."

The last three decades has seen him hold various roles at Meteor Downs, Headingly Station, Dalgonally/ Clonagh Station, Wylarah Station and Anthony Lagoon Station. Today he is based in Brisbane as the Senior Operations Officer.

In his current role, he leads procurement category management, which includes responsibility for leadership of AACo's pastoral engagement program, connecting AACo's pastoral operations with its many and varied external supply-stakeholders, both domestic and international.

Financial and Operational Performance Highlights (cont.)

Our people lead *every day*

They are compassionate, committed, and humble.

Living our values

Respect what makes it possible, aim higher, embrace change, take the reins, and do it for the diner.

At AACo, we are committed to building a team from a range of backgrounds, skills, talents and aspirations, with solid work ethic.

We promote an inclusive workplace that embraces diversity as part of our culture. This involves providing supportive and inclusive diversity-related workplace policies, programs, and practices within our business.

We take care of our people. Health and safety, critical risk control and smart decision-making is the upmost importance to our teams. We have continued our hazard profile across the business and to train team members as mental health first responders. Safety is at the core of everything we do.

It's our dedicated team that enables us to supply our beef throughout the world, every single day.

Our people work across our stations, feedlots and farms in Queensland and the Northern Territory as well as Skyring, our support office in Brisbane, and commercial offices around the world. They deliver on our high-performance culture by living our values: Respect what makes it possible, aim higher, embrace change, take the reins, and do it for the diner.

AACo's commitment to safety continues to evolve and advance as we refine our work health and safety strategy and continue to embed three key initiatives: IAA, Switch On and Leadership Development.

These initiatives have supported improved performance across our key safety metrics including increasing Near Miss reporting and reducing serious injuries.

Wellbeing, Health & Safety

One of the areas of focus we are proud of at AACo is investing in our people's health and wellbeing. Safety and health, both physically and mentally, are of the utmost importance to everything we do.

Feature

Charities we support

Dolly's Dream is one of the primary charities we support, along with The Royal Flying Doctor Service and Sober in the Country. Dolly's Dream is dedicated to bringing the community together, spreading kindness and uniting in helping break the silence around bullying.

37%

IMPROVEMENT IN LTIFR

21%

INJURY SEVERITY REDUCTION

AACo promotes a strong community-based culture because we know that being part of a community is critical to creating a safe and healthy workplace. We recognise that agriculture has inherent risks as an industry, and we take this seriously.

Near miss reporting has been a key focus in building a strong reporting and learning culture, a key element of our safety discipline.

Continued developing our frontline leaders, as we recognise how important this role is in leading and developing our safety culture.

Continued our behavioural safety program rollout "Switch On" to build safer habits and improve situational awareness of our workforce.

Continued our site-specific hazard profile of assessments across our operations to understand our key hazards and provide education on mitigation, reducing the risk of potential harm to our workforce.

Our 1AA. safety brand defines our culture of care and also sets boundaries for us to work within.

We delivered several health and wellbeing programs within the business on topics such as ergonomics, nutrition, alcohol and men's and women's health.

Continued to advocate the use of our employee support program. This program was tailor-made in consultation with Strive Occupational Rehabilitation, winning an award this year in the category of "best commitment to work health and wellbeing" from Worksafe Queensland.

Craftsmanship

World class herd

The AACo Wagyu herd is based on the famous Westholme stud that contains the most highly credentialed fullblood Japanese Black Wagyu sires and breeding females. Our three major Wagyu bloodlines ensure the diversity of our herd, and produce reliably balanced, outstanding quality carcass every time.

Our flagship composite breed, the AACo Mitchell, thrive in northern Australia and are highly fertile and productive.

Our composite cattle are renowned for their growth and ability to thrive in tropical and temperate production systems. The Mitchell was developed by combining the best of two legacy composites the Barkly Composite and the Gulf Composite.

Brahman and Brahman-cross breeds are a valuable part of AACo's northern herd. They are a tough breed, with natural resistance to parasites and are highly suitable for tropical environments.

We run *Australia's largest herd* of Wagyu cattle, producing high grade Wagyu beef that is exported around the world.

Feature

Our sophisticated Genetics and Breeding Program delivers our signature flavour and marbling.

AACo owns and operates one of Australia's largest cattle herds, with around 433,000 head spread over our properties across Queensland and the Northern Territory.

To protect our world class herd, and in the spirit of continuous improvement, AACo has developed one of the most sophisticated and disciplined internal genetics programs in Australia. A talented team of specialists manage a carefully synchronised process across the operations.

We employ technologies including performance recording and evaluation, Total Genetic Resource Management (TGRM), feed efficiency testing, walk-over weighing technologies and genomics. This also includes investing in reproductive technologies to accelerate the program.

Owning our cattle right through the supply chain gives us the ability to capture paddock, feedlot and carcass performance and link this directly into our breeding program decisions. Our current focus is to safeguard valuable genomics to risk manage and eradicate infectious diseases.

Our team continue to dedicate their efforts towards fully realising natural genetic improvements to achieve increased marbling, carcass quality, growth, feed efficiency and healthier cattle.

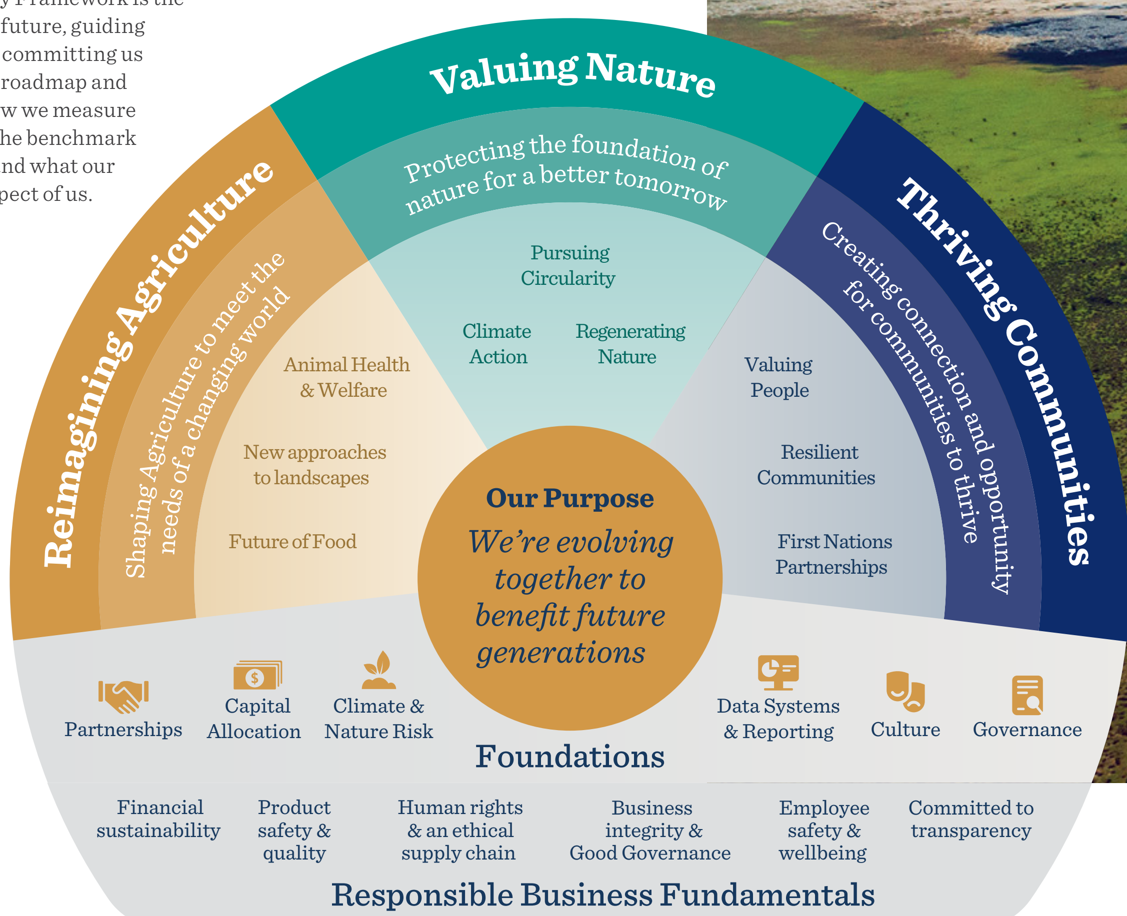
Animal welfare is always at the heart of their program and these genetic innovations are achieved through natural breeding techniques. Breeding animals without horns through the use of these genetic innovations is a key part of our commitment to animal welfare.

All this important work serves to deliver our signature flavour and marbling. It takes craft, patience and great scientific expertise.

Our Sustainable Future

Reimagining agriculture and our relationship with nature.

This year, we have released the fourth account of our sustainability activities in the FY23 Sustainability Report. Our Sustainability Framework is the blue-print for our future, guiding our decisions and committing us to action. It is our roadmap and serves to guide how we measure our success. It is the benchmark we set ourselves and what our customers can expect of us.



Feature

Our Sustainability Team is moving us towards a nature positive future

Sustainability has been an integral part of our operations for more than 25 years, when the first Rangelands Officer joined AACo. Today, the Sustainability team has grown to eight members, led by our Head of Environment and Sustainability, bringing together decades of experience in environmental science, sustainable beef production, rangelands management, carbon markets, geospatial sciences, agribusiness and animal health and welfare.

Our Rangelands Officers are still at the heart of our approach, with team members living and working on station side-by-side with our operations team. They drive our day-to-day pasture management, while forging new pathways for AACo to enter emerging Nature Repair Markets through landscape scale biodiversity and natural capital management.

Our expertise in carbon project development is opening opportunities for carbon sequestration and abatement across our landscape.

Animal Health and Welfare advisors support our operations by driving continuous improvement in animal wellbeing across our supply chain.

And together we are aligning with international reporting standards and guiding the execution of sustainability programs across the business.

Our Approach

Tackling the big issues.

We are aiming high, with bold ambitions that shape agriculture to meet the needs of a changing world, protect and respect the foundation of nature and help our communities thrive. To achieve this, we focus on our three pillars per the Sustainability Framework of reimagining agriculture, valuing nature and thriving communities.

Reimagining Agriculture

Pillar 1

By virtue of our size and integrated supply chain we are uniquely placed to realise the opportunity to meet increasing consumer demand for sustainably produced food from finite resources.

Valuing Nature

Pillar 2

Nature is fundamental to everything we do. We are taking concerted climate action, pursuing circularity across our operations and working to regenerate nature to protect and enhance key ecosystem services within our care.

Thriving Communities

Pillar 3

Thriving communities are critical for the health, resilience, and fundamental future of our business. This ambition will be realised through the creation of connection and opportunity for our people within the communities we operate, including co-developed partnerships with the First Nations communities.

Sustainability Topics

We strive to be transparent and purposeful in our communication on sustainability and we are continually working to align with reporting best practices.

In 2021 we engaged a third party to complete a materiality assessment to identify AACo's most important environmental, social and economic topics. This year we have mapped these topics to the relevant topics within the GRI Sector Standard for Agriculture, Aquaculture and Fishing, which was released in January 2023.

This provides consistency and comparability within our industry and alongside our peers, and further helps to guide our sustainability reporting.

GRI Sector Topics	AACo Focus Areas
Emissions	• Climate change and emissions • Renewable energy transition
Biodiversity	• Biodiversity and ecosystem • Air quality • Land management and sustainable farming
Water and effluents	• Water stewardship
Waste	• Plastics, packaging and waste
Food safety	• Food nutrition, quality and safety
Animal health and welfare	• Animal health and welfare
Local communities	• Community engagement
Rights of Indigenous Peoples	• First Nations engagement
Non-discrimination and equal opportunity	• Diversity and equal opportunity
Occupational health and safety	• Employee health, safety and wellbeing
Supply chain traceability	• Sourcing local raw materials • Responsible value chain management • Product provenance, traceability and transparency
Public policy	• Climate and nature lobbying
Climate adaptation and resilience	• Climate change and emissions
Natural ecosystem conversion	• Biodiversity and ecosystem • Land management and sustainable farming

Highlight

Stewards of Nature

As stewards of 6.5 million hectares of land, we play an important role in protecting, restoring and maintaining Australia's biodiversity. Maintaining high biodiversity and healthy ecosystems improves productivity, builds resilience, and helps to prepare for, mitigate and recover from the impacts of natural disasters and weather variability.

Natural capital is an emerging form of value we are exploring. Whilst traditionally we have focused our land management and natural assets to support our livestock production, we are thinking differently about how we can combine livestock production with sustainable land management practices to build natural capital and biodiversity values across our landscapes.

"We continue to better understand the challenges of climate change and the impact of our business operations. But have a fierce determination to be a part of the solution and produce food in a way that benefits future generations."

David Harris, Managing Director and CEO

Our approach to land and nature management

We utilise several sustainable grazing and land management practices in our operations such as managing stocking rates to improve livestock production and land condition, resting pastures to maintain or restore their condition to increase pasture productivity, satellite assisted forage budgeting and using fencing and water points to manipulate grazing distribution.

Pasture management

Our Rangelands team works closely with station managers on pasture utilisation. In 2020, our team incorporated a satellite-based pasture biomass assessment tool developed by Cibo Labs. This provides a reliable measure of the standing pasture resource across an entire paddock as opposed to single point visual estimates, significantly improving the accuracy of the calculations we make in assessing the available pasture for our cattle.

We also have a managed approach to assessing and planning forage availability. Our forage budgeting tool assesses the available kilograms per hectare of pasture in proximity to water sources, enabling us to plan cattle movements to ensure a controlled pasture offtake.

Land condition framework

The Rangelands team use a land condition framework to inform the carrying capacity of each station over seasons long-term. The framework incorporates soil health, pasture health, land diversity, weed prevalence and woody thickening. It also assists in identifying highest priority area for land rehabilitation programs.

Sustainable stocking model

Our sustainable stocking model focuses on setting stocking numbers in our breeding herds, aligned to long-term carrying capacity. The model considers the numbers of grazing animals a property can sustainably carry year in, year out without causing overgrazing or degrading landscape health. This approach to grazing enables us to improve land condition, increase productivity measures and to mitigate against seasonal risks.

Financial Report

Contents

Directors' Report

Your Directors submit their report for the year ended 31 March 2023.

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 Directors were in office for the entire period unless otherwise stated.

Donald McGauchie AO, FAICD

(Chairman)

Mr McGauchie was appointed a Director of Australian Agricultural Company Limited on 19 May 2010 and subsequently Chairman on 24 August 2010.

His previous roles with public companies include Chairman of Telstra Corporation Limited, Chairman of NuFarm, Deputy Chairman of James Hardie, Director of GrainCorp Limited, Deputy Chairman of Ridley Corporation Limited, Director of National Foods Limited, Chairman of Woolstock, Chairman of the Victorian Rural Finance Corporation, Chairman of the Australian Wool Testing Authority, President of the National Farmers Federation from 1994 to 1998 and Director of Reserve Bank of Australia from 2000 to 2011.

In 2001, Mr McGauchie was named Rabobank Agribusiness Leader of the year and awarded the Centenary Medal for services to Australian society through agriculture and business.

In 2004 Mr McGauchie was appointed an Officer of the Order of Australia for services to the wool and grain industries.

David Harris BRurSc

(Managing Director and CEO)

Mr Harris was appointed Managing Director and Chief Executive Officer on 27 September 2022. Prior to this appointment, Mr Harris held the position of Chief Operating Officer from March 2020, and had also worked with AACo from 2016 in a contracted capacity reporting to the CEO and Board of Directors to improve operational aspects of the business.

With extensive supply chain experience across various aspects of Australian agriculture, Mr Harris has developed a broad depth of knowledge in the operation of large-scale intensive animal production systems, having previously held executive positions with Stanbroke, Smithfield Cattle Co. and running a private agricultural consultancy business and family farming operations in central west New South Wales.

Mr Harris holds a Bachelor of Rural Science from the University of New England specialising in ruminant nutrition and meat science.

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 non-executive director of Noumi Limited, a former non-executive director of Palla Pharma Limited, NetComm Wireless Limited, Coffey International Limited, and Country Education Foundation of Australia Limited, former Chairman of the Chartered Accountants Benevolent Fund 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.

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 the community.

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

- Palla Pharma Limited – resigned April 2022.
- Noumi Limited* – appointed March 2021.

* Denotes current Directorship.

Directors' Report (cont.)

Directors (cont.)

Tom Keene BEc, FAICD

Mr Keene was appointed a Director on 5 October 2011 and retired during the current period, on 23 October 2022. During the period and up until his retirement, Mr Keene was Chairman of the Staff and Remuneration Committee and a member of the Nomination Committee.

Mr Keene had an extensive career in agriculture; he was the former Managing Director of GrainCorp Limited and was a Director of the leading Australian wood fibre exporter, Midway Limited. He was 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 had served as a Director of the following listed companies:

- Midway Limited – retired 28 November 2022.

Dr Shehan Dissanayake Ph.D.

Dr Shehan Dissanayake was appointed as a Director on 27 April 2012, and was an Executive Director from 11 April 2017 to 20 November 2019. Dr Dissanayake is a senior Managing Director of the Tavistock Group.

Before joining Tavistock Group in 2002, Dr Dissanayake was a Managing Partner of Arthur Anderson.

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 Chairman of the Staff and Remuneration Committee and a member of the Audit and Risk Management Committee and Nomination Committee.

Mr Abraham has over 30 years' experience in banking, finance and investment management, including 20 years specifically in food and agriculture. Mr Abraham established Macquarie Group's agricultural fund's management business and is currently a member of ROC Partners' food and agricultural investment team.

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

Directors' Report (cont.)

Directors (cont.)

Neil Reisman JD

Mr Reisman was appointed a Director on 10 May 2016. He is a member of the Audit and Risk Management Committee and the Nomination Committee.

Mr Reisman has more than 30 years of business experience with emphasis on operations, legal, tax, investments and finance. He has worked at various multinational companies, including Tavistock Group, Arthur Andersen and Amoco Corporation.

He received his Juris Doctor in 1986 from the University of Pennsylvania Law School and his Bachelor of Science in Accountancy in 1983 from the University of Illinois.

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

Jessica Rudd BCom LLB (Hons)

Ms Rudd was appointed a Director on 15 November 2017. Ms Rudd is a member of the Staff and Remuneration Committee, Nomination Committee and Brand, Marketing & Sales Committee.

In 2015, Ms Rudd founded Jessica's Suitcase, an e-commerce retail platform that offers high-quality Australian products direct to Chinese consumers through online cross-border channels. In 2018, Ms Rudd announced the sale of Jessica's Suitcase to eCargo Holdings (ASX:ECG), on whose board she served as a non-executive director until 2020.

Ms Rudd has served on the Griffith University Council since January 2020 and was appointed co-chair of the National Apology Foundation in 2021. As of March 2023, Ms Rudd has served as Pro-Chancellor (People, Nominations and Remuneration) Griffith University.

Beginning her career as a media and intellectual property lawyer, Ms Rudd later worked in London as a crisis management consultant for a global communications firm before moving to Beijing, where she lived and worked for five years.

Ms Rudd served as Australia and New Zealand Lifestyle Ambassador for the Alibaba Group from 2016 until 2020. She 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.

During the past three years Ms Rudd has served as a Director of the following listed companies:

- eCargo Holdings – resigned 22 January 2020.

Sarah Gentry BEc, BCom

Ms Gentry was appointed a Director on 24 October 2022. Ms Gentry is a member of the Audit, Risk and Management Committee and Nomination Committee.

Ms Gentry is a Vice President at the Tavistock Group where she manages investments in the food, agriculture, health and technology sectors. She has experience in finance, operations, investments and marketing. Ms Gentry holds a Bachelor of Economics and a Bachelor of Commerce from the University of Queensland. She is a member of Chartered Accountants Australia and New Zealand.

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

Directors' Report (cont.)

Directors (cont.)

Marc Blazer MSc (LSE), BA (UMD)

Mr Blazer was appointed a Director on 31 July 2019. Mr Blazer is Chairman of the Brand, Marketing & Sales Committee and a member of the Nomination Committee.

Mr Blazer is a leader in the international tourism and hospitality sector. Mr Blazer is currently the Chairman and CEO of Overture Holdings, a consumer, food & beverage, and hospitality investment group. From 2013 until 2020, he was the co-owner and Chairman of the Board of Noma Holdings, the parent company of world-renowned restaurant noma based in Copenhagen; co-founder and Executive Chairman of New York based PRIOR, a global hospitality and travel company; and Co-founder and Director of Ahimsa Partners, a venture that invests in, licenses, owns, and operates hospitality ventures in India.

In addition to his consumer and hospitality business activities, Mr Blazer has also had an extensive career in capital markets. Before becoming Chairman of Overture Holdings, he was a partner and the global head of investment banking at Cantor Fitzgerald. During his tenure, he was named one of Investment Dealer's Digests 40-under-40 in 2006. While at Cantor, he was on the advisory board of Enertech, a clean energy venture fund. Prior to joining Cantor Fitzgerald, Mr. Blazer spent six years at ChaseMellon Financial Corp. (now Bank of New York Mellon), a joint venture between Chase Manhattan Corporation and Mellon Financial Group LLC.

Earlier in his career, Mr Blazer was an advisor to members of Congress in both the US House of Representatives and Senate on tax matters, banking and securities legislation, international trade policy, and foreign relations.

Mr Blazer earned a graduate degree from the London School of Economics in 1992, and a BA from the University of Maryland in 1990.

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

Company Secretary

Bruce Bennett BCom, LLB, AGIA ACG (CS, CGP)

Mr Bennett was appointed Company Secretary and General Counsel in November 2006. Before joining the Company, he 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 30 years' experience in legal practice, having practised in both Queensland and New South Wales. Bruce has been a Chartered Secretary since 2005 and is a member of the Chartered Governance Institute and an Associate of the Governance Institute of Australia.

Directors' Report (cont.)

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:

	Ordinary Shares	Options Over Ordinary Shares	Performance Rights
Current Non-executive Directors			
D. McGauchie	1,120,774	–	–
S. Black	40,000	–	–
Dr S. Dissanayake	2,025,000	–	–
A. Abraham	30,000	–	–
N. Reisman	45,000	–	–
J. Rudd	32,258	–	–
M. Blazer	–	–	–
S. Gentry	9,261	–	–
Current Executive Directors			
D. Harris	–	–	518,396

Dividends and earnings per share

Earnings Per Share	31 Mar 2023 Cents	31 Mar 2022 Cents
Basic earnings per share	0.77	22.94
Diluted earnings per share	0.77	22.92

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

Directors' Report (cont.)

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 one of Australia's largest, integrated cattle and beef producers, and is the oldest continuously operating company in Australia.

AACo's Business Activities

AACo controls a strategic balance of properties, feedlots, farms and a processing facility comprising around 6.5 million hectares of land and specialises in high-quality beef production.

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;
- Production of beef including breeding, backgrounding and feedlotting; and
- Ownership, operation and development of pastoral properties.

AACo operates an integrated cattle production system across 19 owned cattle stations, 4 leased stations, 2 owned feedlots, 2 owned farms and 1 leased farm, 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. The Company is large enough to obtain scale efficiencies but small enough to ensure the highest of production standards and produce some of the finest quality beef in the world.

Key Financial Indicators Used by Management

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

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

	31 Mar 2023 $000	31 Mar 2022 $000	Movements $000
Meat sales	245,043	208,529	36,514
Cattle sales	68,381	67,538	843
Operating Profit	67,385	49,886	17,499
Statutory EBITDA	49,051	228,611	(179,560)
Statutory EBIT	25,273	208,770	(183,497)
Net profit after tax	4,611	136,930	(132,319)
Net cash inflow from operating activities	16,033	24,248	(8,215)

Operating Profit does not include unrealised livestock gains or losses, while Statutory EBITDA does include these. A reconciliation of Operating Profit to Statutory EBITDA is included in Note A5 to the financial statements.

Statutory EBITDA is earnings before interest, tax, depreciation and amortisation, and gain/loss on equity investments.

Directors' Report (cont.)

Operating and Financial Review (cont.)

Sales and Marketing

In FY23, Wagyu beef revenues improved whilst volumes remained materially consistent, driven by average sales $/kg increases on FY22, consistent with the Company's branded beef strategy, strategic product allocation and general market conditions.

	31 Mar 2023	31 Mar 2022
Wagyu beef revenue – $ mil	241.0	203.8
Wagyu beef kgs sold – mil kg CW[1]	11.0	10.9
Wagyu beef sold – $/kg CW	$21.98	$18.74
Cattle revenue – $ mil	68.4	67.5
Cattle sales – mil kg LW[1]	16.2	17.3

(1) CW – carton weight containing saleable boxed meat, LW – Live animal weight.

Production

Kilograms produced is a measure of the number of kilograms of live weight of cattle grown throughout the breeding, backgrounding and feedlot operations of the Company during the period, excluding the offsetting impact of attrition kilograms. Kilograms produced has increased 19% on the previous corresponding period, resulting from higher calving rates in the current year primarily due to improved seasonal conditions and herd growth on the prior year.

Cost of production is a measure of the operating costs to produce a kilogram of live weight of cattle throughout the breeding, backgrounding and feedlot operations of the Company during the period. This calculation is the sum of all annual production costs incurred at each of the Company's productive properties, divided by the number of total live weight kilograms produced. Cost of production has realised a 2% reduction on the previous corresponding period, primarily due to higher kilograms produced, with improved seasonal conditions.

	31 Mar 2023	31 Mar 2022
Kilograms produced – mil kg LW	63.4	53.3
Cost of production – $/kg LW	$2.77	$2.82

Operating Review

During FY23, the Company continued to execute its strategy. Optimisation of allocations to markets and channels, as well as market price increases, resulted in a 18% increase in Wagyu beef sales revenue with materially consistent volumes sold. The strength of our brand premium continued to grow, with an incremental $3.24/kg average meat selling price, up 17% on the prior year notwithstanding the challenges of changing macroeconomic conditions within the regions we market and sell our products, including shifting supply dynamics and inflationary pressures.

Operational expenditures are higher due to inflationary impacts on input costs, as well as investment in our key strategic pillars to deliver the full potential from our brands, execute on our sustainability framework and develop our assets.

Livestock Movements

Livestock carrying values are materially in line with the prior year, with market price declines on both Non-Wagyu and Wagyu livestock, offset by an increased herd size.

The herd headcount has improved due to increased brandings from the Company's internal breeding program. The Company continues to benefit from its integrated supply chain, with a predominantly self-sustaining herd, and has the ability to adapt its holdings within a sustainable carrying capacity to meet its strategic requirements.

Market values of Non-Wagyu and Wagyu animals have declined significantly over the past year, leading to a $112.0 million market value decline on cattle values at the FY23 year-end. This change in market price is driven by market dynamics, and is an unrealised mark-to-market adjustment on our herd. Our herd is primarily held for the production of beef and therefore the majority are not disposed of through the market sales process.

Directors' Report (cont.)

Operating and Financial Review (cont.)

Operating Review (cont.)

Property

Property values continue to see growth, and during FY23 the Company recorded a net $294.2 million increase in the fair value of the Company's Pastoral Property and Improvements, bringing the value of this portfolio to $1.5 billion as at 31 March 2023. This significant increase is a reflection of substantial market increases seen in comparable property sales, as well as the continued investment in maintaining the quality of these assets.

Consistent with prior years, the Company reflects potential risks and impacts of climate change as part of the valuation methodology, by ensuring the pastoral property values are based on a long-term view of sustainable carrying capacity and rates applied that reflect sustainable management practices.

Statutory Financial Results

The FY23 results include a Statutory EBITDA profit of $49.1 million, driven by improvements in both average cattle and meat sales prices on similar volumes, despite a market value decrease in the value of the herd.

In summary:

- Total sales revenue of $313.4 million, compared with $276.1 million in FY22, with higher average prices achieved on both meat and cattle sales. Meat sales volumes were materially in line with prior year, and cattle sales volumes were down 6%;
- Operating Profit of $67.4 million, compared with an Operating Profit of $49.9 million in FY22;
- Statutory EBITDA profit of $49.1 million, compared with a Statutory EBITDA profit of $228.6 million for FY22;
- Positive net operating cash flows of $16.0 million, compared with $24.2 million in FY22;
- Cost of production has realised a 2% reduction on the previous corresponding period, primarily due to higher kilograms produced, with improved seasonal conditions;
- Average Wagyu meat sales price per kilogram has increased by 17% in FY23; and
- The Company maintains a robust balance sheet, with comfortable headroom under existing bank covenants.

Net Tangible Assets

The Company's net tangible assets per share was $2.59 as at 31 March 2023, compared to $2.27 as at 31 March 2022, primarily driven by increases in the market value of Pastoral Property and Improvements.

Risk Management

As an international branded beef business with an integrated supply chain, AACo faces various risks which could have a material impact on its future strategy and financial performance.

The nature, likelihood, timing and potential impact of risks are not static and are impacted by the Company's ability to manage and mitigate these risks. It is possible for several relatively minor risks to converge into a new risk that was unforeseen and is material to the business. We concentrate our risk planning on those risks relating to factors that management can measure and reasonably control, and consider mitigation strategies if available.

AACo faces some material risks that cannot be mitigated by preventative strategies. In such instances the Company's approach is to recognise the risk and have action plans in place to respond effectively if or when the risk crystallises. Some risks may crystalise in ways which present opportunities for AACo. A strong balance sheet is a foundational element that prepares AACo to manage risks or act on opportunities.

As noted in the Board Charter, overall accountability for risk management lies with AACo's Board. The AACo Risk Management Framework and risk appetite are reviewed and approved annually by the Board. The Audit and Risk Management Committee assists the Board in its oversight of risk management. Responsibility for establishing and implementing the risk management framework and for implementing the internal controls and processes to manage risk is delegated to the Managing Director/Chief Executive Officer with the Executive Leadership Team. Management monitor our strategic and tactical environment for new and emerging risks on a continual basis. Further information on risk management can be found in the Risk Management Policy and Audit & Risk Management Committee Charter on the Company website.

Directors' Report (cont.)

Operating and Financial Review (cont.)

Risk Management (cont.)

Below is an outline of risks which AACo faces with the execution of its strategy and its operations; this outline is not exhaustive and risks are not presented in order of materiality.

Business Risk	Description	Mitigation/Management
Extreme weather events and seasonal risk	Adverse weather conditions have historically caused variability in the agricultural sector. As custodians of 1% of Australia's land mass, AACo has exposure to a range of climate-related weather events including drought, floods, fire and extreme heat. The occurrence of extreme weather events can affect the Company's supply chain, leading to unforeseen changes in meat production, cattle and Wagyu beef sales, and result in additional capital expenditure requirements and/or production costs.	The Company is conscious of these climatic factors and invests in mitigation where possible. AACo's geographically dispersed property portfolio assists in balancing these risks. Consideration of seasonal risks is incorporated into ongoing operations as well as budgeting and operational planning.
Biosecurity	An outbreak of animal disease in Australia could significantly impact the Australian cattle industry. Australia's international trade status for cattle and beef products depends on its disease-free status. Trade controls imposed by international markets because of an animal disease outbreak in Australia may adversely impact revenue.	AACo is working closely with industry associations, external advisors, as well as the federal, state and territory governments to ensure the Company is obtaining the latest information and advice. AACo's biosecurity plans are continuously reviewed and updated, to monitor and mitigate risks to our supply chain from the potential spread of diseases across the industry. The Company has established offshore storage locations for its genetic materials to safeguard its lineages.
Health and safety	The health and welfare of our people is of foremost importance to the Company, however AACo's employees and contractors work in a kinetic environment where there is an inherent safety risk. The Company recognises the risk of a serious injury or fatality occurring, the impact it would have on the employee and their family and the likelihood it would have adverse reputational, operational, and financial impacts.	AACo's 1AA Safety strategy is the foundation of the Company's strategic plan and makes physical and mental health an operational imperative. Risk and hazard identification, mitigation and management strategies are employed at all times and across the Company's properties and operations.
Animal health and welfare	AACo manages a significant number of animals as part of its ongoing operations, and the health and welfare of these animals is of the utmost importance to the Company. The risk of the mistreatment, mishandling or abuse of any animal is managed as a strategic and operational imperative. An event related to actual or claimed animal health and welfare issues could cause substantial harm to the Company's reputation, brands, and financial performance.	AACo's Animal Health and Welfare (AHW) Committee oversees operations to ensure animal care and handling follows best practice methods. AACo aligns with and seeks to exceed the high standards and practices of the industry in Northern Australia.
Customer and market concentration risk	A significant portion of AACo's meat sales are concentrated with a small number of customers and markets, as detailed in Note A5 of the Financial Statements. Sudden variations in demand, such as the sudden loss of a key customer, loss of market access, or changes in foreign market herd dynamics impacting in-market beef supply, may have an adverse impact on financial performance of the Company as alternative routes to market may generate lower margins.	AACo has strong relationships with its distributors, many of which have significant scale and presence in their respective markets. This distributor network is also geographically dispersed, giving AACo the ability to rebalance market allocations in the event that specific customers or markets are disrupted. Coupled with a sustained global demand for beef, this network gives us flexibility to adapt to market dynamics, even when they occur suddenly as happened with COVID-19.

Directors' Report (cont.)

Operating and Financial Review (cont.)

Risk Management (cont.)

Business Risk	Description	Mitigation/Management
Consumer perception, taste and preferences	The majority of AACo's revenue is derived from the sale of branded Wagyu beef, which is purchased by discerning members of the public due to its quality, provenance and taste. A change in consumer preferences which moves demand towards grass-fed beef, organic beef or alternative beef could adversely impact financial performance. Meat substitutes may impact the demand for beef over time. Plant-based substitutes are coming to market with mixed success. In addition, progress is being made in cultured beef which, though not currently of the same quality as natural beef and not price competitive, may improve over time as the technology is refined for production at scale. Increased media focus on such protein alternates and health consequences could lead to changes in consumer demand which may have an adverse impact on financial performance of the Company.	Global beef consumption by volume and on a per capita basis, has been steadily increasing for decades and is forecast by the OECD to continue to grow due to population growth and rising standards of living. AACo will continue to monitor consumer preferences, including emerging technology and product development, but at this stage do not perceive meat alternatives as a serious threat to AACo's business model and strategy.
Commodity pricing	Transactional commodity price risks exist in the sale of cattle and beef. Other commodity price exposures include feed inputs for our feedlot operations and operational costs such as fuel. Commodity pricing is influenced by a number of factors including climatic conditions and geopolitics.	For feedlot commodities, price risk is mitigated where possible through internal production, on-site storage & entering into forward purchase contracts. Purchases of commodities may be for a period of up to 12 months.
Cyber risk	AACo relies on internal resources and third-party technology providers to support its IT operations. A cyber-attack could disrupt operations and/or result in unauthorised exposure of personal and commercial data, potentially causing reputational damage.	A robust information technology monitoring and security program is in place to proactively manage and mitigate threats from malicious and unintended breaches of the Company's information, infrastructure, and systems. This includes a Cyber Crisis response plan and undertaking regular threat testing.
Debt obligations	AACo's debt facilities are subject to financial covenants over Loan to Value Ratio (LVR). If the Company fails to maintain these covenants it's debt may become callable.	The Company sets gearing ratios and safety thresholds to ensure no breach occurs. LVR is monitored regularly to ensure sufficient headroom is maintained under its current Club Debt Facility. The Company's strategic asset base of Pastoral Property and Improvements and livestock provides significant headroom under current and foreseeable drawn debt levels. Strategic decisions regarding Company assets are considered with regards to implications on the Company's LVR, to mitigate the risk of financial covenants being breached.

Directors' Report (cont.)

Operating and Financial Review (cont.)

Risk Management (cont.)

Business Risk	Description	Mitigation/Management
Macro-economic conditions risk	A significant global economic slowdown, or recession in key markets and regions, may impact demand for AACo's product if consumers draw back on discretionary spending. This may put pressure on market pricing for AACo's product and adversely impact margins.	AACo's scale makes it adaptable. This was demonstrated at the start of COVID-19, where retail and direct-to-consumer channels allowed the Company to manage the sudden and severe impact the pandemic had on food services. While the Company derives the majority of its revenue from premium food service, it can access and supply other product tiers and channels. The ability to produce premium beef at scale and competitive cost gives the Company the ability to capture consumer preference even under conditions where global beef supply may exceed demand in certain segments, such as a recession.
Food industry risk	A significant majority of AACo's revenue is derived from the sale of branded Wagyu beef for human consumption. The risk of spoilage or contamination in this product exists. While AACo uses the services of third-party meat processors and typically exits the value chain before it reaches the end consumer, such an incident has the potential to harm the Company's premium branding which could lead to a loss of revenue.	The Company applies strict animal health controls on its pastoral operations and in its feedlots, and this risk is managed in meat processing plants through the HACCP (Hazard Analysis and Critical Control Point) accreditation and audits. AACo monitors its product for the majority of supply chain, allowing the Company to maintain its own exacting standards for the handling of product.
Pandemic risk	Global or regional pandemic events may impact economic activity, consumer habits and supply chains across the world. The COVID-19 pandemic disrupted the food service industry world-wide, and its impact continues to be felt in supply chains and commodity prices. Whilst the Company has been able to successfully manage the impact of COVID-19 to date, further waves or the emergence of a new pandemic has the potential to impact the financial performance of the Company.	AACo's scale makes it adaptable to significant global events such as a pandemic. The Company's global distribution network gives the flexibility to access alternative channels and routes to market. This was demonstrated at the start of the COVID-19 pandemic where retail and direct-to-consumer channels allowed the Company to manage the sudden and severe impact of the pandemic on food services.
Insurance risk	AACo maintains insurance coverage in respect of its businesses, properties and assets. Some risks are not able to be insured at acceptable prices. Insurance coverage may not be sufficient and if there is an event causing loss, it may be that not all financial losses will be recoverable.	AACo structures its insurance program such that material risks closest to our customers and revenue are insured, minimising the risk of unrecoverable financial loss arising from disruptions in the terminal end of the Company's supply chain, where significant investment is concentrated from a cost of production perspective.

Directors' Report (cont.)

Operating and Financial Review (cont.)

Risk Management (cont.)

Business Risk	Description	Mitigation/Management
Renewal of pastoral leases	Land held under pastoral leases and similar forms of Crown leasehold in Queensland and the Northern Territory comprise a substantial portion of the assets of the Company. Leasehold properties in Queensland are mainly pastoral holdings which are rolling term leases with right of renewal. The Northern Territory pastoral leases held by AACo have been granted in perpetuity. In the unlikely event that these leases are not resumed; or future legislation in either Queensland or the Northern Territory changes the status or conditions of these leases, AACo's financial performance may be adversely affected.	There is no history in Australia of pastoral leases not being renewed in the normal course of events.
Regulatory risk	There is always a potential for legislative impost to impact the Company through altering production processes or restricting access to certain markets. A potential emergent example would be legislated carbon reduction requirements on the cattle industry. Whilst Australia has signed the Global Methane Pledge, the impact on AACo is unknown at the date of this report. There is uncertainty over the future carbon pricing mechanisms in important markets such as the EU, and the extent to which this could be applied to agricultural products and supported tariff barriers to hold imports on equal footing with domestic industries.	Our approach to sustainability demonstrates our commitment to ensuring the proactive management of climate and nature related risks; one of AACo's five strategic pillars. We are committed to developing and implementing new technologies and methodologies for abatement and sequestration of methane and carbon emissions and enhancing our sustainability metrics and reporting.
Climate change and climate transition	Climate change may affect AACo through physical risks (such as rising average temperatures and changed rainfall patterns) and transitional risks (such as carbon economies and regulatory changes in Australia and key markets) and may have a significant impact on AACo's operating environment and strategy. The Company recognises the potential for these changes to occur and have a high impact, however this is an emerging risk where we don't clearly perceive its full dimensions.	The impact of climate change and transition may present both risks and opportunities for AACo. The Company is conscious of these climatic factors and invests in mitigation where possible. AACo's vast and geographically dispersed property portfolio assists in minimising these risks and allows the Company to explore opportunities for alternative revenue streams such as carbon capture in the future. The Company is actively investing in new technologies and methods which seek to mitigate the potential impacts of climate change and transition.

The strength of AACo's balance sheet positions it to adapt to strategic risks and capture strategic opportunities as emerging climate and transition risks crystallise and impacts become more clearly perceived.

Business Strategies, Likely Developments and Expected Results

The Board has reiterated its commitment to increasing shareholder value. To achieve this outcome, the Company continues to focus on the efficiency and effectiveness of the end-to-end supply chain, improvement and development of its extensive Pastoral assets. The commenced expansion of our intensive capacity provides the opportunity to further improve earnings from premium branded beef through extensive global distribution networks.

Directors' Report (cont.)

Significant Changes in the State of Affairs

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

Significant Events After Balance Sheet Date

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

Environmental Regulation and Performance

Some regulated areas of operation are:

- The operations of Goonoo and Aronui Feedlots are regulated by licences issued under the *Environmental Protection Act 1994* (Qld) and administered by the Queensland Department of Agriculture and Fisheries (DAFF). Each feedlot is required to report to the National Pollution Inventory each year with respect to water, air and soil quality. DAFF conducts audits of compliance with licence requirements at regular intervals.

  The Company recorded no breaches of licence requirements in the year to 31 March 2023.
- 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.
- The Company holds other water access rights in the Gulf region of Queensland that currently remain unused; however, should the Company begin to access water under these licenses, the pumping of water under these licenses would be subject to regulations under the *Sustainable Planning Act 2009* (QLD) and the *Water Act 2000* (Qld).
- 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, owns the Livingstone Beef Processing Facility and land 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 and the NT EPA continue to work together constructively to monitor compliance with the EPL.

There have been no known breaches of compliance with environmental regulations during the year ended 31 March 2023.

Directors' Report (cont.)

Share Options

Unissued Shares

As at the date of this report, there were 3,388,776 unissued ordinary shares under performance rights. There are no unissued ordinary shares under options.

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

Shares Issued as a Result of the Exercise of Options

During 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 for incentive awards comprising performance rights. The performance rights will remain until such time as they are either exercised or the rights lapse.

There were nil shares issued on exercise of performance rights under the AACo Performance Rights Plan during the year.

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 officers 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 publicly 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.

Directors' Report (cont.)

Corporate Governance Statement (cont.)

Board Skills Matrix (cont.)

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[1]
Leadership and Governance	
Organisational Governance	9
Strategy	9
Government Relations	8
Previous ASX NED Experience	5
Operations	
Environment, Health and Safety	8
Work Health and Safety Committee Experience	5
Sustainability	4
Agribusiness	6
Farmer or Producer	3
Innovation	9
Information Technology	5
Sectoral Experience	
Livestock	6
Beef Manufacturing	4
Sales	6
Branding and Marketing	7
Finance, Capital Management and Risk	
Formal Accounting and Finance Qualifications (CPA or CA)	5
Capital Restructuring	7
Audit Committee Experience	6
Legal	6
People	
People and Culture	9
Remuneration Committee Experience	4
Geographic Experience	
International Markets	8
Asian Markets	7
USA Markets	8

(1) Includes the MD/CEO.

Directors' Report (cont.)

Remuneration Report (Audited)

This remuneration report for the year ended 31 March 2023 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. Executive remuneration framework (overview)
3. Executive contractual arrangements
4. Remuneration of Key Management Personnel – Executives
5. Link between remuneration and performance
6. Board oversight of remuneration
7. Non-Executive Director (NED) remuneration arrangements
8. Equity instruments disclosures
9. Shareholdings and other mandatory disclosures

1. Individual Key Management Personnel

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

(i) Directors

D. McGauchie	Chairman, Non-executive Director	Independent	Appointed 19 May 2010
Dr S. Dissanayake	Non-executive Director	Non-Independent[1]	Appointed 27 April 2012
S. Gentry	Non-executive Director	Non-Independent[1]	Appointed 24 October 2022
S. Black	Non-executive Director	Independent	Appointed 5 October 2011
A. Abraham	Non-executive Director	Independent	Appointed 7 September 2014
N. Reisman	Non-executive Director	Independent[2]	Appointed 10 May 2016
J. Rudd	Non-executive Director	Independent	Appointed 15 November 2017
M. Blazer	Non-executive Director	Independent	Appointed 31 July 2019

(1) These Directors of the Company were determined to be non-independent.

(2) On 16 November 2022 Mr Reisman was assessed to be an independent Director.

(ii) Non-independent Directors

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 51.088% shareholder of the Company
S. Gentry	Ms S. Gentry is not considered independent as she is an officer of Tavistock Group which controls the AA Trust which is a major 51.088% shareholder of the Company

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

1. Individual Key Management Personnel (cont.)

(iii) Directors who resigned, retired or otherwise ceased employment during the period

T. Keene	Non-executive Director	Independent	Retired 23 October 2022

(iv) Executives

D. Harris	Managing Director and Chief Executive Officer[1]	Appointed 27 September 2022[2]
B. Bennett	Company Secretary/General Counsel	Appointed 20 November 2006
A. O'Brien	Chief Commercial Officer	Appointed 17 December 2018
J. Huntington	Executive General Manager – Corporate Services	Appointed 13 December 2022
G. Steedman	Chief Financial Officer	Appointed 13 February 2023

(1) Mr D. Harris held the KMP position of Chief Operating Officer – Supply Chain until his appointment as MD/CEO.
(2) Mr D. Harris is not independent by virtue of his appointment to executive office as MD/CEO.

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

R. Scott	Chief Marketing Officer	Resigned 29 April 2022
H. Killen	Managing Director and Chief Executive Officer	Resigned 21 June 2022
N. Simonsz	Chief Financial Officer	Resigned 28 July 2022

2. Executive Remuneration Framework (Overview)

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 and demanding performance hurdles for any executive incentive remuneration;
- Payment of cash bonus short-term incentives (STI), which is at the discretion of the Board after assessing the performance of the Company and the MD/CEO and other senior executives against agreed performance hurdles;
- Offer participation in the long-term incentives (LTI) plan to the MD/CEO and other senior executives; and
- 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%). The actual DEA awarded to an executive is generally set at 50% of the amount of any STI actually paid to the executive.

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

2. Executive Remuneration Framework (Overview) (cont.)

Remuneration strategy and policy (cont.)

CEO and Key Management Personnel (KMP) (cont.)

The following table illustrates the structure of the Company's executive remuneration arrangements for the year ended 31 March 2023:

	Objective			
	Attract and retain high calibre employees	Motivate and reward outstanding performance	Align to Shareholder returns	
Remuneration Component	Total Fixed Remuneration	At risk remuneration: Short-term incentive (STI)		Long-term incentive (LTI)
Mechanism	Base salary, superannuation and any 'packaged' benefits including FBT grossed-up on a Total Employment Cost (TEC) basis	Cash bonus	Deferred Equity Award (DEA) (Performance Rights)	Deferred Equity (Performance Rights)
Purpose	Reward for role size and complexity and external and internal relativities	Reward for contribution to achievement of business outcomes and individual KPIs	Reward for contribution to achievement of business outcomes and individual KPIs, as well as retention	Aligns remuneration of the Company's senior executives with the long-term strategic goals of the Company and shareholders, as well as retention
Link to Performance	No link to Company performance although reviewed annually with consideration given to the performance of the Company and business unit in the remuneration review	STI for executives is calculated with a balance across financial, non-financial and individual performance metrics	Generally, 50% of the STI cash bonus earned and subject to two-year (50%) and three-year (50%) service vesting conditions	Linked to the Company's stock price as well as meeting individual service conditions

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

	Total Fixed Remuneration %	Cash Bonus %	DEA Incentive[1] %	Long Term Incentive %	Total Targeted Reward %
MD/CEO	56	28	14	2	100
Key Management	56	27	14	3	100

(1) 50% of cash bonus paid.

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

2. Executive Remuneration Framework (Overview) (cont.)

Remuneration strategy and policy (cont.)

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.

Total Fixed Remuneration (TFR)

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 all Australian based executives, superannuation is included in TFR, and benefits provided for Fringe Benefits Tax purposes, grossed up.

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

The fixed component of the executives' and MD/CEO's base remuneration is detailed in the tables on page 67.

Short-term incentives (STI)

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

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

The total potential STI is set at a level so as to provide sufficient incentive to executives to achieve its strategic and 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, commercial, strategic initiatives, operational efficiency, people, safety 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 an STI in the form of a cash bonus that is generally set at a maximum of 50% of the executive's total fixed remuneration. The STI will be paid within three months of the financial year end in which the executive's performance is being measured.

In addition, executives who are paid an STI cash bonus will 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 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.

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

2. Executive Remuneration Framework (Overview) (cont.)

Remuneration strategy and policy (cont.)

Short-term incentives (STI) (cont.)

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

Feature	Description
Maximum opportunity	**Cash bonus** CEO: 50% of fixed remuneration Other executives: 50% of fixed remuneration **Deferred equity award (DEA)** CEO: generally 50% of short-term incentive cash bonus Other executives: generally 50% of short-term incentive cash bonus
Minimum opportunity	**Cash bonus** 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 and financial priorities at both a Company and business unit level. The general performance metrics for the KMP are as follows: **Metric** Primary metrics are Financial, Commercial, Strategic Initiatives, Operational Efficiency, People and Safety
Delivery of STI	The STI cash bonus is generally paid 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 cash bonus earned each year. The last offer under this plan was made on 28 September 2022 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.

Long-term incentives (LTI)

The Company operates a Long-Term Incentive (LTI) Plan in order to align remuneration of the Company's senior executives with the long-term strategic goals of the Company.

The 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.

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

2. Executive Remuneration Framework (Overview) (cont.)

Remuneration strategy and policy (cont.)

Long-term incentives (LTI) (cont.)

Prior LTI Plan

The previous LTI Plan which was implemented on 9 May 2017 included four grant rounds. The LTI Plan's performance period for the final round ended 30 September 2022. The applicable commencing market capitalisation of the Company, performance condition and performance period for each contemplated grant round under the previous LTI Plan which expired during the period, is 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 ended 30 September 2017)
Second Grant Round	$1.0 billion	$1.5 billion	Within 9 quarters of the LTI Plan Implementation Date (i.e. performance period ended 30 June 2019)
Third Grant Round	$1.5 billion	$2.0 billion	Within 16 quarters of the LTI Plan Implementation Date (i.e. performance period ended 31 March 2022)
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)

The performance condition for the first grant round of targeted market capitalisation of $1 billion was achieved on 5 June 2017. The rights associated with the first grant round were granted to the relevant senior executives at a fair value per right of $1.07. The second, third and fourth grant rounds were forfeited by all recipients as the target market capitalisation was not met by the relevant date.

Current LTI Plan

During the period and following the finalisation of the previous 2017 LTI Plan, the Board approved the Company's adoption of a replacement LTI Plan on 17 November 2022 (LTI Plan Implementation Date). Under the LTI Plan, eligible persons are granted performance rights, being a right to acquire shares in the Company subject to applicable performance conditions being satisfied and exercise of the vested performance right. The LTI Plan covers a three year period, with an optional fourth year if performance targets to year three are not met. During FY23, the Company granted 2,908,614 performance rights on the terms summarised below. Each performance right had a grant date fair value of approximately $0.68, determined using a binomial model that incorporated an expected volatility of 32%, a risk-free rate of 3.1%, and no expected dividends.

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

2. Executive Remuneration Framework (Overview) (cont.)

Remuneration strategy and policy (cont.)

Long-term incentives (LTI) (cont.)

Current LTI Plan (cont.)

Feature	Description
Performance condition and performance period	Vesting of the performance rights is subject to a condition that the volume weighted average price (VWAP) of Company shares sold on the ASX over the period of 20 trading days up to and including 30 September 2025 is at least $2.78, based upon a 15% annual growth rate over three years. If the above performance condition is not satisfied, the performance rights will remain on foot and will be subject to an alternative performance condition relating to the VWAP of Company shares sold on the ASX over the period of 20 trading days up to and including 30 September 2026. Under this alternative condition, if the relevant VWAP is: • at least $2.88 (representing a compound annual growth rate of 12%), but less than $3.20 – 50% of performance rights will vest; and • at least $3.20 (representing a compound annual growth rate of 15%) – 100% of performance rights will vest. The vesting period is from the grant date of 30 November 2022 to 30 September 2025.
Exercise period	Performance rights that have vested may generally be exercised at any time until six years after the date of vesting. Where a holder of performance rights ceases employment with the Company group, the exercise period is abridged to 30 days after cessation of employment.
Number of available performance rights	Eligible persons were granted a number of performance rights equal to the value of their long-term incentive opportunity, divided by the VWAP of Company shares sold on the ASX over the period of 20 trading days up to and including 30 September 2022 being $1.83.
Lapsing conditions	Unvested performance rights generally lapse upon the holder ceasing employment with the Company. 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. There are certain other circumstances in which a participant's performance rights may lapse, including where the participant has committed any act of fraud, defalcation or gross misconduct, hedged the value of performance rights or purported to dispose or grant a security interest in respect of their performance rights.
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.

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

3. 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, AACo Singapore Holdings Pty Ltd Singapore Branch and AACo (US) LLC.

	CEO Description	Senior Executive Description
Total fixed remuneration	$700,000 including superannuation (subject to annual review by Board)	Range between $375,000 and $550,000
Short Term Incentive (STI) Cash Bonus	Maximum opportunity of $350,000 (50% of TFR)	Maximum opportunity 50% of TFR
Deferred Equity Award	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 up to 12 months' restriction for competition, employee inducement and customer 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

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

4. Remuneration of Key Management Personnel – Executives

Executives	Short-Term			Post-Employment	Long-Term Benefit	Termination	Share-Based Payment		
	Salary & Fees[1] $	Other Payments[2] $	Non-Monetary Benefits $	Superannuation $	Long Service Leave[3] $	Benefits $	Short Term Incentive (DEA)[4] $	Performance Rights (LTI) $	Total $
Current									
D. Harris									
31/03/2023	767,250	311,166	–	24,861	–	–	98,121	31,539	1,232,937
31/03/2022	449,664	235,500	–	23,100	–	–	22,730	–	730,994
B. Bennett									
31/03/2023	379,507	187,500	–	24,861	15,084	–	72,811	16,896	696,659
31/03/2022	358,811	178,068	–	23,100	6,387	–	21,403	8,208	595,977
G. Steedman									
31/03/2023	80,050	100,000	–	4,215	–	–	–	5,845	190,110
31/03/2022	–	–	–	–	–	–	–	–	–
A. O'Brien									
31/03/2023	724,868	270,586	9,518	–	–	–	105,077	24,084	1,134,133
31/03/2022	674,075	254,088	9,491	–	–	–	31,528	–	969,182
J. Huntington									
31/03/2023	138,232	55,993	–	8,431	–	–	14,831	15,095	232,582
31/03/2022	–	–	–	–	–	–	–	–	–
Former									
H. Killen									
31/03/2023	223,057	–	3,811	12,215	–	293,677	(28,308)	–	504,452
31/03/2022	674,648	270,000	15,245	23,100	–	–	28,308	8,208	1,019,509
R. Scott									
31/03/2023	80,391	–	–	5,892	–	435,000	(20,370)	–	500,913
31/03/2022	467,496	–	–	23,100	–	–	20,370	–	510,966
N. Simonsz									
31/03/2023	260,338	–	1,400	8,000	–	–	(33,337)	–	236,401
31/03/2022	601,158	275,000	4,200	23,100	–	–	33,337	–	936,795
Total Remuneration: Executives									
31/03/2023	2,653,693	925,245	14,729	88,475	15,084	728,677	208,825	93,459	4,728,187
31/03/2022	3,225,852	1,212,656	28,936	115,500	6,387	–	157,676	16,416	4,763,423

(1) Salary and fees include allowances in addition to TFR.
(2) Other payments include the STI cash bonus for the FY23 performance year and any other contracted bonus amounts.
(3) Long service leave balances are only accrued from 5 years' service onwards.
(4) The STI (DEA) expense includes the DEA granted in FY23, based on FY22 performance, and adjustments for amounts forfeited or not expected to vest.

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

5. Link between Remuneration and Performance

Company financial performance indicators

The table below shows measures of the Company's financial performance over the last five years. Key measures used in determining the variable amounts of remuneration to be awarded to Executives include Operating Profit and Operating Cash flow, with targets set for both at the beginning of the financial year to determine eligibility for short-term incentives awarded. There may not always be a direct correlation between other statutory performance measures and the variable remuneration awarded.

Measure	2023	2022	2021	2020	2019
Operating profit ($000)	67,385	49,886	24,360	15,194	(22,922)
Operating cash flow ($000)	16,033	24,248	18,423	20,120	12,990
Profit/(loss) for the year attributable to owners ($000)	4,611	136,930	45,474	31,317	(148,396)
Basic earnings/(loss) per share (cents)	0.77	22.94	7.62	5.25	(24.90)
Dividend payments ($000)	–	–	–	–	–
Increase/(decrease) in share price (%)	(6%)	36%	5%	10%	(14%)

Additional statutory information

The table below shows the relative proportions of remuneration that were linked to performance and those that were fixed, based on the amounts disclosed as statutory remuneration expense (refer to tables on page 67 and 71).

	Fixed Remuneration		At Risk – STI – Cash		At Risk – STI – DEA[1]		At Risk – LTI	
	2023	2022	2023	2022	2023	2022	2023	2022
Executives								
D. Harris	64%	65%	25%	32%	8%	3%	3%	–%
B. Bennett	61%	65%	27%	30%	10%	4%	2%	1%
G. Steedman	97%	–%	–%	–%	–%	–%	3%	–%
A. O'Brien	65%	71%	24%	26%	9%	3%	2%	–%
J. Huntington	66%	–%	25%	–%	7%	–%	2%	–%
Former Executives								
H. Killen	100%	66%	–%	25%	–%	8%	–%	1%
R. Scott	100%	96%	–%	–%	–%	4%	–%	–%
N. Simonsz	100%	67%	–%	29%	–%	4%	–%	–%

(1) Includes all share-based payment expense incurred by the Company in relation to DEA in the current year, of which a portion relates to prior year awards.

Performance based remuneration granted during the year

The Board have exercised their discretion to award 100% of the target STI cash bonus and DEA entitlement in relation to FY23 performance. As a result, amounts accrued for Executives, including the MD/CEO, in respect of performance during the year to 31 March 2023 include the STI cash bonus for $825,245 and DEA for $190,338. The DEA has not yet been formally offered to the MD/CEO or any other executives in respect of performance during the year to 31 March 2023 and will be granted upon acceptance of letters of offer. Letters of offer will be transmitted to participants once the Board approves the opening of the first trading window under the AACo trading policy, which is typically immediately following the AACo full-year announcement. The DEA is awarded based on FY23 performance and will be expensed over the 4-year period commencing at the start of the service period for which it was awarded.

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

5. Link between Remuneration and Performance (cont.)

Performance based remuneration granted during the year (cont.)

The STI cash bonus for the MD/CEO and any other executives in respect of performance during the year to 31 March 2022 was $1,212,657. The DEA was awarded based on FY22 performance and is expensed over the 3-year vesting period commencing from grant date of 26 August 2022. The expense recorded for the FY22 performance year DEA in the 31 March 2023 results for Executives, including the MD/CEO, is $110,136.

For each STI cash bonus and grant of rights to deferred shares (refer to tables on pages 67 to 72), the percentage of the available bonus or grant that was paid or vested during the financial year, and the percentage that was forfeited as a result of the Board's discretion is set out below.

	Current Year STI Entitlement (Cash Bonus and DEA)		
	Total Opportunity $	Awarded %[1]	Forfeited %
Executives			
D. Harris	466,749	100%	–%
B. Bennett	281,250	100%	–%
A. O'Brien	405,879	100%	–%
J. Huntington	83,990	100%	–%
G. Steedman	N/A[2]	N/A	N/A

(1) The DEA is awarded based on FY23 performance, and will be granted in FY24.
(2) G. Steedman commenced his employment with AACo on 13 February 2023 and as such was not eligible for the FY23 STI entitlement.

6. Board Oversight of Remuneration

Staff and Remuneration Committee

The Staff and Remuneration Committee currently comprises three independent non-executive Directors (Ms J. Rudd, Mr D. McGauchie and Mr A. Abraham (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 below.

Mr D. Harris (MD/CEO) 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.

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

6. Board Oversight of Remuneration (cont.)

Remuneration approval process (cont.)

The Board approves, having regard to the recommendations made by the Staff and Remuneration Committee, the level of any Company short-term incentive (STI) cash payments to employees, including KMPs and therefore the amount of any DEA entitlement. The level of STI cash 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.

Use of Remuneration Consultants

During the year ended 31 March 2023 the following external parties provided assistance to the Company covering remuneration matters:

- Korn Ferry, external benchmarking of executive remuneration:

  Assistance from external parties covering remuneration was limited to the above matters.

  In the year ended 31 March 2023, remuneration consultants were engaged for remuneration matters for the value of $45,999 (31 March 2022: $40,848). There was no remuneration recommendation provided in the current year.

Voting and comments made at the Company's 28 July 2022 Annual General Meeting ('AGM')

The Company received 95.67% of 'for' votes in relation to its remuneration report for the year ended 31 March 2022.

7. 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 may consider 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. NEDs 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 working groups from time to time, comprised of Directors, to oversee and report back to the Board on any Board identified large or otherwise important projects. Generally, Directors are not separately remunerated for membership in such subcommittees.

NEDs 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. Director share purchases are confined to trading windows under our Share Trading Policy.

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

7. Non-Executive Director (NED) Remuneration Arrangements (cont.)

Structure (cont.)

The remuneration of NEDs for the years ended 31 March 2023 and 31 March 2022 is detailed in the table below.

	Short-Term			Post-Employment	Long-Term Benefit	Termination	Share-Based Payment		
	Salary & Fees $	Other Payments(1) $	Non-Monetary Benefits $	Superannuation $	Long Service Leave(2) $	Benefits $	Short-Term Incentive (DEA) $	Performance Rights (LTI) $	Total $
Non-executive Directors									
D. McGauchie									
31/03/2023	250,000	–	–	24,861	N/A	–	N/A	N/A	274,861
31/03/2022	250,000	–	–	24,688	N/A	–	N/A	N/A	274,688
S. Black									
31/03/2023	125,000	–	–	12,969	N/A	–	N/A	N/A	137,969
31/03/2022	125,000	–	–	12,344	N/A	–	N/A	N/A	137,344
A. Abraham									
31/03/2023	124,247	–	–	12,903	N/A	–	N/A	N/A	137,150
31/03/2022	115,000	–	–	11,357	N/A	–	N/A	N/A	126,357
N. Reisman									
31/03/2023	115,015	11,933	–	–	N/A	–	N/A	N/A	126,948
31/03/2022	115,189	11,375	–	–	N/A	–	N/A	N/A	126,564
J. Rudd									
31/03/2023	130,000	–	–	13,488	N/A	–	N/A	N/A	143,488
31/03/2022	130,000	–	–	12,838	N/A	–	N/A	N/A	142,838
Dr S. Dissanayake									
31/03/2023	100,000	–	–	–	N/A	–	N/A	N/A	100,000
31/03/2022	100,164	–	–	–	N/A	–	N/A	N/A	100,164
M. Blazer									
31/03/2023	125,000	12,969	–	–	N/A	–	N/A	N/A	137,969
31/03/2022	125,000	12,344	–	–	N/A	–	N/A	N/A	137,344
S. Gentry									
31/03/2023	48,875	4,792	–	–	N/A	–	N/A	N/A	53,667
31/03/2022	–	–	–	–	N/A	–	N/A	N/A	–
Former Non-executive Directors									
T. Keene									
31/03/2023	72,917	–	–	7,500	N/A	–	N/A	N/A	80,417
31/03/2022	125,000	–	–	12,344	N/A	–	N/A	N/A	137,344
Total Remuneration: Directors									
31/03/2023	1,091,054	29,694	–	71,721	–	–	–	–	1,192,469
31/03/2022	1,085,353	23,719	–	73,571	–	–	–	–	1,182,643

(1) Other payments relate to payments in lieu of post-employment benefits for US based Directors.

(2) Long service leave balances are only accrued from 5 years' service onwards, and this is not applicable to Non-Executive Directors.

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

8. Equity Instruments Disclosures

2,908,614 performance rights under the LTI plan and 239,508 DEA performance rights were granted during the twelve months to 31 March 2023 (31 March 2022: nil performance rights under the LTI plan and 541,753 DEA performance rights).

No shares were distributed to Key Management Personnel during the year ended 31 March 2023, as a result of exercising vested performance rights (31 March 2022: 338,240 exercised performance rights, granted during 2018).

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 applicable, i.e. on the issue of DEA) and expected dividends during that period that will not be received by the employees. Although the approved STI calculation relates to the year ended 31 March 2023, the DEA is not granted to participants until the Board approves the opening of the first trading window under the AACo Trading Policy, which is typically immediately following the AACo full-year announcement.

A summary of the outstanding performance rights relating to Key Management Personnel is provided below, with a full listing provided in Note F7 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:

	Fiscal Year Granted	Award	Balance at Beginning of Period	Granted as Remun-eration	Exercised During the Year	Net Change Other	Balance at End of Period	Not Vested and Not Exerci-sable	Vested and Exerci-sable	Value Yet to Vest
			Number	Number	Number	Number	Number	Number	Number	$
Executives										
D. Harris	2024(1)	DEA	–	–	–	–	–	–	–	155,583
	2023	DEA	–	66,152	–	–	66,152	66,152	–	122,381
	2023	LTIP	–	382,513	–	–	382,513	382,513	–	258,501
	2022	DEA	69,731	–	–	–	69,731	69,731	–	101,110
B. Bennett	2024(1)	DEA	–	–	–	–	–	–	–	93,750
	2023	DEA	–	50,019	–	–	50,019	50,019	–	92,535
	2023	LTIP	–	204,918	–	–	204,918	204,918	–	138,483
	2022	DEA	65,659	–	–	–	65,659	65,659	–	95,206
G. Steedman	2023	LTIP	–	189,385	–	–	189,385	189,385	–	177,977
A. O'Brien	2024(1)	DEA	–	–	–	–	–	–	–	135,293
	2023	DEA	–	70,668	–	–	70,668	70,668	–	130,736
	2023	LTIP	–	292,096	–	–	292,096	292,096	–	197,397
	2022	DEA	96,723	–	–	–	96,723	96,723	–	140,248
J. Huntington(2)	2024(1)	DEA	–	–	–	–	–	–	–	93,750
Former Executives										
H. Killen	2022(3)	DEA	86,845	–	–	(86,845)	–	–	–	–
R. Scott	2022(3)	DEA	62,492	–	–	(62,492)	–	–	–	–
N. Simonsz	2022(3)	DEA	102,273	–	–	(102,273)	–	–	–	–

(1) Performance rights for the DEA will be granted once the Board approves the opening of the first trading window under AACo trading policy, which is usually immediately following the AACo full-year announcement. The 2024 DEA is awarded based on the FY23 performance and expensed over the 4-year period commencing at the start of the service period for which it was awarded.
The maximum value for the 2024 DEA is 50% of the short-term incentive cash bonus earned for the same performance period, with the number of rights to be granted subject to the share price on grant date. The minimum value of performance rights yet to vest is nil, as the rights will be forfeited if the vesting conditions are not met.

(2) Amounts disclosed for J. Huntington are representative of those awarded to her following her appointment as KMP.

(3) R. Scott, H. Killen and N. Simonsz resigned their employment with AACo during the period, forfeiting the 2023 DEA performance rights on the date of their resignation.

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

Directors' Report (cont.)

Remuneration Report (Audited) (cont.)

9. Shareholdings and other mandatory disclosures

Shareholdings

The table below summarises the movements during the period in the shareholdings of Key Management Personnel, in the Company for the period.

2023	Balance at Beginning of Period	Granted as Remuneration	Exercise of Options/ Rights	Net Change Other	Balance at End of Period
	Number	Number	Number	Number	Number
Non-executive Directors					
D. McGauchie	1,120,774	–	–	–	1,120,774
S. Black	40,000	–	–	–	40,000
Dr S. Dissanayake	2,025,000	–	–	–	2,025,000
A. Abraham	30,000	–	–	–	30,000
N. Reisman	45,000	–	–	–	45,000
J. Rudd	32,258	–	–	–	32,258
M. Blazer	–	–	–	–	–
S. Gentry	–	–	–	9,261	9,261
Former Non-executive Directors					
T. Keene	75,000	–	–	(75,000)	–
Executives					
D. Harris	–	–	–	–	–
B. Bennett	454,807	–	–	–	454,807
A. O'Brien	50,000	–	–	–	50,000
J. Huntington	–	–	–	–	–
G. Steedman	–	–	–	–	–
Former Executives					
H. Killen	452,042	–	–	(452,042)	–
R. Scott	–	–	–	–	–
N. Simonsz	–	–	–	–	–
Total	**4,324,881**	**–**	**–**	**(517,781)**	**3,807,100**

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.

Loans to Key Management Personnel and their related parties

There are no loans outstanding with Key Management Personnel at 31 March 2023 (31 March 2022: nil), nor have there been any transactions that would be considered a loan throughout the period.

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 2023 (31 March 2022: nil).

Directors' Report (cont.)

Committee Membership

As at the date of this report, the Company had an Audit and Risk Management Committee, Staff and Remuneration Committee, Nomination Committee and a Brand, Marketing & Sales Committee.

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		Brand, Marketing & Sales Committee	
	A	B	A	B	A	B	A	B	A	B
Current Non-executive Directors										
D. McGauchie	7	7	7	7*	6	6	2	2	4	4
S. Black	7	7	7	7	6	4*	2	2	4	4*
Dr S. Dissanayake	7	7	7	4*	6	1*	2	2	4	1*
A. Abraham	7	7	7	7	6	4^	2	2	4	2*
N. Reisman	7	7	7	7	6	4*	2	2	4	3*
J. Rudd	7	7	7	5*	6	6	2	1	4	4
M. Blazer	7	7	7	6*	6	4*	2	2	4	4
S. Gentry(1)	7	3	7	3	6	2*	2	1	4	2*
Former Non-executive Directors										
T. Keene(2)	7	4	7	3*	6	3	2	1	4	1*
Current Executive Director										
D. Harris(3)	7	3	7	3*	6	2*	2	1*	4	2*
Former Director										
H. Killen(4)	7	1	7	3*	6	1*	2	1*	4	1*

A = Number of meetings held during FY23.
B = Number of meetings attended during the time the Director held office.
* Not a member of the relevant committee.
^ Mr. Abraham has attended Staff & Remuneration Committee meetings prior to, and since, his appointment as Chair of the Staff & Remuneration Committee.
(1) Ms. Gentry was appointed as a Director on 24 October 2022.
(2) Mr. Keene retired as Director on 23 October 2022.
(3) Mr. Harris has been invited to all Committee meetings since his appointment as MD/CEO on 27 September 2022, but as an Executive is not a member of those Committees.
(4) Mr. Killen was invited to all Committee meetings as MD/CEO until his resignation on 21 June 2022, but as an Executive was not a member of those Committees.

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.

Directors' Report (cont.)

Lead Auditor's Independence Declaration

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

KPMG

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

To the Directors of Australian Agricultural Company Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Agricultural Company Limited for the financial year ended 31 March 2023 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

Scott Guse
Partner

Brisbane
18 May 2023

Directors' Report (cont.)

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:

Metrics	31 Mar 2023 $	31 Mar 2022 $
Review of draft sustainability report	–	21,500
Other non-audit services	–	20,400
	–	41,900

Signed in accordance with a resolution of the Directors

Donald McGauchie AO
Chairman

Brisbane
18 May 2023

David Harris
Managing Director and CEO

Brisbane
18 May 2023

Consolidated Financial Statements

Contents

Consolidated Income Statement

For the year ended 31 March 2023

	Note	31 Mar 2023 $000	31 Mar 2022 $000
Meat sales		245,043	208,529
Cattle sales		68,381	67,538
		313,424	276,067
Cattle fair value adjustments	A3	238,483	385,912
		551,907	**661,979**
Cost of meat sold		(208,082)	(168,148)
Cost of live cattle sold		(66,674)	(65,769)
Cattle and feedlot expenses		(90,297)	(84,805)
Gross margin	A2	**186,854**	**343,257**
Other income	F4	12,162	5,454
Employee expenses	F4	(60,285)	(49,558)
Administration and selling costs		(52,238)	(40,827)
Other operating costs		(32,286)	(25,271)
Property costs		(5,156)	(4,444)
Depreciation and amortisation		(23,778)	(19,841)
Profit before finance costs and income tax		**25,273**	**208,770**
Finance costs	F4	(17,085)	(14,041)
Profit before income tax		**8,188**	**194,729**
Income tax expense	F3	(3,577)	(57,799)
Net profit after tax		**4,611**	**136,930**

Profit per share attributable to the ordinary equity holders of the parent		Cents	Cents
Basic profit per share	C5	0.77	22.94
Diluted profit per share	C5	0.77	22.92

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 2023

	31 Mar 2023 $000	31 Mar 2022 $000
Profit for the year	**4,611**	**136,930**
Other Comprehensive Income		
Items not to be reclassified subsequently to profit or loss:		
Movement in property revaluations, net of tax	199,234	177,014
Revaluation of intangible assets, net of tax	–	663
Items to be reclassified subsequently to profit or loss:		
Revaluation of foreign currency operations, net of tax	(1,462)	(142)
Changes in the fair value of cash flow hedges, net of tax	(3,283)	3,281
Other comprehensive income for the year, net of tax	**194,489**	**180,816**
Total comprehensive profit for the year, net of tax	**199,100**	**317,746**

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 2023

	Note	As at 31 Mar 2023 $000	As at 31 Mar 2022 $000
Current Assets			
Cash	B1	4,019	9,269
Trade and other receivables	B4	10,302	7,548
Inventories and consumables	B3	35,919	22,204
Livestock	A3	346,076	334,047
Other assets		6,275	12,140
Total Current Assets		**402,591**	**385,208**
Non-Current Assets			
Livestock	A3	389,127	402,143
Property, plant and equipment	A4	1,535,914	1,239,061
Intangible assets		12,935	6,290
Right-of-use assets	F2	37,309	21,873
Investments		238	238
Other receivables		1,101	78
Total Non-Current Assets		**1,976,624**	**1,669,683**
Total Assets		**2,379,215**	**2,054,891**
Current Liabilities			
Trade and other payables	B5	33,247	27,610
Provisions		4,225	3,997
Interest-bearing liabilities	C1	4,529	3,333
Lease liabilities	F2	7,867	5,753
Derivatives	C2	4,425	2,301
Total Current Liabilities		**54,293**	**42,994**
Non-Current Liabilities			
Provisions		991	1,623
Interest-bearing liabilities	C1	386,227	375,258
Lease liabilities	F2	31,393	18,037
Derivatives	C2	537	–
Deferred tax liabilities	F3	343,688	254,409
Total Non-Current Liabilities		**762,836**	**649,327**
Total Liabilities		**817,129**	**692,321**
Net Assets		**1,562,086**	**1,362,570**
Equity			
Contributed equity	C3	528,822	528,822
Reserves	F5	934,767	739,862
Retained earnings/(losses)		98,497	93,886
Total Equity		**1,562,086**	**1,362,570**

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Contributed Equity (Note C3) $000	Reserves (Note F5) $000	Retained Earnings/ (Losses) $000	Total Equity $000
At 1 April 2021	528,822	558,847	(43,044)	1,044,625
Profit for the year	–	–	136,930	136,930
Other comprehensive income	–	180,816	–	180,816
Total comprehensive income for the year	–	**180,816**	**136,930**	**317,746**
Transactions with owners in their capacity as owners:				
Cost of share-based payments	–	199	–	199
At 31 March 2022	528,822	739,862	93,886	1,362,570
At 1 April 2022	528,822	739,862	93,886	1,362,570
Profit for the year	–	–	4,611	4,611
Other comprehensive income	–	194,489	–	194,489
Total comprehensive income for the year	–	**194,489**	**4,611**	**199,100**
Transactions with owners in their capacity as owners:				
Cost of share-based payments	–	416	–	416
At 31 March 2023	528,822	934,767	98,497	1,562,086

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Note	31 Mar 2023 $000	31 Mar 2022 $000
Cash Flows from Operating Activities			
Receipts from customers		335,847	297,327
Payments to suppliers, employees and others		(303,494)	(257,825)
Interest received		125	71
Net operating cash inflow before interest and finance cost payments		32,478	39,573
Payment of interest and finance costs		(16,445)	(15,325)
Net cash inflow/(outflow) from operating activities	B2	**16,033**	**24,248**
Cash Flows from Investing Activities			
Payments for property, plant and equipment and other assets		(18,485)	(15,178)
Proceeds from sale of property, plant, and equipment		2,467	1,566
Net cash inflow/(outflow) from investing activities		**(16,018)**	**(13,612)**
Cash Flows from Financing Activities			
Proceeds from interest-bearing liabilities		40,000	35,000
Repayment of interest-bearing liabilities		(35,000)	(40,024)
Principal repayments of leases		(10,265)	(5,218)
Net cash inflow/(outflow) from financing activities		**(5,265)**	**(10,242)**
Net increase/(decrease) in cash		**(5,250)**	**394**
Cash at the beginning of the year		9,269	8,875
Cash at the end of the year	B1	**4,019**	**9,269**

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

Notes to the Consolidated Financial Statements

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Notes to the Consolidated Financial Statements

For the twelve months to 31 March 2023

A Financial Performance

A1 Significant Matters

Property Revaluation

The Company recorded a net $294.2 million increase in the value of the Company's pastoral property and improvements, following a Directors' assessment of fair value at 31 March 2023. In assessing fair value, the Directors utilised information provided by an independent valuation performed by LAWD Pty Ltd. The significant increase in fair value is a reflection of substantial market increases seen in comparable property sales, as well as the continued investment in maintaining the quality of these assets.

See Note A4 for further details.

Herd Numbers

The closing herd headcount is 13% higher than the prior year, with 432,926 head on hand at 31 March 2023. This increase is a result of the Company's internal breeding program, with favourable seasonal conditions experienced across our properties in Northern Australia. Our herd size adapts for current business requirements and to take advantage of seasonal conditions.

Herd Valuation

Declines in Wagyu and Non-Wagyu liveweight market prices since 31 March 2022 have resulted in an unrealised loss in the fair value of the herd of $112.0 million.

A2 Gross Margin

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

	Note	31 Mar 2023 $000	31 Mar 2022 $000
Meat Sales			
Sales		245,043	208,529
Cost of meat sold[(1)]		(208,082)	(168,148)
Meat sales gross margin		36,961	40,381
Cattle Sales			
Sales		68,381	67,538
Cost of cattle sold[(2)]		(66,674)	(65,769)
Cattle sales gross margin		1,707	1,769
Cattle Production			
Fair value adjustments	A3	238,483	385,912
Cattle expenses		(40,147)	(45,723)
Feedlot expenses		(50,150)	(39,082)
Cattle production gross margin		148,186	301,107
Total Gross Margin		**186,854**	**343,257**

(1) 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) Represents the fair value of the cattle at the time of live sale, which equates to the recorded fair value less costs to sell.

Notes to the Consolidated Financial Statements (cont.)

A Financial Performance (cont.)

A3 Livestock

Cattle at Fair Value	31 Mar 2023 $000	31 Mar 2023 Head	31 Mar 2022 $000	31 Mar 2022 Head
Current	346,076	144,419	334,047	117,636
Non-Current	389,127	288,507	402,143	264,374
Total livestock	**735,203**	**432,926**	**736,190**	**382,010**

Livestock Movement	31 Mar 2023 $000	31 Mar 2022 $000
Opening carrying amount	736,190	537,371
Changes in fair value	238,483	385,912
Purchases of livestock	12,472	25,991
External sale of livestock less selling expenses	(66,674)	(65,769)
Transfers for meat sales	(185,268)	(147,315)
Closing carrying amount	**735,203**	**736,190**

Cattle Fair Value Adjustments	31 Mar 2023 $000	31 Mar 2022 $000
Market value movements[(1)]	(111,950)	129,647
Biological transformation[(2)]	210,079	151,570
Brandings/births	161,411	117,669
Attrition, net of recoveries	(20,775)	(12,653)
Other	(282)	(321)
Total cattle fair value adjustments	**238,483**	**385,912**

(1) As a biological asset, AASB 141 *Agriculture* requires the livestock to be valued at fair value less costs to sell at all times prior to sale or harvest. As such, market value movements occur through changes in fair value 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, grows, ages, and progresses through the various stages to become a trading or production animal.

Accounting Policies – Livestock

Livestock is measured at fair value less costs to sell, with any change recognised in the profit or loss. 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 for which "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;
- Market prices, in markets accessible to us, for similar assets with adjustments to reflect differences; or
- Sector benchmarks.

Notes to the Consolidated Financial Statements (cont.)

A Financial Performance (cont.)

A3 Livestock (cont.)

Accounting Policies – Livestock (cont.)

In the event that market determined prices or values are not available for livestock in its present condition, the present value of the expected net cash flows from the asset discounted at a current market determined rate may be used in determining fair value.

Livestock are classified as Current and Non-Current. Current livestock are trading cattle and feedlot cattle with less than a year remaining in the feedlot at the end of the financial year, as these animals are due to be sold or processed within the next 12 months. Non-Current livestock are the commercial and stud breeding herd, calves and feedlot cattle with over a year remaining in the feedlot at end of financial year.

Livestock fair value

At the end of each reporting period, livestock is measured at fair value less costs to sell. The fair value is determined through market price movements and changes in the weight of the herd due to growth, attrition, natural increase, beef transfers or sale.

The net increments or decrements in the market value of livestock are recognised as either gains or losses in the profit or loss, 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 2023 $000	31 Mar 2023 Head	31 Mar 2022 $000	31 Mar 2022 Head
Level 1	None	–	–	–	–
Level 2	Commercial & stud breeding herd	332,602	209,814	350,418	194,987
Level 2	Trading cattle	203,233	111,810	194,702	87,394
Level 2	Unbranded calves	50,697	77,493	48,566	68,537
Level 3	Feedlot cattle	148,671	33,809	142,504	31,092
		735,203	**432,926**	**736,190**	**382,010**
Average value per head			$1,698		$1,927

Notes to the Consolidated Financial Statements (cont.)

A Financial Performance (cont.)

A3 Livestock (cont.)

Livestock fair value (cont.)

Type	Level	Valuation Method
Commercial & Stud Breeding Herd	2	The value of these cattle (comprising principally females and breeding bulls) is determined by independent valuations 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 an independent valuation by Elders Limited. In performing the valuation, consideration is given to class, age, quality, breed, sex, 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 using the market approach as there is no observable market for them. The value is based on the estimated entry price per kilogram based on an independent valuation performed by Elders Limited, which takes into account recent comparable sales evidence and current market conditions for animals of a similar class, age, quality, breed and sex. This value is then adjusted to account for value changes due weight and other physiological changes of each animal as it progresses through the feedlot program. The key factors affecting the value of each animal 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.

Unbranded Calves	31 Mar 2023 $000	31 Mar 2023 Head	31 Mar 2022 $000	31 Mar 2022 Head
Calf accrual opening	48,566	68,537	37,831	62,636
Movement[(1)]	2,131	8,956	10,735	5,901
Calf accrual closing	**50,697**	**77,493**	**48,566**	**68,537**
Average value per head		$654		$709

(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.

Notes to the Consolidated Financial Statements (cont.)

A Financial Performance (cont.)

A3 Livestock (cont.)

Livestock fair value (cont.)

Feedlot Cattle	31 Mar 2023 $000	31 Mar 2023 Head	31 Mar 2022 $000	31 Mar 2022 Head
Opening values	142,504	31,092	111,928	31,739
Inductions	196,020	41,672	143,795	36,134
Sales	(176,553)	(38,040)	(144,211)	(36,613)
Attrition and rations	(2,032)	(915)	(664)	(168)
Fair value adjustments recognised	(11,268)	–	31,656	–
Closing values	**148,671**	**33,809**	**142,504**	**31,092**
Average value per head		$4,397		$4,583

A4 Property

Property Plant and Equipment	Note	31 Mar 2023 $000	31 Mar 2022 $000
Pastoral property and improvements at fair value		1,464,500	1,170,300
Industrial property and improvements at cost	F1	34,384	33,401
Plant and equipment at cost	F1	32,055	31,758
Capital work in progress	F1	4,975	3,602
Total property, plant and equipment		**1,535,914**	**1,239,061**

Pastoral property and improvements at fair value

Pastoral Property and Improvements at Fair Value	31 Mar 2023 $000	31 Mar 2022 $000
Opening balance	1,170,300	915,800
Additions	15,608	7,455
Disposals	(32)	(49)
Net revaluation increment/(decrement) recognised in asset revaluation reserve (Note F5)	284,621	252,877
Depreciation	(5,997)	(5,783)
Closing balance	**1,464,500**	**1,170,300**

Accounting policies – Pastoral property and improvements at fair value

Pastoral property and improvements, including freehold and those held under statutory leases with government bodies, are carried at 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 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 profit or loss. Any revaluation decrement is recognised in the profit or loss unless it directly offsets a previous increment of the same asset in the asset revaluation reserve.

Notes to the Consolidated Financial Statements (cont.)

A Financial Performance (cont.)

A4 Property (cont.)

Accounting policies – Pastoral property and improvements at fair value (cont.)

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, any revaluation reserve relating to the particular asset being sold is transferred to the capital profits reserve.

Pastoral landholdings are generally held under a leasehold agreement with the Crown. Leasehold properties in Queensland are mainly pastoral holdings which are rolling term leases. In the Northern Territory, the pastoral leases held have been granted on a perpetual basis by the Northern Territory Government. We treat statutory leases held with government bodies as perpetual leases. Perpetual leases are outside the scope of AASB 16 *Leases*.

This accounting policy excludes Right-of-use Assets disclosed in Note F2. 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.

Fair value

In determining the fair value of pastoral property and improvements, 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 2023 $000	31 Mar 2022 $000	Valuation Technique	Significant Unobservable Inputs	31 Mar 2023 Range/ (Average)	31 Mar 2022 Range/ (Average)
1,280,800	1,009,200	Direct Comparison (Productive Unit Approach)	Number of adult equivalents	5,350 – 89,200 $25,676	5,350 – 89,200 $25,568
			Dollar per adult equivalents	$1,578 – $10,935 $3,399	$1,200 – $10,252 $2,818
			Number of properties	20	20
77,200	73,400	Direct Comparison (Hectare Rate Approach)	Dollar per hectare	$2,269 $2,269	$2,251 $2,251
			Number of properties	1	1
106,500	87,700	Direct Comparison (Hectare Rate and Standard Cattle Unit Approach)	Dollar per hectare	$7,019 – $7,529 $7,274	$5,125 – $7,528 $6,326
			Standard cattle units	16,000 – 45,000 30,500	16,000 – 45,000 30,500
			Number of properties	2	2

An independent valuation of pastoral property and improvements was performed by valuers LAWD Pty Ltd 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 2023.

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, current and potential carrying capacity, and location relative to markets and services. An external expert, Dr Steve Petty of Spektrum, was engaged during FY23 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.

Notes to the Consolidated Financial Statements (cont.)

A Financial Performance (cont.)

A4 Property (cont.)

Fair value (cont.)

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 an 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. Permanent shifts in long-term climate and weather conditions could result in a lower or higher carrying capacity, dollar per adult equivalent and dollar per hectare.

Consistent with prior years, the Company reflects potential risks and impacts of climate change as part of the valuation methodology, by ensuring the pastoral property values are based on a long-term view of sustainable carrying capacity and rates applied that reflect sustainable management practices.

Deemed Cost

If pastoral property 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 2023 $000	31 Mar 2022 $000
Deemed cost	375,905	368,148
Accumulated depreciation	(74,785)	(74,570)
Net carrying amount	**301,120**	**293,578**

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 Company is viewed as one operating segment for internal reporting to the Board and Executive Leadership team, including the Managing Director/Chief Executive Officer (MD/CEO), with financial information for the Company provided on at least a monthly basis.

Accounting policies – reportable segments

The accounting policies used in reporting segments are the same as those contained in Note G3 to the financial statements and in the prior year.

The measure of Operating Profit is a key indicator which is used to monitor and manage the Company and represents an adjusted Statutory EBITDA. Operating Profit is a key measure of profitability for AACo. It assumes all livestock inventory is valued on a $/kg live-weight (LW) basis and is derived by adjusting statutory EBITDA to substitute the movement in livestock at market value with the movement at cost of production. Management therefore believe that external stakeholders benefit from this metric being reported, as it is a better reflection of financial performance within the control of management.

Notes to the Consolidated Financial Statements (cont.)

A Financial Performance (cont.)

A5 Segment Information (cont.)

Accounting policies – reportable segments (cont.)

The following table presents the revenue and profit information regarding operating segments (incorporating a reconciliation of Operating Profit/(Loss) to Statutory NPAT) for the twelve months to 31 March 2023 and 31 March 2022. Segment assets and liabilities are not reported to the MD/CEO and therefore segment assets and liabilities are not separately disclosed.

	31 Mar 2023 $000	31 Mar 2022 $000
Segment revenue	313,424	276,067
Inter-segment revenue	–	–
Revenue from external customers	313,424	276,067
Operating Profit/(Loss)	**67,385**	**49,886**
Unrealised mark-to-market of herd	(111,950)	129,647
Cost versus Fair Value: kg sold or produced	93,743	46,189
Other income/(expenses)	(127)	2,889
Statutory EBITDA profit/(loss)	**49,051**	**228,611**
Depreciation and amortisation	(23,778)	(19,841)
Statutory EBIT profit/(loss)	**25,273**	**208,770**
Net finance costs	(17,085)	(14,041)
Income tax expense	(3,577)	(57,799)
Net profit after tax	**4,611**	**136,930**

Revenues from external customers

Meat Sales Revenue	31 Mar 2023 $000	31 Mar 2022 $000
South Korea	68,701	57,734
USA	51,222	40,740
Australia	24,314	23,718
China	19,745	21,397
Canada	15,030	13,621
Other countries	66,031	51,319
Total meat sales revenue per Income Statement	**245,043**	**208,529**

Meat sales revenues of $105.3 million were derived from two of the Company's major external customers (31 March 2022: $85.2 million from two of the Company's major external customers). No other customers contributed to more than 10% of the Company's revenue.

Cattle Sales Revenue	31 Mar 2023 $000	31 Mar 2022 $000
Australia	68,381	67,538
Total cattle sales revenue per Income Statement	**68,381**	**67,538**

Notes to the Consolidated Financial Statements (cont.)

B Working Capital

B1 Net Working Capital

	Note	31 Mar 2023 $000	31 Mar 2022 $000
Cash		4,019	9,269
Inventory and consumables	B3	35,919	22,204
Trade and other receivables	B4	10,302	7,548
Trade and other payables	B5	(33,247)	(27,610)
Net working capital		**16,993**	**11,411**

B2 Cash

Reconciliation Of Net Profit/(Loss) After Tax To Net Cash Flows From Operations	31 Mar 2023 $000	31 Mar 2022 $000
Net profit/(loss) after income tax	4,611	136,930
Adjustments for:		
Depreciation and amortisation	23,778	19,841
(Increment)/decrement in fair value of livestock	987	(198,819)
Income tax expense reported in equity	(89,079)	(76,778)
Derivative movement reported in equity	2,936	4,998
Other income for carbon credit generation	(7,355)	(2,267)
Other non-cash adjustments	(5,484)	3,470
Changes in assets and liabilities:		
(Increase)/decrease in inventories	(13,715)	4,339
(Increase)/decrease in trade and other receivables	(2,754)	354
(Increase)/decrease in prepayments and other assets	4,935	(8,984)
(Decrease)/increase in deferred tax liabilities	89,279	135,642
(Decrease)/increase in trade and other payables	5,637	11,153
(Decrease)/increase in derivatives	2,661	(4,808)
(Decrease)/increase in provisions	(404)	(823)
Net cash inflow from operating activities	**16,033**	**24,248**

B3 Inventory and Consumables

	31 Mar 2023 $000	31 Mar 2022 $000
Meat inventory	16,167	9,285
Feedlot commodities	10,156	5,677
Bulk stores	8,267	5,687
Other inventory	1,329	1,555
	35,919	**22,204**

Notes to the Consolidated Financial Statements (cont.)

B Working Capital (cont.)

B4 Trade and Other Receivables

	31 Mar 2023 $000	31 Mar 2022 $000
Trade receivables	7,585	5,193
Provision for impairment of receivables	(175)	(109)
	7,410	5,084
Other receivables	2,892	2,464
	10,302	**7,548**

Trade receivables are non-interest bearing. Provision for impairment of receivables is the loss allowance for trade receivables and is measured at an amount equal to lifetime expected credit losses. The ageing of trade receivables and the provision for impairment of receivables is outlined below:

Trade Receivables Aging	31 Mar 2023 $000	31 Mar 2022 $000
Current or past due under 30 days	7,466	5,066
Past due 31-60 days	42	96
Past due 61+ days	78	31
Total trade receivables	**7,585**	**5,193**

Provision for Impairment of Receivables Aging	31 Mar 2023 $000	31 Mar 2022 $000
Current or past due under 30 days	(113)	(79)
Past due 31-60 days	(7)	(12)
Past due 61+ days	(55)	(18)
Total provision for impairment of receivables	**(175)**	**(109)**

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 section D for more information on the risk management policy of the Company.

B5 Trade and Other Payables

	31 Mar 2023 $000	31 Mar 2022 $000
Trade payables	23,082	21,443
Other payables	7,432	4,834
Deferred revenue	2,733	1,333
	33,247	**27,610**

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.

Notes to the Consolidated Financial Statements (cont.)

C Funding and Capital Management

C1 Interest-bearing Liabilities

	31 Mar 2023 $000	31 Mar 2022 $000
Current		
Asset financing	4,529	3,333
Non-Current		
Secured bank loan facility	372,859	367,249
Asset financing	13,368	8,009
	386,227	**375,258**

Asset financing has been obtained over some of the Company's vehicles, plant and equipment. These liabilities are discounted using the interest rate implicit in the financing arrangement. The average rate is 2.49%.

Secured bank loan facility

The Company's Club Debt Facilities committed facility capacity is $600 million, with an expiry of 8 October 2026. Interest drawn on borrowings under the Club Debt Facilities is charged at the applicable BBSY rate + Margin. The facility is currently drawn down by $374.1 million (31 March 2022: $368.8 million).

The Facility A limit is $410 million, repayable on 8 October 2026. The Facility B limit is $190 million, subject to extension on 8 October 2024 with a rolling 18 month tenor.

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

	31 Mar 2023 $000	31 Mar 2022 $000
Borrowing Capacity under Facility A and Facility B	600,000	600,000
Guarantee Facility Capacity	3,000	3,000
Facility A and B Drawn-down	(374,127)	(368,834)
Bank guarantee utilised	(1,454)	(1,454)
Unused	**227,419**	**232,712**

Notes to the Consolidated Financial Statements (cont.)

C Funding and Capital Management (cont.)

C2 Derivatives

	31 Mar 2023 $000	31 Mar 2022 $000
Current Assets		
Foreign currency contracts[1]	339	1,269
Non-Current Assets		
Foreign currency contracts[2]	580	–
Current Liabilities		
Interest rate swap contracts	606	2,301
Foreign currency contracts	3,819	–
	4,425	**2,301**
Non-Current Liabilities		
Interest rate swap contracts	537	–

(1) Current foreign currency contract assets are included in Other assets in the Consolidated Statement of Financial Position.

(2) Non-Current foreign currency contract assets are included in Other receivables in the Consolidated Statement of Financial Position.

Foreign currency contract

Sell FX/Buy AUD	Notional Amounts (AUD) 31 Mar 2023	Notional Amounts (AUD) 31 Mar 2022	Average Exchange Rate 31 Mar 2023 $000	Average Exchange Rate 31 Mar 2022 $000
Sell USD Maturity 0-12 months	112,209	32,580	0.6729	0.7213
Sell USD Maturity 13-24 months	37,927	–	0.6723	–
	150,136	**32,580**		

Foreign currency contracts are attributed to forecast meat sales. As these contracts are hedge accounted, effectiveness was assessed under the requirements of AASB 9 *Financial Instruments*. The effective portion of the movement has been accounted for in Other Comprehensive Income and the ineffective portion posted to profit or loss. Forward currency contracts can have maturities of up to 36 months. These contracts are in US dollars. The total notional value of these contracts at 31 March 2023 was AUD $150.1 million (31 March 2022: AUD $32.6 million).

The net fair value gain on foreign currency derivatives during the twelve months to 31 March 2023 was $2.9 million, with $2.8 million effective and $0.1 million ineffective (12 months to 31 March 2022: $1.3 million, with $1.2 million effective and $0.1 million ineffective).

Notes to the Consolidated Financial Statements (cont.)

C Funding and Capital Management (cont.)

C2 Derivatives (cont.)

Interest rate swap contracts

The Company has entered into interest rate swaps which are economic hedges. Interest rate swaps are utilised by the Company to manage the mix of borrowings between fixed and floating rates as per our Treasury Policy. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the forward interest rate curves at reporting date. The Company had $235 million interest rate swaps which expired in September 2022, and has since entered into $194 million interest rate swaps with differing tenors, which have been designated as effective hedges and therefore satisfy the accounting standard requirements for hedge accounting.

The notional principal amounts and period of expiry of the interest rate swap contracts at balance date were as follows:

	31 Mar 2023 $000	31 Mar 2022 $000
0-1 years	127,000	235,000
1-7 years	67,000	–
	194,000	**235,000**

The gain or loss from remeasuring the interest rate swaps at fair value is recognised in Other Comprehensive Income and deferred in the hedging reserve component of equity, 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 2023 the related loss recognised in profit or loss was $1.8 million (twelve months to 31 March 2022: $5.4 million). There was no hedge ineffectiveness in the current or prior year.

C3 Equity

	31 Mar 2023 Shares	31 Mar 2022 Shares	31 Mar 2023 $000	31 Mar 2022 $000
Opening balance	597,132,600	596,618,515	528,822	528,822
Treasury shares issued on exercise of performance rights	–	514,085	–	–
Total contributed equity	**597,132,600**	**597,132,600**	**528,822**	**528,822**
Treasury shares(1)	5,634,147	5,634,147	–	–
Total shares on issue	**602,766,747**	**602,766,747**	**528,822**	**528,822**

(1) The treasury shares are expected to be reissued on exercise of rights under DEA and LTIP share based payment plans.

Notes to the Consolidated Financial Statements (cont.)

C Funding and Capital Management (cont.)

C4 Capital Management

When managing capital, our objective is to maintain optimal shareholder returns and safeguard our ability to continue as a going concern. 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 remains between 20.0% to 35.0%, excluding any impacts of the adoption of AASB 16 *Leases*. We include within net debt, interest-bearing loans and borrowings. For the Company's financial risk management objectives and policies refer to section D.

Assets and Capital Structure	31 Mar 2023 $000	31 Mar 2022 $000
Current debt		
Interest-bearing liabilities	4,529	3,333
Lease liabilities	7,351	5,753
Non-current debt		
Interest-bearing liabilities	13,368	8,009
Lease liabilities	31,909	18,037
Bank loan facility(1)	374,127	368,834
Bank guarantees	1,454	1,454
Cash	(4,019)	(9,269)
Net debt	**428,719**	**396,151**
Net equity	**1,562,086**	**1,362,570**
Total capital employed	**1,990,805**	**1,758,721**
Gearing (net debt/net debt+equity)	**21.5%**	**22.5%**
Gearing (net debt/net debt+equity) pre-AASB 16 adoption	**19.6%**	**21.2%**

(1) The gearing ratio is calculated utilising the drawn-down balance of the bank loan facility. This is not offset for $1.3 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 2023 $000	31 Mar 2022 $000
Net profit/(loss) attributable to ordinary equity holders of the parent (basic)	4,611	136,930
Net profit/(loss) attributable to ordinary equity holders of the parent (diluted)	4,611	136,930

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

	31 Mar 2023 Shares	31 Mar 2022 Shares
Weighted average number of ordinary shares (basic)	597,132,600	596,942,459
Adjustments for calculation of diluted earnings per share:		
Weighted average performance rights	1,390,958	481,401
Weighted average number of ordinary shares (diluted) as at 31 March	**598,523,558**	**597,423,860**

C6 Dividends

No final or interim dividends were declared or paid during the twelve months to 31 March 2023 (twelve months to 31 March 2022: nil). There are no franking credits available for the subsequent financial years (31 March 2022: nil).

Notes to the Consolidated Financial Statements (cont.)

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 the 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.

As at 31 March 2023 and 31 March 2022, the only financial instruments recognised at fair value were interest rate swaps and forward foreign currency contracts. These are valued using a Level 2 method (refer to Note C2) which estimates fair value using inputs that observable either directly (as prices) or indirectly (derived from prices). The carrying amount of all other financial assets and liabilities approximates the fair value.

D1 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.

As at 31 March 2023 the Company holds $194.0 million interest rate swaps with differing tenors (31 March 2022: $235.0 million), which have been designated as effective interest rate swaps and therefore satisfy the accounting standard requirements for hedge accounting. The net unrealised fair value loss on interest rate swaps during the twelve months to 31 March 2023 was $1.8 million (31 March 2022: $5.4 million). At 31 March 2023, after taking into account the effect of interest rate swaps, approximately 52.1% (31 March 2022: 63.7%) 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 2023 $000	31 Mar 2022 $000
Financial assets		
Cash assets	4,019	9,269
Financial liabilities		
Bank loan	(180,127)	(133,834)
Interest rate swaps	(1,143)	(2,301)
Net exposure	**(177,251)**	**(126,866)**

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:	Effects on Profit Before Tax $000	Effects on Other Components of Equity[1] $000
31 Mar 2023		
+1% (100 basis points)	(1,801)	2,986
–1% (100 basis points)	1,801	(2,986)
31 Mar 2022		
+1% (100 basis points)	(1,338)	1,175
–1% (100 basis points)	1,338	(1,175)

(1) Figures represent an increase/(decrease) in other components of equity.

Notes to the Consolidated Financial Statements (cont.)

D Financial Risk Management (cont.)

D2 Foreign Currency Risk

A significant portion 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 relative to the Australian dollar.

We therefore have transactional currency exposures (refer Note C2) arising from sales of meat in currencies other than in Australian dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable US dollar sales. The risk is hedged with the objective of minimising the volatility of the Australian currency revenue of highly probable forecast US dollar denominated sales.

In compliance with our Treasury Policy we have hedged our foreign exchange exposure arising from forecasted cash flows from sales less the forecast cash outflows from expenditure, through forward foreign exchange contracts. These foreign exchange contracts have been designated as effective hedges and therefore satisfy the accounting standard requirements for hedge accounting. This resulted in a $2.9 million movement in other comprehensive income and a $0.1 million movement in profit or loss in the twelve months to 31 March 2023 (31 March 2022: $1.3 million movement in other comprehensive income and a $0.1 million movement in profit or loss).

Our Treasury Policy is to hedge between 50% and 90% of net US dollar cash flows up to one quarter in advance, and between 25% and 75% of net cash inflows for the period three months to 12 months in advance. It also allows us to hedge between nil and 50% of net cash inflows for period 13 months to 24 months in advance. For the year ended 31 March 2023, approximately 87% and 61% of highly probable net cash inflows were hedged for the periods 0-3 months in advance and 3-12 months in advance, respectively.

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

	31 Mar 2023 $000	31 Mar 2022 $000
Financial assets		
Derivatives	339	1,269
Trade receivables	3,066	504
Financial liabilities		
Derivatives	(3,819)	–
Net exposure	**(414)**	**1,773**

At 31 March 2023, 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:	Effects On Profit Before Tax $000	Effects On Equity $000
31 Mar 2023		
AUD/USD +10%	285	13,364
AUD/USD –10%	(348)	(16,334)
31 Mar 2022		
AUD/USD +10%	33	2,814
AUD/USD –10%	(40)	(3,439)

Notes to the Consolidated Financial Statements (cont.)

D Financial Risk Management (cont.)

D3 Commodity Price Risk

Transactional commodity price risk exists in the sale of cattle and beef. Other commodity price exposures include feed inputs for our feedlot operations and operational costs such as fuel.

Price risks are managed, where possible, through forward sales of boxed beef for a period of up to 6 months. Forward sales contracts for boxed beef are classified as non-derivative and are not required to be fair valued. Revenues derived from these forward sales are recognised in accordance with the Company's revenue recognition policy for meat sales disclosed at Note G3(q).

For feedlot commodities, price risk is mitigated where possible through internal production, on-site storage & entering into forward purchase contracts. Purchases of commodities may be for a period of up to 12 months. As at 31 March 2023, stock on hand was approximately 20% (31 March 2022: 18%) of our expected grain & roughage usage for the coming 12 months and forward purchases for approximately 37% (31 March 2022: 65%) of our expected grain & roughage purchases for the coming 12 months. These forward purchases include expected internal supply. Without internal supply, forward purchases accounted for approximately 12% (31 March 2022: 34%) of our expected grain & roughage purchases 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.

D4 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 our customers. The risk is also mitigated by paying an annual insurance premium in relation to certain sales. 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 and expected credit loss relating to trade receivables is disclosed in Note B4.

D5 Liquidity Risk

Liquidity risk arises from our financial liabilities and our subsequent ability to repay the financial liabilities as and when they fall due. Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and 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 for the settlement of financial assets and liabilities.

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 31 March 2023. 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. Where amounts available are committed to be paid in instalments, each instalment is allocated to the earliest period in which payment is required.

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.

Notes to the Consolidated Financial Statements (cont.)

D Financial Risk Management (cont.)

D5 Liquidity Risk (cont.)

31 Mar 2023	Less Than 6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	More Than 5 Years $000	Total $000	Carrying Amount $000
Financial assets							
Cash	4,019	–	–	–	–	4,019	4,019
Trade and other receivables	10,302	–	–	–	–	10,302	10,302
Financial liabilities							
Trade and other payables	(33,247)	–	–	–	–	(33,247)	(33,247)
Lease liabilities	(4,608)	(4,111)	(7,289)	(16,007)	(11,119)	(43,134)	(39,260)
Interest-bearing liabilities	(12,047)	(11,767)	(23,423)	(411,724)	–	(458,961)	(390,756)
Derivatives	(262)	(178)	(116)	(135)	(39)	(730)	(4,962)
Net maturity	**(35,843)**	**(16,056)**	**(30,828)**	**(427,866)**	**(11,158)**	**(521,751)**	**(453,904)**

31 Mar 2022	Less Than 6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	More Than 5 Years $000	Total $000	Carrying Amount $000
Financial assets							
Cash	9,269	–	–	–	–	9,269	9,269
Trade and other receivables	7,548	–	–	–	–	7,548	7,548
Financial liabilities							
Trade and other payables	(27,610)	–	–	–	–	(27,610)	(27,610)
Lease liabilities	(3,084)	(2,846)	(4,677)	(7,656)	(6,010)	(24,273)	(21,804)
Interest-bearing liabilities	(5,026)	(5,128)	(9,299)	(390,390)	–	(409,843)	(380,577)
Derivatives	(2,627)	–	–	–	–	(2,627)	(2,301)
Net maturity	**(21,530)**	**(7,974)**	**(13,976)**	**(398,046)**	**(6,010)**	**(447,536)**	**(415,475)**

E Unrecognised Items

E1 Commitments

We have entered into forward purchase contracts for $7.7 million worth of grain commodities as at 31 March 2023 (31 March 2022: $13.7 million). There are no forward purchase contracts for cattle as at 31 March 2023 (31 March 2022: no forward purchase contracts). All forward contracts are expected to be settled within 12 months from the balance date.

Capital expenditure of $14.7 million has been contracted in respect of property, plant and equipment as at 31 March 2023 (31 March 2022: $2.1 million).

During the period, the Company renewed the Brisbane office lease agreement for eight years, which will commence in April 2023 with an expected present value of net cash flows of $4.8 million.

E2 Contingencies

At 31 March 2023, there are a number of long-standing native title claims over our pastoral holdings. Settlement negotiations between the Government, claimants and pastoral interests are ongoing, and we do not expect any material impact on our operations to result from this.

Notes to the Consolidated Financial Statements (cont.)

F Other

F1 Property, Plant and Equipment at Cost

31 Mar 2023	Industrial Property and Improvement $000	Plant and Equipment $000	Capital Work in Progress $000	Total $000
Opening balance	**33,401**	**31,758**	**3,602**	**68,761**
Additions and transfers	1,704	10,285	1,373	13,362
Disposals	–	(672)	–	(672)
Depreciation	(721)	(9,316)	–	(10,037)
Closing balance	**34,384**	**32,055**	**4,975**	**71,414**
Cost	82,938	188,370	4,975	276,283
Accumulated depreciation and impairment	(48,554)	(156,315)	–	(204,869)

31 Mar 2022	Industrial Property and Improvement $000	Plant and Equipment $000	Capital Work in Progress $000	Total $000
Opening balance	**32,950**	**25,684**	**1,482**	**60,116**
Additions and transfers	860	13,800	2,120	16,780
Disposals	–	(495)	–	(495)
Depreciation	(409)	(7,231)	–	(7,640)
Closing balance	**33,401**	**31,758**	**3,602**	**68,761**
Cost	81,234	178,757	3,602	263,593
Accumulated depreciation and impairment	(47,833)	(146,999)	–	(194,832)

Impairment of property, plant and equipment at cost

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

During FY23 operations continue to be suspended at Livingstone Beef. Management have not noted any indicators of impairment as at 31 March 2023.

Notes to the Consolidated Financial Statements (cont.)

F Other (cont.)

F2 Right-of-use Assets and Lease Liabilities

	31 Mar 2023 $000	31 Mar 2022 $000
Right-of-use assets		
Non-current	37,309	21,873
Lease liabilities		
Current	(7,351)	(5,753)
Non-current	(31,909)	(18,037)
	(39,260)	(23,790)

When measuring lease liabilities for property, the Company discounts payments using the incremental borrowing rate as at the commencement date of the lease. The average rate applied is 3.44%.

Movements in Right-of-use assets and amounts recognised in the Income Statement relating to leases is shown below.

Right of Use Assets	31 Mar 2023 $000
Opening balance	21,873
Depreciation charge for the year	(8,443)
Recognition of right of use asset additions	23,879
Derecognition of terminated lease	–
Closing balance	**37,309**

Right-of-use assets relate to buildings, property and vehicles leased by the Company excluding Pastoral property held under perpetual leases. During the period, the Company recognised the lease of Comanche as well as an extension on Gordon Downs, resulting in the recognition of additional right of use assets.

Amounts Recognised in the Income Statement Relating to Leases	31 Mar 2023 $000
Interest on lease liabilities	1,290
Expenses relating to short-term and low-value leases	412

The Company has elected to expense short-term and low value leases on a straight-line basis over the lease term, as permitted under the recognition exemptions of AASB 16. The amount expensed during the period relating to short-term and low value lease assets was $0.4 million.

Amounts Recognised in the Statement of Cash Flows Relating to Leases	31 Mar 2023 $000	31 Mar 2022 $000
Payment of interest and finance costs	(1,152)	(983)
Principal repayments of leases	(8,416)	(5,218)
Total cash outflow relating to leases	**(9,568)**	**(6,201)**

Refer to Note D5 for contractual cashflows and maturity analysis.

Notes to the Consolidated Financial Statements (cont.)

F Other (cont.)

F3 Tax

The Major Components Of Tax Are:	31 Mar 2023 $000	31 Mar 2022 $000
Income statement		
Current income tax		
Current income tax charge/(benefit)	–	–
Deferred income tax		
Relating to origination and reversal of temporary differences	3,529	57,851
Under/(over) provision in prior years	48	(52)
Research and development claims from prior years	–	–
Income tax expense/(benefit) in the income statement	**3,577**	**57,799**
Statement of changes in equity		
Deferred income tax		
Net gain/(loss) on cash flow hedges	1,560	915
Net gain on revaluation of land and buildings	87,519	75,863
Income tax expense reported in equity	**89,079**	**76,778**
Tax reconciliation		
Accounting profit/(loss) before tax	8,188	194,729
At the statutory income tax rate of 30%	2,456	58,419
Other items (net)	1,121	(620)
Income tax expense/(benefit) in the income statement	**3,577**	**57,799**
Deferred income tax in the balance sheet relates to:		
Deferred tax liabilities		
Adjustments to land, buildings and improvements	(284,621)	(198,875)
Revaluations of trading stock for tax purposes	(97,077)	(92,679)
Other	(6,041)	(2,064)
Offsetting deferred tax asset	44,051	39,209
Total net deferred tax liability	**(343,688)**	**(254,409)**
Deferred tax assets		
Accruals and other	306	88
Interest rate swaps	181	690
Leave entitlements and other provisions	2,987	2,837
Franking deficit tax	1,012	1,012
Research and development offsets	4,610	4,610
Carried forward losses	32,187	29,450
Deferred income	820	400
Individually insignificant balances	1,948	122
Total deferred tax asset (offset against deferred tax liability)	**44,051**	**39,209**
Deferred income tax in the income statement relates to:		
Revaluations of trading stock for tax purposes	4,399	59,586
Accruals and other	(218)	(4)
Other	(604)	(1,783)
Total deferred tax expense/(benefit)	**3,577**	**57,799**

Notes to the Consolidated Financial Statements (cont.)

F Other (cont.)

F4 Other Earnings Disclosures

	31 Mar 2023 $000	31 Mar 2022 $000
Recognition of carbon credits[1]	7,355	2,267
Gain on disposal of fixed assets	1,764	1,070
Other income	3,043	2,117
Total other income	**12,162**	**5,454**
Interest expense	16,637	13,223
Other finance costs	448	818
Total finance costs	**17,085**	**14,041**
Remuneration and on-costs	50,504	42,645
Superannuation and post-employment benefits	3,891	3,336
Other employment benefits	5,475	3,377
Share-based payments expense	415	200
Total employee expenses	**60,285**	**49,558**

(1) Recognition of carbon credits in the current year relates to 191,036 Australian Carbon Credit Units (ACCUs). The Company holds a total 343,592 ACCUs with a carrying value of $12.0 million at 31 March 2023.

Notes to the Consolidated Financial Statements (cont.)

F Other (cont.)

F5 Reserves

	Asset Revaluation Reserve $000	Capital Profits Reserve $000	Cash Flow Hedge Reserve $000	Foreign Currency Translation Reserve $000	Employee Equity Benefits Reserve $000	Total $000
At 1 April 2021	470,880	84,762	(3,637)	(98)	6,940	558,847
Revaluation of land and buildings	252,877	–	–	–	–	252,877
Tax effect on revaluation of land and buildings	(75,863)	–	–	–	–	(75,863)
Revaluation of carbon credits, net of tax	663	–	–	–	–	663
Net movement in cash flow hedges, net of tax	–	–	3,281	–	–	3,281
Revaluation of foreign currency operations	–	–	–	(142)	–	(142)
Share based payment	–	–	–	–	199	199
At 31 March 2022	648,557	84,762	(356)	(240)	7,139	739,862
At 1 April 2022	648,557	84,762	(356)	(240)	7,139	739,862
Revaluation of land and buildings	284,621	–	–	–	–	284,621
Tax effect on revaluation of land and buildings	(85,387)	–	–	–	–	(85,387)
Net movement in cash flow hedges, net of tax	–	–	(3,283)	–	–	(3,283)
Revaluation of foreign currency operations	–	–	–	(1,462)	–	(1,462)
Share based payment	–	–	–	–	416	416
At 31 March 2023	847,791	84,762	(3,639)	(1,702)	7,555	934,767

The asset revaluation reserve is used to record increments and decrements in the fair value of property and improvements and any fair value adjustments on intangible assets, 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, and 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 foreign currency translation reserve is used to accumulate the net impact of translating our US and Singapore denominated foreign currency balances and transactions into our presentational currency, Australian dollars.

The employee equity benefits reserve is used to record the value of equity benefits provided to employees as part of their remuneration. Refer to Note F7 for further details of these plans.

Notes to the Consolidated Financial Statements (cont.)

F Other (cont.)

F6 Related Parties

Compensation For Key Management Personnel	31 Mar 2023 $000	31 Mar 2022 $000
Short-term employee benefits	4,713	5,660
Post-employment benefits	160	196
Share-based payment	372	233
Termination benefits	853	–
Long-term benefits	15	6
Total compensation	**6,113**	**6,095**

Transactions with other related parties

There were no transactions between the Company and associates or other related parties during the year ended 31 March 2023 (31 March 2022: a loan receivable was repaid in full by an associate, inclusive of accrued interest for $788,000). Associates are entities considered to be related parties, due to the Company having significant but not controlling influence over the entity.

F7 Share-based Payments

The Company's share-based payment plans are described below. During 2023, expenses arising from equity settled share-based payment transactions were $416,000 (31 March 2022: $200,000).

Performance Rights Plan (PRP)

The Company's Performance Rights Plan has been in place since 2011 for incentive awards comprising performance rights. Performance rights remain until such time as they are either exercised or the rights lapse, and have a nil exercise price. Vesting of the performance rights is dependent on the satisfaction of a service vesting condition and/or a performance condition. Any performance rights which fail to meet the service condition on the vesting date will lapse immediately. Once the performance rights have vested, they are automatically exercised and shares in AACo issued to either the AACo Employee Share Scheme Trust (ESST) or acquired on-market by the ESST Trustee on behalf of the participant.

Deferred Equity Award

Executives who are paid an STI cash bonus will 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).

Notes to the Consolidated Financial Statements (cont.)

F Other (cont.)

F7 Share-based Payments (cont.)

Performance Rights Plan (PRP) (cont.)

Long-term incentives

The Company operates a Long-Term Incentive (LTI) Plan in order to align remuneration of the Company's senior executives with the long-term strategic goals of the Company.

The 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.

Prior LTI Plan

The previous LTI Plan which was implemented on 9 May 2017 included four grant rounds. The LTI Plan's performance period for the final round ended 30 September 2022. The applicable commencing market capitalisation of the Company, performance condition and performance period for each contemplated grant round under the previous LTI Plan which expired during the period, is set out on the table below.

	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 ended 30 September 2017)
Second Grant Round	$1 billion	$1.5 billion	Within 9 quarters of the LTI Plan Implementation Date (i.e. performance period ended 30 June 2019)
Third Grant Round	$1.5 billion	$2 billion	Within 16 quarters of the LTI Plan Implementation Date (i.e. performance period ended 31 March 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)

The performance condition for the first grant round of targeted market capitalisation of $1 billion was achieved on 5 June 2017. The rights associated with the first grant round were granted to the relevant senior executives at a fair value per right of $1.07. The second, third and fourth grant rounds were forfeited by all recipients as the target market capitalisation was not met by the relevant date.

Notes to the Consolidated Financial Statements (cont.)

F Other (cont.)

F7 Share-based Payments (cont.)

Performance Rights Plan (PRP) (cont.)

Long-term incentives (cont.)

Current LTI Plan

During the period and following the finalisation of the previous 2017 LTI Plan, the Board approved the Company's adoption of a replacement LTI Plan on 17 November 2022 (LTI Plan Implementation Date). Under the LTI Plan, eligible persons are granted performance rights, being a right to acquire shares in the Company subject to applicable performance conditions being satisfied and exercise of the vested performance right. The LTI Plan covers a three-year period, with an optional fourth year if performance targets to year three are not met. During FY23, the Company granted 2,908,614 performance rights on the terms summarised below. Each performance right had a grant date fair value of approximately $0.68, determined using a binomial model that incorporated an expected volatility of 32%, a risk-free rate of 3.1%, and no expected dividends.

Feature	Description
Performance condition and performance period	Vesting of the performance rights is subject to a condition that the volume weighted average price (VWAP) of Company shares sold on the ASX over the period of 20 trading days up to and including 30 September 2025 is at least $2.78, based upon a 15% annual growth rate over three years. If the above performance condition is not satisfied, the performance rights will remain on foot and will be subject to an alternative performance condition relating to the VWAP of Company shares sold on the ASX over the period of 20 trading days up to and including 30 September 2026. Under this alternative condition, if the relevant VWAP is: • At least $2.88 (representing a compound annual growth rate of 12%), but less than $3.20 – 50% of performance rights will vest; and • At least $3.20 (representing a compound annual growth rate of 15%) – 100% of performance rights will vest. The vesting period is from the grant date of 30 November 2022 to 30 September 2025.
Exercise period	Performance rights that have vested may generally be exercised at any time until 6 years after the date of vesting. Where a holder of performance rights ceases employment with the Company group, the exercise period is abridged to 30 days after cessation of employment.
Number of available performance rights	Eligible persons were granted a number of performance rights equal to the value of their long-term incentive opportunity, divided by the VWAP of Company shares sold on the ASX over the period of 20 trading days up to and including 30 September 2022 being $1.83.
Lapsing conditions	Unvested performance rights generally lapse upon the holder 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. There are certain other circumstances in which a participant's performance rights may lapse, including where the participant has committed any act of fraud, defalcation or gross misconduct, hedged the value of performance rights or purported to dispose or grant a security interest in respect of their performance rights.
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.

Notes to the Consolidated Financial Statements (cont.)

F Other (cont.)

F7 Share-based Payments (cont.)

Equity settled awards outstanding

The table below shows the number (No.) and weighted average exercise prices (WAEP) of performance rights outstanding under the Performance Right Plan (PRP). There have been no cancellations or modifications to the PRP during the twelve months to 31 March 2023.

31 Mar 2023	EOP No.	EOP WAEP $	PRP No.
Outstanding at the beginning of the period	–	–	541,753
Granted during the period	–	–	3,148,122
Forfeited during the period	–	–	(301,099)
Exercised during the period	–	–	–
Outstanding at the end of the period	–	–	3,388,776
Exercisable at the end of the period	–	–	–
Weighted average remaining contractual life (days)	–	–	856
Weighted average fair value at grant date	–	–	0.84
Range of exercise prices ($)	–	–	–

31 Mar 2022	EOP No.	EOP WAEP $	PRP No.
Outstanding at the beginning of the period	–	–	523,795
Granted during the period	–	–	541,753
Forfeited during the period	–	–	–
Exercised during the period	–	–	(523,795)
Outstanding at the end of the period	–	–	541,753
Exercisable at the end of the period	–	–	–
Weighted average remaining contractual life (days)	–	–	721
Weighted average fair value at grant date	–	–	1.45
Range of exercise prices ($)	–	–	–

Notes to the Consolidated Financial Statements (cont.)

F Other (cont.)

F8 Controlled Entities

The consolidated financial statements include the following controlled entities:

Name of Entity		Country of Incorporation	31 Mar 2023 % of Shares Held	31 Mar 2022 % 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
AACo US Holdings Pty Ltd		Australia	100	–
AACo Innovation (US) LLC		United States of America	100	100
AACo Operations (US) LLC		United States of America	100	100
AACo (US) LLC		United States of America	100	–
AACo Singapore Holdings 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).

Notes to the Consolidated Financial Statements (cont.)

F Other (cont.)

F8 Controlled Entities (cont.)

(b) Financial information for the Class Order Closed Group:

	31 Mar 2023 $000	31 Mar 2022 $000
Current Assets		
Cash	2,656	8,907
Trade and other receivables	10,302	7,548
Inventories and consumables	35,919	22,204
Livestock	346,076	334,047
Other assets	5,943	12,140
Total Current Assets	**400,896**	**384,846**
Non-Current Assets		
Livestock	389,127	402,143
Property, plant and equipment	1,535,857	1,239,004
Intangible assets	12,935	6,290
Right-of-use assets	37,309	21,873
Investments	238	238
Intercompany receivable	20,115	9,022
Total Non-Current Assets	**1,995,581**	**1,678,570**
Total Assets	**2,396,477**	**2,063,416**
Current Liabilities		
Trade and other payables	31,941	26,893
Provisions	4,024	3,998
Interest-bearing liabilities	4,529	4,631
Lease liabilities	7,867	5,239
Derivatives	4,425	2,301
Total Current Liabilities	**52,786**	**43,062**
Non-Current Liabilities		
Provisions	991	1,623
Interest-bearing liabilities	386,227	375,946
Lease liabilities	31,393	16,565
Derivatives	537	–
Deferred tax liabilities	343,688	254,409
Total Non-Current Liabilities	**762,836**	**648,543**
Total Liabilities	**815,622**	**691,605**
Net Assets	**1,580,855**	**1,371,811**
Equity:		
Contributed equity	528,822	528,822
Reserves	936,469	740,102
Retained earnings/(losses)	115,564	102,887
Total Equity	**1,580,855**	**1,371,811**

Notes to the Consolidated Financial Statements (cont.)

F Other (cont.)

F8 Controlled Entities (cont.)

Income Statement of the Closed Group	31 Mar 2023 $000	31 Mar 2022 $000
Meat sales	245,043	208,529
Cattle sales	68,381	67,538
	313,424	276,067
Cattle fair value adjustments	238,483	385,912
	551,907	661,979
Cost of meat sold	(208,082)	(168,148)
Deemed cost of cattle sold	(66,674)	(65,769)
Cattle and feedlot expenses	(90,297)	(84,805)
Gross margin	**186,854**	**343,257**
Other income	12,158	5,454
Employee expenses	(56,811)	(46,998)
Administration and selling costs	(48,251)	(43,675)
Other operating costs	(32,096)	(25,252)
Property costs	(4,776)	(3,911)
Depreciation and amortisation	(23,778)	(19,841)
Profit/(Loss) before finance costs and income tax expense	**33,300**	**209,034**
Net finance costs	(17,079)	(14,033)
Profit/(Loss) before income tax	**16,221**	**195,001**
Income tax benefit	(3,545)	(57,777)
Net Profit/(Loss) after tax	**12,676**	**137,224**

F9 Parent Entity

	31 Mar 2023 $000	31 Mar 2022 $000
Current assets	2,044	7,194
Non-Current assets	516,334	523,463
Total Assets	**518,378**	**530,657**
Current liabilities	606	2,301
Non-Current liabilities	373,396	375,946
Total Liabilities	**374,002**	**378,247**
Net Assets	**144,376**	**152,410**
Contributed equity	538,822	538,822
Asset revaluation reserve	69,456	48,852
Cash flow hedge reserve	(3,639)	(356)
Accumulated losses	(460,263)	(434,908)
Total Equity	**144,376**	**152,410**
Profit/(Loss) of the parent entity	**(25,355)**	**(161,786)**
Total comprehensive profit/(loss) of the parent entity	**(49,242)**	**(176,343)**

Notes to the Consolidated Financial Statements (cont.)

F Other (cont.)

F9 Parent Entity (cont.)

Australian Agricultural Company Limited and the wholly-owned entities listed in Note F8 are parties to a deed of cross guarantee as described in F8. In accordance with the deed of cross guarantee, each Company which is party to the deed guarantee, to each creditor, payment in full of any debt. No deficiency of net assets existed for the Company as at 31 March 2023. 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 which are accounted for at cost in the financial statements of Australian Agricultural Company Limited.

F10 Auditor's Remuneration

	31 Mar 2023 $	31 Mar 2022 $
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	390,000	378,500
Review of draft sustainability report	–	21,500
Other non-audit services	–	20,400
Total	**390,000**	**420,400**

F11 Significant Events After the Balance Sheet Date

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

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 2023 were authorised for issue in accordance with a resolution of the Directors on 18 May 2023.

We recommend the financial statements be considered together with any public announcements made by the Company during the year ended 31 March 2023 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.

Notes to the Consolidated Financial Statements (cont.)

G Policy Disclosures (cont.)

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 Pastoral Property and Improvements, 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) 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

The Company adopted no new and amended *Australian Accounting Standards* and AASB Interpretations during the year ended 31 March 2023.

Notes to the Consolidated Financial Statements (cont.)

G Policy Disclosures (cont.)

G3 Accounting Policies (cont.)

(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.

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

- Fair value determination of livestock, refer to Note A3.
- Fair value determination of pastoral property and improvements, refer to Note A4.

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

Items included in each of the group entities' financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at balance date;
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates, and
- All resulting exchange differences are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements (cont.)

G Policy Disclosures (cont.)

G3 Accounting Policies (cont.)

(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 a provision for expected credit loss. 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.

Provision for expected credit loss of receivables is recognised as the loss allowance for trade receivables and is measured at an amount equal to lifetime expected credit losses. Trade receivables that do not contain a significant financing component are measured for the loss allowance at an amount equal to the lifetime expected credit losses.

AACo's 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.

(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.

(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:

Notes to the Consolidated Financial Statements (cont.)

G Policy Disclosures (cont.)

G3 Accounting Policies (cont.)

(h) Derivative financial instruments and hedge accounting (cont.)

Cash flow hedges

AASB 9 *Financial Instruments* addresses classification, measurement, and derecognition of financial assets and financial liabilities, sets out rules for hedge accounting, and requires impairment models based on expected credit losses.

All derivatives are recognised in the balance sheet at fair value and are classified as FVTPL except where they are designated as part of an effective hedge relationship and classified as hedging derivatives. The carrying value of a derivative is remeasured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Company designates its derivatives as hedges of highly probable future cash flows attributable to a recognised foreign currency asset or liability or a highly probably foreign currency forecast transaction (cash flow hedges).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, the risk being hedged and the Company's risk management objective and strategy for undertaking these hedge transactions. The effectiveness of the cash flow hedge is measured throughout the life of the hedging relationship. Ineffectiveness arises in the event of over hedging, whereby the notional amount of the designated hedge instrument exceeds the notional amount of the hedged item attributable to the hedged risk, or timing mismatches. Where ineffectiveness is identified, any revaluation gains or loss on the ineffective portion of the hedging instrument are immediately recognised in the statement of profit or loss in foreign exchange gains or foreign exchange losses.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognised in the cash flow hedge reserve within equity. Upon recognition of the forecast transaction ("hedged item") the carrying value is not adjusted. Amounts accumulated in equity are transferred to the statement of profit or loss in the period(s) in which the hedged item affects the statement of profit or loss.

(i) Plant and equipment

(i) Recognition and measurement

Refer to Note A4 for the accounting policy note for Pastoral Property and Improvements held 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.

(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	30 years
Fixed improvements	30 years
Owned plant and equipment	3-10 years
Plant and equipment under lease	2-5 years

Notes to the Consolidated Financial Statements (cont.)

G Policy Disclosures (cont.)

G3 Accounting Policies (cont.)

(j) Intangible assets

Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses, unless acquired free of charge or for nominal consideration.

Australian Carbon Credit Units ("ACCUs") have been acquired by the Company without consideration through the Clean Energy Regulator for carbon abatement. ACCUs meet the definition of an intangible asset under AASB 138 *Intangible Assets*, and are recognised in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* at fair value.

ACCUs are initially recognised at fair value upon receipt, and are subsequently measured under the AASB 138 *Cost Model*. Previously, the Revaluation Model was adopted, however as the market for ACCUs is no longer deemed to be active, the carrying amount of these assets remain at their revalued amount at the date of the last revaluation.

(k) Leases

(i) AACo as a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group's incremental borrowing rate is used as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Judgement has been used to determine the lease term for some lease contracts in which it is a lessee, that include renewal options. The assessment of whether it is reasonably certain the Company will exercise such options impacts the lease term, which can significantly affect the amount of lease liabilities and right-of-use assets recognised.

(ii) Pastoral and perpetual property leases

Freehold pastoral property and improvements and pastoral property and improvements held under statutory leases with government bodies have been included in Property, Plant and Equipment (refer Note A4).

(l) Trade and other payables

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

(m) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions recognised by the Company include those for employee benefits (annual leave and long service leave), onerous contracts and make good provisions. The discount rate used to determine the present value of each type of provision is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes to the Consolidated Financial Statements (cont.)

G Policy Disclosures (cont.)

G3 Accounting Policies (cont.)

(n) Borrowings

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

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

All borrowings are initially recognised at fair value plus any transaction costs that are directly attributable to the issue of the instruments and are subsequently measured at amortised cost. Any difference between the final amount paid to discharge the borrowing and the initial borrowing proceeds (including transaction costs) is recognised in profit or loss 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 profit or loss. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that we incur in connection with the borrowing of funds.

(o) 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).

(p) Contributed equity

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

(q) 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 is recognised to the extent that the Company has satisfied a performance obligation and the transaction price can be readily identified. 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.

Revenue from the sale of livestock and meat is recognised when the performance obligation of passing control of meat or livestock, at an agreed-upon delivery point to the customer, has been satisfied.

(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.

Notes to the Consolidated Financial Statements (cont.)

G Policy Disclosures (cont.)

G3 Accounting Policies (cont.)

(r) 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; and
- 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.

Notes to the Consolidated Financial Statements (cont.)

G Policy Disclosures (cont.)

G3 Accounting Policies (cont.)

(s) 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 2023 are in accordance with the *Corporations Act 2001*, including:
      i. Giving a true and fair view of its financial position as at 31 March 2023 and of its performance for the year ended on that date.
      ii. Complying with Australian 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 2023.
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 F8 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 AO
Chairman

Brisbane
18 May 2023

Independent Auditor's 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 2023 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 2023;
- 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent Auditor's Report (cont.)

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- quantity and valuation of livestock; and
- valuation of pastoral property and improvements.

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 $735,203,000

Refer to Note A3 Livestock to 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 30.8% of total assets);
• the significant audit effort involved in quantifying livestock (number and weight) at year end given the level of judgement and estimates used by the Group. The Group uses estimates, such as pregnancy rates, branding percentages, average weight gain per day, and rates of attrition, in conjunction with the annual muster results in determining the final livestock quantities at year end; and
• the significant audit effort required by us in evaluating the market prices for livestock used by the Group, including where there is no readily observable market price.
The judgements made by the Group 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:
	• assessing the appropriateness of the Group's accounting policies against the requirements of the accounting standards and our understanding of the business and industry practice;
	• visiting three of the Group's cattle properties to understand and observe the livestock accounting process;
	• testing the Group's rollforward movement schedule of the number of livestock at the beginning of the year to the number recorded at the end of the year by:
	  ◦ testing a sample of livestock purchases, sales transactions and transfers for meat sales to various sources of evidence such as purchase invoices, transport documentation and cash receipts; and
	  ◦ comparing estimates of pregnancy rates, branding percentages, average weight gain per day and rates of attrition to historical data and our understanding of environmental and market trends in the industry;
	• comparing livestock market prices adopted by the Group, including those determined by the external valuer, to a range of recent observable market prices, such as from the publicly available Meat and Livestock Australia Market Information reports,
	• for feedlot cattle, where there is no readily observable market price, assessing the Group's valuation process including entry price, cost of

Independent Auditor's Report (cont.)

KPMG

	production and average daily weight gain to observable inputs and our understanding of the industry; • evaluating the scope, competence, and objectivity of the external valuer used by the Group for valuing livestock with no readily observable market price; • evaluating the report of the external valuer for consistency with our understanding of the business, industry and environmental conditions, trends in historical livestock prices and other information available to us; and • assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

Valuation of pastoral property and improvements $1,464,500,000	
Refer to Note A4 Property in the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
The valuation of pastoral property and improvements is considered a key audit matter due to: • the size of the balance (being 61.4% of total assets); and • the level of judgement required by us in evaluating the Group's assessment of the fair value of pastoral property and improvements. The most significant areas of judgement we focused on were: • the valuation technique applied to each property; • the Adult Equivalent carrying capacity of each property; and • the corresponding dollar per Adult Equivalent, Standard Cattle Unit or hectare. The Group has appointed external valuers and other external experts to assist in the	Working with our valuation specialist, our procedures included: • evaluating the scope, competence, and objectivity of external valuers and other external experts used by the Group; • reading the reports of the external valuer and other external expert and evaluating their work regarding Adult Equivalent carrying capacity of each property and the dollar per Adult Equivalent, Standard Cattle Unit or hectare for consistency with our understanding of the properties, environmental conditions, recent comparable market transactions and other information available to us; • checking the completeness and accuracy of properties included in the Group's external valuer's report to publicly available property searches. • assessing the external valuer's valuation report and comparing the valuation technique for each property to accepted market practices, industry

Independent Auditor's Report (cont.)

KPMG

determination of these key valuation inputs. The judgements made by the Group 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, in particular the level of judgement involved, we involved senior audit team members, including a valuation specialist, who understand the nature of the Group's properties and recent comparable market transactions.	norms, and criteria in the accounting standards; and • assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

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. The Chairman's and Managing Director's messages and financial and operating highlights information are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will 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
- 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.

Independent Auditor's Report (cont.)

KPMG

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 the 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Australian Agricultural Company Limited for the year ended 31 March 2023, 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 59 to 73 of the Directors' report for the year ended 31 March 2023.

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

KPMG

Scott Guse
Partner

Brisbane
18 May 2023

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in the Financial Report is as follows. The information is current as at 31 May 2023.

(a) Distribution of equity securities

Ordinary share capital

602,766,747 fully paid ordinary shares are held by 7,840 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	2,485
1,001 to 5,000	2,850
5,001 to 10,000	1,052
10,001 to 100,000	1,347
100,001 and Over	106
Total	**7,840**

Unquoted equity securities

As at 31 May 2023, there were 3,388,776 unlisted performance rights granted over unissued ordinary shares in the Company.

(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 as at 31 May 2023:

	Number	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	458,032,967	75.98%
CITICORP NOMINEES PTY LIMITED	27,595,696	4.58%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	18,144,241	3.01%
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	5,877,710	0.98%
AACO NOMINEES PTY LIMITED <AACO LTIP A/C>	5,634,147	0.93%
BNP PARIBAS NOMINEES PTY LTD	5,204,037	0.87%
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	3,175,000	0.53%
MR BARRY MARTIN LAMBERT	1,177,660	0.20%
NATIONAL NOMINEES LIMITED	1,106,727	0.18%
TIGER INVESTMENT CORPORATION PTY LTD <KENNEDY SUPER FUND A/C>	965,000	0.16%
MRS JOY WILMA LILLIAN LAMBERT	921,702	0.15%
MCGAUCHIE SUPER PTY LTD	771,416	0.13%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	705,664	0.12%
WYKALA PTY LIMITED	619,000	0.10%
MR LENARD JAMES NORRIS	600,000	0.10%
RATHVALE PTY LIMITED	563,968	0.09%
BARJOY PTY LTD <THE LAMBERT FAMILY A/C>	483,864	0.08%
MR BRUCE MACAULAY BENNETT	454,807	0.08%
KILLEN FAMILY NOMINEES PTY LTD <KILLEN SUPER FUND A/C>	452,042	0.07%
MR BARRY MARTIN LAMBERT + MRS JOY WILMA LILLIAN LAMBERT <LAMBERT SUPER FUND A/C>	450,000	0.07%

ASX Additional Information (cont.)

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* as at 31 May 2023 are:

Ordinary Shareholders	Number
Bryan Glinton as trustee of The AA Trust	307,940,850
Tattarang Pty Ltd as the trustee of The Peepingee Trust and John Andrew Henry Forrest	111,396,503

(d) Marketable Shares

The number of security investors holding less than a marketable parcel of 313 securities ($1.600 on 31 May 2023) is 667 and they hold 62,613 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 Thursday 27th July 2023.

colliercreative.com.au #AAC0006

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