Australian Agricultural Company Limited

ABN 15 010 892 270

FINANCIAL REPORT 2019

DIRECTORS' REPORT

Your Directors submit their report for the year ended 31 March 2019.

DIRECTORS

The names and details of the Company's Directors in office during the financial period and until the date of this report are set out in the following section. All of the Directors were in office for the entire period unless otherwise stated.

Donald McGauchie AO, FAICD (Non-executive Chairman)

Mr McGauchie was appointed a Director on 19 May 2010 and subsequently Chairman on 24 August 2010. Mr McGauchie is the Chairman of the Nomination Committee and a member of the Staff and Remuneration Committee.

Mr McGauchie is currently Chairman of Nufarm Limited and Director of GrainCorp Limited. His previous roles with public companies include Chairman of Telstra Corporation Limited, Deputy Chairman of Ridley Corporation Limited, Director of National Foods Limited, Chairman of Woolstock, Chairman of the Victorian Rural Finance Corporation (statutory corporation), Director of James Hardie Industries plc, and also President of the National Farmers Federation. During 2011 he retired as a member of the Reserve Bank Board. In 2001 Mr McGauchie was named the Rabobank Agribusiness Leader of the Year, was later awarded the Centenary Medal for services to Australian society through agriculture and business and in 2004 was appointed an Officer of the Order of Australia.

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

> James Hardie Industries plc – resigned August 2016

> Nufarm Limited* – appointed December 2003

> GrainCorp Limited* – appointed December 2009

*Denotes current Directorship

Hugh Killen GMP (Harvard Business School)

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

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

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

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

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

DIRECTORS' REPORT

DIRECTORS (continued)

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

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

Mr Black has extensive experience in agribusiness. He is a current non-executive director of NetComm Wireless Limited and TPI Enterprises Ltd, a former director of Coffey International Limited and Country Education Foundation of Australia Limited, and a past President of the Institute of Chartered Accountants of Australia. He was the inaugural Chair and is a past Board Member of the Australian Accounting Professional and Ethical Standards Board. Mr Black is Chairman of the Chartered Accountants Benevolent Fund Limited.

In 2012 he was appointed a Member of the Order of Australia for services to the profession of accounting, to ethical standards, as a contributor to professional organisations and to the community.

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

> NetComm Wireless Limited* – appointed March 2013

> TPI Enterprises Ltd* – appointed June 2016

*Denotes current Directorship

David Crombie AM, BEc (UQ)

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

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

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

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

> Alliance Aviation Services Limited* – appointed October 2011

> Barrack Street Investments Limited* – appointed June 2014

*Denotes current Directorship

Tom Keene BEc, FAICD

Mr Keene was appointed a Director on 5 October 2011. Mr Keene is a member of the Audit and Risk Management Committee, the Nomination Committee and Chair of the Staff and Remuneration Committee.

Mr Keene has had an extensive career in agriculture and is the former Managing Director of GrainCorp Limited, and is currently a Director of the leading Australian wood fibre exporter, Midway Limited. He is also the former Chairman of Grain Trade Australia Limited and a former Director of Cotton Seed Distributors Limited.

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

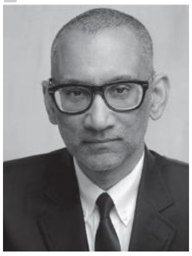
During the past three years Mr Keene has served as a Director of the following listed companies:

> Midway Limited* – appointed August 2008

*Denotes current Directorship

DIRECTORS' REPORT

DIRECTORS (continued)



Dr Shehan Dissanayake Ph.D.

Dr Shehan Dissanayake was appointed a Director on 27 April 2012 and appointed an Executive Director on 11 April 2017. Dr Dissanayake is a senior Managing Director and member of the Board of Directors of the Tavistock Group, a privately held investment company. He has responsibility for portfolio strategy across 200 companies in 15 countries, and is CEO of Tavistock Life Sciences, an operating unit of the Tavistock Group.

Before joining Tavistock Group in 2002, Dr Dissanayake was a Managing Partner of Arthur Andersen with responsibility for strategy and business planning for the global legal, tax and HR Consulting Divisions of the firm, encompassing 1,600 partners and 15,000 professionals.

Earlier in his career, Dr Dissanayake was involved in the medical research and technology industries. He holds a Ph.D. in Pharmacological and Physiological Sciences from the University of Chicago.

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

Anthony Abraham BEc LLB (Accountancy and Law)

Mr Abraham was appointed a Director on 7 September 2014. Mr Abraham is a member of the Nomination Committee.

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

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

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

Neil Reisman JD

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

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

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

> Mirati Therapeutics – resigned December 2018

DIRECTORS' REPORT

DIRECTORS (continued)

Jessica Rudd BCom LLB (Hons)

Ms Rudd was appointed a director on 15 November 2017.

Ms Rudd is founder of Jessica's Suitcase, an e-commerce retail platform which 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 serves as non-executive director.

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

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

- eCargo Holdings* – appointed January 2018

*Denotes current Directorship

COMPANY SECRETARY

Bruce Bennett BCom, LLB

Mr Bennett was appointed Company Secretary and General Counsel in November 2006. Before joining the Company, he had held positions including partner and special counsel in leading law firms, where he specialised in company and property law, mergers and acquisitions and other commercial contracts. He has over 25 years' experience in legal practice, having practised in both Queensland and New South Wales. Mr Bennett is a Chartered Secretary and a member of the Australian Institute of Company Directors.

DIRECTORS' REPORT

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares, options and performance rights of the Company were:

CURRENT DIRECTORS	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES	PERFORMANCE RIGHTS
D. McGauchie	1,120,774	Nil	Nil
H. Killen	113,800	Nil	2,042,476
S. Black	40,000	Nil	Nil
D. Crombie	60,000	Nil	Nil
T. Keene	75,000	Nil	Nil
Dr. S Dissanayake	2,025,000	Nil	Nil
A. Abraham	30,000	Nil	Nil
N. Reisman	45,000	Nil	Nil
J. Rudd	Nil	Nil	Nil

DIVIDENDS AND EARNINGS PER SHARE

EARNINGS PER SHARE	31 MAR 2019 CENTS	31 MAR 2018 CENTS
Basic loss per share	(24.9)	(17.4)
Diluted loss per share	(24.9)	(17.4)

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

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

About AACo

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

AACo's Business Activities

AACo owns a strategic balance of properties, feedlots, farms and a processing facility comprising around 6.4 million hectares of land, which equates to roughly 1% of Australia's land mass. AACo specialises in grassfed beef and grainfed beef production. AACo employed 424 employees calculated on a full time equivalent basis as at 31 March 2019 (31 March 2018: 601).

AACo's Business Model

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

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

> Ownership, operation and development of pastoral properties; and

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

AACo operates an integrated cattle production system across 19 owned cattle stations, 2 leased stations, 5 agisted properties, 2 owned feedlots, and 2 owned farms located throughout Queensland and the Northern Territory.

AACo distributes branded beef to a range of customers across the world, tailoring its route-to-market model by country to capitalise on regional opportunities. Despite having one of the largest cattle herds in the world, AACo produces less than 1% of beef consumed globally. The Company is therefore large enough to obtain production efficiencies but small enough to target key markets and customers.

Key Financial Indicators Used by Management

	31 MAR 2019 $000	31 MAR 2018 $000 Restated*	MOVEMENTS $000
Meat sales	246,244	332,658	(86,414)
Cattle sales	117,837	47,021	70,816
Administration and selling costs	(41,200)	(41,413)	213
Statutory EDITDA loss[1]	(182,709)	(35,325)	(147,384)
Statutory EBIT loss	(194,083)	(127,967)	(66,116)
Net loss after tax	(148,396)	(102,559)	(45,837)
Net cash inflow/(outflow) from operating activities	12,990	(39,864)	52,854
Underlying Operating Profit/(Loss)[2]	23,720	(13,481)	37,201
Operating Profit/(Loss)[1]	(22,922)	(13,481)	(9,441)

(1) The measure of Operating Profit is a key indicator which is used to monitor and manage the Company. It eliminates the potential distraction caused by unrealised cattle valuation adjustments being recorded in the financial results, and is a better reflection of actual financial performance under the control of management. Hence the Company believes that external stakeholders benefit from this metric being reported. Operating Profit is unaudited, non-IFRS financial information.
Whilst Statutory EBITDA was a loss of $182.7 million in FY19 (loss of $35.3 in FY18), Operating Loss was $22.9 million ($13.5 million in FY18). Operating Profit/Loss does not include unrealised livestock gains or losses, while Statutory EBITDA does include these.

(2) Underlying Operating Profit/(Loss) represents the Operating Profit achieved by the Company, excluding $45.6 million in livestock write-offs and $1.0 million in emergency operating expenditure due to the Gulf flooding event in February 2019. Refer to note A1 for further details.

* Previously disclosed amounts for administration and selling costs have been restated, to account for meat sales freight previously included in cost of meat sold. Additionally, to provide greater transparency on operating performance, Operating Profit replaces the previously reported Operating EBITDA metric. Operating Profit values inventory movement at a cost of production rather than at various standard costs. Refer to note G3 (c) and note A5 for further details.

OPERATING AND FINANCIAL REVIEW (continued)

Key Operational Indicators Used by Management

Sales and Marketing

In FY19, Luxury/Prestige revenues and volumes were up on FY19, consistent with the Company's branded beef strategy.

	31 MAR 2019	31 MAR 2018
Luxury/prestige beef revenue – $ mil	187.3	176.9
Luxury/prestige beef kgs sold – mil kg CW[(1)]	14.0	12.2
Luxury/prestige beef sold – $/kg CW	13.35	14.45
Premium beef revenue – $ mil	20.3	63.7
Premium beef kgs sold – mil kg CW	2.3	6.5
Premium beef sold – $/kg CW	8.70	9.75
Livingstone beef revenue - $ mil	28.9	92.1
Livingstone beef kgs sold – mil kg CW	5.2	21.0
Livingstone beef sold - $/kg CW	5.60	4.39
Cattle sales – mil kg LW[(1)]	46.2	13.2
Cattle revenue – $mil	117.8	47.0

(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 year. Historically, kilograms produced included offsets for attrition kilograms occurring during the period. The prior year has been restated to exclude the offsetting impact of attrition kilograms, which has the effect of increasing kilograms produced.

Cost of production is a measure of the operating costs incurred to produce a kilogram of live weight of cattle throughout the breeding, backgrounding and feedlot operations of the Company during the year. Restatements to the prior year are a result of removing the offsetting impact of attrition from the number of kilograms produced. Reducing kilograms produced by attrition kilograms reduces the transparency of production costs. The Company therefore believes that measuring production costs against kilograms gained, without attrition offsets, is a better measure of production efficiency. The impact of attrition is disclosed in note A3. The cost of production increased by 46% in FY19 which is a reflection of drought conditions increasing feeding and transport costs as we moved a significant number of cattle to leverage our diverse property portfolio.

	31 MAR 2019	31 MAR 2018 Restated
Kilograms produced – mil Kg LW	68.9	77.0
Cost of production – $/kg LW	2.88	1.97

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

Operating Review

During FY19, the Company has continued to make progress implementing its premium branded beef strategy, which has been unaffected by extreme seasonal impacts. The Westholme brand was launched in UAE in October 2018 and the Company is well progressed on plans for future launches in larger scale markets. Further, the Company has driven growth across key markets in Asia.

During the year, the appointment of several key executive roles has completed our world class executive team which is driving cultural and business transformation across the organisation.

Key decisions have been made by management which have simplified the business and created a more efficient AACo. During FY19:

> Operations at the Livingstone Beef processing facility were suspended. Management continues to review strategic options around the facility

> The 1824 program was discontinued

FY19 saw unparalleled challenging seasonal conditions, with extreme drought stretching across Queensland and the Northern Territory.

Management actively managed the drought, selling non-wagyu livestock to focus resources on investing heavily in feed and transport costs in order to protect the Wagyu herd. During this challenging period, the Company was able to increase Wagyu numbers by 3%. This increase is considered vital to ensuring the future success of the premium branded beef strategy and leaves the Company with a potential strategic supply advantage over many wagyu producers.

Further, in February of 2019, the Gulf of Carpentaria region of North Queensland experienced a flood event that for some of the Company's properties was the worst flood on record. The flood resulted in a tragic loss of livestock life that no amount of preparation could have prevented. Management has estimated that approximately 43,000 head were lost in this event.

Livestock Movements

Livestock balances have declined from the prior year due to headcount reductions of the non-wagyu animals and reduced market values of both the wagyu and non-wagyu herd.

As a result of the Livingstone and 1824 decisions, a lower reliance on non-wagyu herd numbers has led to a decline in the non-wagyu headcount. Further, the drought conditions have resulted in an increase in sales of these non-wagyu animals and the 43,000 cattle lost in the Gulf flood were almost exclusively non-wagyu cattle.

Due to Management's strategic investment in the wagyu herd during these tough conditions, this herd has seen a 3% increase in headcount year on year.

Reflecting the tough season, market values of these animals have however declined over the past year, leading to a significant decline in the value of cattle held at year end.

The Company's ability to realise it's premium branded beef strategy has not been impacted by these movements.

Property

Although it's been a historically challenging season, property values have increased year on year. This increase is a reflection of Management's active investment in improving property infrastructure and carrying capacity, and also due to a market increase seen in comparable property sales.

Statutory Financial Results

The FY19 results include a Statutory EBITDA loss of $182.7 million, driven by market value movements in the value of the closing herd of $89.0 million and Gulf flood write-offs and emergency expenses of $46.6 million.

In summary:

> Underlying Operating Profit for FY19 was $23.7 million after adjusting Operating Loss for the $46.6 million impact of the Gulf flood livestock write-offs and related emergency expenditure

> Operating Loss of $22.9 million, compared with a loss of $13.5 million in FY18

Statutory Financial Results (continued)

- Statutory EBITDA loss of $182.7 million, compared with a loss of $35.3 million for FY18
- Total sales revenue of $364.1 million, compared with $379.7 million in FY18, with lower volumes due to the Livingstone and 1824 decisions. Wagyu meat sales revenue was up 4.5% compared to FY18.
- Cost of production increased by 46% in FY19, which is a reflection of drought conditions increasing feeding and transport costs for the wagyu herd
- Net tangible assets per share was $1.42 as at 31 March 2019, compared to $1.62 as at 31 March 2018, driven by reductions in the livestock balance but offset by improvements in the property portfolio
- The Company maintains a robust balance sheet, despite livestock declines, with comfortable headroom under existing bank covenants
- Positive net operating cash flows of $13.0 million, compared with negative operating cash flows of $39.9 million in FY18

Gulf Flooding Event

In February 2019, a significant flood event swept through the Gulf of Carpentaria Region of North Queensland. At its peak, flood waters extended 400km from the Gulf to Julia Creek, and reached approximately 70km wide in many areas. For much of the region that experienced this event, flood waters reached unprecedented levels.

The floods, running nearly half the length of the Flinders river, impacted four of AACo's stations in the gulf region. Canobie, Wondoola, Carrum and Dalgonally experienced infrastructure and livestock losses.

Approximately 82,000 head of cattle were exposed to this event, with total losses estimated at 43,000 head. Additionally, fencing and water infrastructure on all four properties, as well as buildings at Wondoola station, were damaged.

Due to the significant nature and materiality of the event, Management have recorded estimates for the losses incurred on these properties.

Determining the extent of livestock losses, across these four stations' 860,000 hectares of land, is inherently challenging. The losses recorded were therefore based on the best available information of the event and Management's best estimates and judgement.

These estimates were performed on a station by station basis, using a combination of observations of surviving animals and damaged infrastructure, as well as applying expected survival rates by paddock against pre-event paddock records. Estimated survival rates were based on Management's understanding of livestock vulnerabilities in these events, knowledge of the land's topography, as well an in-depth understanding of how the event unfolded and how individual paddocks were impacted.

Livestock losses were estimated to be 43,000 head for a value of $45.6 million and recorded in the Income Statement as fair value losses on cattle due to attrition – gulf flood write-off (see note A3).

Risk Management

The Company is committed to the identification, measurement and management of material business risks. The Company's breeding and sales programs to date have produced a herd with the right genetic and age profile to deal with the current and future geographic, weather and market conditions. Day-to-day production risks are managed by management at stations and overseen by relevant General Managers. Appropriate insurance coverage is maintained in respect of the business, properties and assets.

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

Net Tangible Assets

The Company's net tangible assets per share was $1.42 as at 31 March 2019, compared to $1.62 as at 31 March 2018. Net tangible assets of the Company includes leasehold land assets.

Business Strategies, Likely Developments and Expected Results

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

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In July 2018, the Company suspended processing operations at Livingstone Beef. Regular upkeep and maintenance of the facility and its supporting assets continues, whilst the Board and management continue to review various strategic options for Livingstone Beef.

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

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

- Some regulated areas of operation are: The operations of Goonoo and Aronui Feedlots are regulated by licences issued under the Environmental Protection Act 1994 (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 2019.

- The pumping of water from the Comet River for irrigation and feedlot use at Goonoo Station is subject to licensing under the Sustainable Planning Act 1997 (Qld) and the Water Act 2000 (Qld). Regulations specify minimum water flows and heights in the river to allow sufficient environmental flows. Goonoo Station and Wylarah Station have licences to harvest water for irrigation purposes.

  The pumping of underground water for the prescribed purpose of 'Livestock Intensive' requires licensing, and regular reporting and monitoring.

  The Company has several licences allowing this pumping subject to these regulations and conditions being met.

- Stock watering facilities which utilise bores, require licensing in Queensland and registration in the Northern Territory.

- Stock water facilities shared with Queensland Stock Routes are administered by local governments, guided by legislation and framework developed by the Queensland Government. Shared water facilities need to comply with registered Stock Route water agreement requirements. A Permit to Occupy is also required if this facility is unfenced within a station grazing area.

- Vegetation Clearing Permits are sought under the Vegetation Management Act 1999 (Qld) for any clearing required for ongoing operations including but not limited to the development of areas for land use change and the installation of infrastructure such as fence lines and water development.

- The Company continues to be involved in consultation processes; for example, in the areas of Water Resource Planning, Wild Rivers legislation and the conversion of land titles in relevant areas.

- The Company must abide by environmental and other obligations contained in Queensland's State Rural Leasehold Land Strategy in respect of the Company's pastoral leasehold interests in Queensland. The State Rural Leasehold Land Strategy is a framework of legislation, policies and guidelines supporting the environmentally sustainable, productive use of rural leasehold land for agribusiness.

- Northern Australian Beef Limited (NABL), a wholly owned subsidiary of the Company, 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.

SHARE OPTIONS

Unissued Shares

As at the date of this report, there were 5,882,736 unissued ordinary shares under performance rights.

An Executive Option Plan previously existed, for which no further grants will be made. The last options under this plan expired on 1 January 2019.

Option holders did not, and performance rights do not, have any right, by virtue of the option or 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 the financial period and since the end of the financial period, there were no options exercised to acquire shares in the Company.

The Company's Performance Rights Plan has been in place since 2011 and has taken the place of the option plan for future incentive awards comprising performance rights. There will be no further grants of options under the option plan in the future. The performance rights will remain until such time as they are either exercised or the rights lapse.

There were no performance rights exercised under the AACo Performance Rights Plan during the year to 31 March 2019.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

Board Skills Matrix

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

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

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

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 31 March 2019 outlines the remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) of the Company, who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

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

The remuneration report is presented under the following sections:

1. Individual Key Management Personnel (KMP) disclosures
2. Remuneration at a glance
3. Board oversight of remuneration
4. Non-executive Director (NED) remuneration arrangements
5. Executive remuneration arrangements
6. Executive contractual arrangements
7. Link between remuneration and performance
8. Equity instruments disclosures
9. Loans to KMP and their related parties
10. Other transactions and balances with KMP and their related parties

REMUNERATION REPORT (AUDITED) (continued)

1. Individual Key Management Personnel

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

(i) Directors

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

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

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

H. Killen	Mr H. Killen is not considered independent by virtue of his executive office as Managing Director and Chief Executive Officer.
Dr S. Dissanayake	Dr S. Dissanayake is not considered independent as he is an officer of Tavistock Group which controls the AA Trust which is a major 44.85% shareholder of the Company and was appointed an Executive Director on 11 April 2017.
N. Reisman	Mr N. Reisman is not considered independent as he is an officer of Tavistock Group which controls the AA Trust which is a major 44.85% shareholder of the Company and was appointed 10 May 2016

(ii) Directors who resigned or retired during the period

Nil

(iii) Executives

B. Bennett	Company Secretary/General Counsel	Appointed 20 November 2006
S. Grant	Head of People & Culture	Appointed 20 September 2017
A. Speer	Chief Operating Officer	Appointed 30 July 2018
N. Simonsz	Chief Financial Officer	Appointed 1 August 2018
A. O'Brien	Chief Commercial Officer	Appointed 17 December 2018

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

T. McCormack	Chief Operating Officer	Ceased employment 2 April 2018
D. FitzGibbon	Head of Strategy	Ceased employment 14 December 2018

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

REMUNERATION REPORT (AUDITED) (continued)

2. Remuneration at a Glance

Remuneration strategy and policy

CEO and Key Management Personnel (KMP)

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

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

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

- Provide competitive total rewards to attract and retain high calibre employees and executives
- Provide fair and competitive fixed remuneration for all positions, under transparent policies and review procedures
- Have a meaningful portion of remuneration "at risk", dependent upon meeting pre-determined performance benchmarks
- Link MD/CEO and senior executive rewards to achieving short, medium and long term key performance criteria
- Establish appropriate and demanding performance hurdles for any executive incentive remuneration
- Payment of cash bonus short term incentives (STI), which in the case of the MD/CEO are determined at the discretion of the Board after assessing the performance of the Company and the MD/CEO against agreed performance hurdles
- Offer participation in the long term incentives (LTI) plan to the MD/CEO and KMP
- Provide Deferred Equity Awards (DEA), in the form of grants of performance rights to the MD/CEO and other senior executives with deferred vesting of two years (50%) and three years (50%)
- The actual DEA awarded to an executive is generally set at 50% of the amount of any STI actually paid to the executive

REMUNERATION REPORT (AUDITED) (continued)

2. Remuneration at a Glance (continued)

The following table illustrates the structure of the Company's executive remuneration arrangements for the year ended 31 March 2019:

REMUNERATION COMPONENT	MECHANISM	PURPOSE	LINK TO PERFORMANCE
Total fixed remuneration (TFR)	Comprises base salary, superannuation contributions and any 'packaged' benefits including FBT grossed-up on a Total Employment Cost (TEC) basis.	To reward executives with competitive remuneration with reference to role, market and experience and internal relativities.	No link to Company performance although it is reviewed annually and consideration is given to the performance of the Company and business unit in the remuneration review.
Short term incentive (STI) component	Paid in cash	Rewards executives for their contribution to achievement of Company and business unit outcomes, as well as individual key performance indicators (KPIs).	STI for executives is generally calculated based on 80% Company financial performance metrics and 20% individual performance metrics.
Other payments	Paid in cash	To incentivise the sign-on of new KMP or reward for successful project completion.	No link to Company performance although consideration is given to the performance of the Company and business unit prior to awarding this.
Deferred Equity Award (DEA) component	Deferred Equity (Performance rights)	Rewards executives for their contribution to achievement of Company and business unit outcomes, as well as individual key performance indicators (KPIs).	Generally 50% of the actual amount of the STI cash bonus earned and subject to two-year (50%) and three-year (50%) service vesting conditions.
Long Term Incentive (LTI) component	Deferred Equity (Performance rights)	To better align remuneration of the Company's senior executives with the long-term strategic goals of the Company, as well as for retention.	Linked to achievement of the Company's targeted market capitalisation as well as meeting individual service conditions.

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

	TOTAL FIXED REMUNERATION %	SHORT TERM INCENTIVES %	DEA INCENTIVE[(1)] %	LONG TERM INCENTIVE %	TOTAL TARGETED REWARD %
MD/CEO	51	25	13	11	100
Key Management	44-62	22-29	12-15	0-18	100

[(1)] 50% of cash bonus actually paid

Board remuneration

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

During the year ended 31 March 2019, Crichton & Associates, Rimfire Resources, Willis Towers Watson and Allens Linklaters have provided assistance to the Company covering a range of remuneration matters, including the following:

> Remuneration Strategy Review

> Chief Executive Officer, Chairman, and non-Executive Director Remuneration

> Senior Executive remuneration

> Deferred Equity Award (DEA) benefit recommendations for the CEO and senior executives

> Long Term Incentive (LTI) Plan administration

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

In the year ended 31 March 2019, services provided by third parties totalled $186,992 (excluding GST and out-of-pocket expenses).

REMUNERATION REPORT (AUDITED) (continued)

3. Board Oversight of Remuneration

Staff and Remuneration Committee

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

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

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

Remuneration approval process

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

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

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

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

Voting and comments made at the company's 31 July 2018 Annual General Meeting ('AGM')

The Company received 84% of 'for' votes in relation to its remuneration report for the year-ended 31 March 2018.

REMUNERATION REPORT (AUDITED) (continued)

4. Non-Executive Director (NED) Remuneration Arrangements

Remuneration policy

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

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

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of NEDs shall be determined, from time to time, by general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the AGM held on 23 August 2017, when shareholders approved an aggregate remuneration of $1,250,000 per year.

Structure

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

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

The Board may also establish specialist subcommittees from time to time, comprised of directors, to oversee and report back to the Board on any identified large or otherwise important projects. Generally, directors are not separately remunerated for membership of such subcommittees.

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

The remuneration of NEDs for the years ended 31 March 2019 and 31 March 2018 is detailed in the table on page 27.

5. Executive Remuneration Arrangements

Structure

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

In the year ended 31 March 2019, the executive remuneration framework consisted of the following components:

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

Total Fixed Remuneration (TFR)

Executives may receive their fixed remuneration as cash, or cash with non-monetary benefits such as health insurance, car allowances and tax advisory services. Total fixed remuneration comprises cash and other benefits and entitlements to provide a base level of remuneration which is both appropriate to the role and responsibilities, reflects current market conditions, the individual's seniority and overall performance of the Company and the relevant business units.

For most executives, superannuation is included in TFR.

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

Senior executives are given the opportunity to receive a portion of their fixed remuneration in forms other than cash, such as motor vehicles, under a framework that ensures the Company does not incur additional cost.

The fixed component of executives' base fixed remuneration is detailed in the tables on pages 27 to 28.

REMUNERATION REPORT (AUDITED) (continued)

5. Executive Remuneration Arrangements (continued)

Short-term incentives

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

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

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

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

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

Under the arrangements approved by the Board the general principles that will apply are that the executive will receive a STI in the form of a cash bonus that is generally set at a maximum of 40 to 50% of the executive's total fixed remuneration. The STI will be paid within three months of the financial year end on which the executive's performance is being measured.

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

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

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

The MD/CEO assesses the performance of other senior executives against their targets and determines the actual STI with oversight by the Board through the Chairman and the Staff and Remuneration Committee.

REMUNERATION REPORT (AUDITED) (continued)

5. Executive Remuneration Arrangements (continued)

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

FEATURE	DESCRIPTION
Maximum opportunity	**Short-term incentives (STI)** CEO: 50% of fixed remuneration Other executives: 40-50% of fixed remuneration **Deferred equity award (DEA)** CEO: 50% of short-term incentive cash bonus Other executives: Generally 50% of short-term incentive cash bonus
Minimum opportunity	**Short-term incentives (STI)** CEO: 0% of fixed remuneration Other executives: 0% of fixed remuneration **Deferred equity award (DEA)** CEO: 0% of short-term incentive cash bonus Other executives: 0% of short-term incentive cash bonus
Performance metrics	The STI metrics align with the strategic priorities at both a Company and business unit level. The general performance metrics and weightings for the KMP are as follows: **METRIC** — **WEIGHTING** Operating Profit — 40% Operating Cash Flow — 40% Individual performance metrics — 20%
Delivery of STI	The STI is paid in cash generally in the next financial year. The DEA is subject to two-year (50%) and three-year (50%) service vesting conditions. This encourages retention and shareholder alignment.
Board discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any deferred STI award.

DEAs are provided to the MD/CEO and Senior Executives based on the level of STI earned each year. The last offer under this plan was made on 3 July 2017 and subject to two (50%) and three (50%) year service vesting conditions.

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

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

The STI cash bonus for the MD/CEO or any other executive in respect of performance during the year to 31 March 2019 amounts to $nil (31 March 2018: $nil).

A DEA will not be issued in respect of performance during the year to 31 March 2019 (31 March 2018: $nil).

REMUNERATION REPORT (AUDITED) (continued)

5. Executive Remuneration Arrangements (continued)

Long-term incentives

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

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

Performance rights under the LTI Plan will be granted in a number of rounds. The number of performance rights granted to eligible persons in each grant round and the performance conditions applying to the vesting of those performance rights will be determined at the discretion of the Board.

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

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

REMUNERATION REPORT (AUDITED) (continued)

5. Executive Remuneration Arrangements (continued)

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

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

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

During the period the total number of shares purchased for the LTI Plan grant rounds one and two was 6,764,848 at an average price per share of $1.478.

The performance condition for the first grant round of targeted market capitalisation of $1 billion was achieved on 5 June 2017. The rights associated to the first grant round have been granted to the relevant senior executives at a fair value per right of $1.07. The second grant round was granted to relevant senior executives on 11 January 2019 and are subject to a performance condition of target market capitalisation of $1.5 billion by 30 June 2019. The fair value per right of $0.055 was based on the Company's share price on grant date and the expectation the market condition would be reached.

REMUNERATION REPORT (AUDITED) (continued)

6. Executive Contractual Arrangements

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below. Company employees are employed by the subsidiary company A.A. Company Pty Ltd.

	CEO DESCRIPTION	SENIOR EXECUTIVE DESCRIPTION
Total fixed remuneration	$600,000 including superannuation (subject to annual review by Board)	Range between $303,000 and $550,000
Short Term Incentive (STI) Cash	Maximum opportunity of $300,000 (50% of TFR)	Maximum opportunity between 40 – 50% of TFR
Deferred Equity Award	Generally 50% of the actual amount of the STI cash bonus earned	Generally, 50% of the actual amount of the STI cash bonus earned
Long Term Incentive	Subject to Company performance conditions being satisfied and the service conditions being met	Subject to Company performance conditions being satisfied and the service conditions being met
Contract duration	Ongoing	Ongoing

The MD/CEO's termination provisions are as follows:

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

Upon termination, the MD/CEO is subject to 12 months' restriction for competition, employee inducement and client solicitation.

Other Key Management Personnel

The executive service agreements for other senior executives generally reflect that of the MD/CEO.

Standard Key Management Personnel termination provisions are as follows:

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

FY19 performance and impact on remuneration

The Company's performance for the 12 months to 31 March 2019 in relation to the metrics for the payment of short term incentives for KMP, being Operating Profit and Operating Cash Flow, were below the Board approved thresholds. As a result, no STI cash bonus payments have been accrued or DEA issued with respect to the 2019 financial year.

REMUNERATION REPORT (AUDITED) (continued)

7. Link between Remuneration and Performance

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

METRICS	IMPACT ON INCENTIVE AWARD
Operating Profit	Below target
Operating Cash Flow	Below target

Statutory performance indicators

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

MEASURE	2019	2018	2017	2016	2015
Profit/(loss) for the year attributable to owners ($000)	(148,396)	(102,559)	71,586	67,807	9,623
Basic earnings/(loss) per share (cents)	(24.9)	(17.4)	13.2	12.7	1.8
Dividend payments ($000)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
Increase/(decrease) in share price (%)	(14%)	(31%)	28%	(19%)	30%
Operating cash flow ($000)	12,990	(39,864)	29,260	21,789	(75,881)

Additional statutory information

The table below shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense (refer to tables on pages 27 to 28).

	FIXED REMUNERATION		AT RISK – STI – CASH		AT RISK – STI – DEA[1]		AT RISK – LTI	
	2019	2018	2019	2018	2019	2018	2019	2018[2]
Directors								
H. Killen	84%	85%	0%	0%	0%	0%	16%	15%
Dr S. Dissanayake	100%	100%	0%	0%	0%	0%	0%	0%
Executives								
B. Bennett	70%	74%	0%	0%	3%	2%	27%	24%
S. Grant	99%	100%	0%	0%	0%	0%	1%	0%
N. Simonsz	99%	-	0%	-	0%	-	1%	-
A. Speer	99%	-	0%	-	0%	-	1%	-
A. O'Brien	100%	-	0%	-	0%	-	0%	-
Former Executives								
T. McCormack[3]	100%	100%	0%	0%	0%	0%	0%	0%
D. FitzGibbon[4]	100%	84%	0%	0%	0%	0%	0%	16%

(1) Based on the share based payment expense incurred by the Company in relation to a prior year award.
(2) Percentages disclosed are the fair value of rights to be granted under the LTI plan.
(3) T. McCormack ceased employment with the Company on 2 April 2018.
(4) D. FitzGibbon ceased employment with the Company on 14 December 2018.

REMUNERATION REPORT (AUDITED) (continued)

7. Link Between remuneration and performance (continued)

Performance based remuneration granted and forfeited during the year

For each STI cash bonus and grant of rights to deferred shares (refer to tables on pages 27 to 28), the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The minimum value of the rights yet to vest is nil, as the rights will be forfeited if the key management persons fail to satisfy the vesting condition. The maximum value of the rights yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed.

	CURRENT YEAR STI ENTITLEMENT (CASH BONUS AND DEA)		
	Total Opportunity ($)	**Awarded %**	**Forfeited %**
Directors			
H. Killen	450,000	0%	100%
Executives			
B. Bennett	253,011	6%	94%
S. Grant	197,100	0%	100%
N. Simonsz[(1)]	273,493	0%	100%
A. Speer[(1)]	248,203	0%	100%
A. O'Brien[(1)]	105,781	0%	100%
Former Executives			
T. McCormack[(2)]	5,513	0%	100%
D. FitzGibbon[(3)]	270,232	0%	100%

(1) The above opportunity has been adjusted for the number of days of employed as KMP during the year, for each of the relevant employees.

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

(3) D. FitzGibbon ceased employment with the Company on 14 December 2018.

REMUNERATION REPORT (AUDITED) (continued)

7. Link between Remuneration and Performance (continued)

Remuneration of Key Management Personnel – Directors

	SHORT TERM			POST-EMPLOYMENT	LONG-TERM BENEFIT	TERMINATION	SHARE BASED PAYMENT		
DIRECTORS	SALARY & FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	LONG SERVICE LEAVE[1] $	BENEFITS $	SHORT TERM INCENTIVE (DEA)[2] $	PERFORMANCE RIGHTS (LTI)[3]	TOTAL $
Non-executive Directors									
D. McGauchie									
31/03/2019	250,000	-	-	23,750	N/A	-	-	-	273,750
31/03/2018	226,045	-	-	21,474	N/A	-	-	-	247,519
S. Black									
31/03/2019	125,000	-	-	11,875	N/A	-	-	-	136,875
31/03/2018	113,284	-	-	10,762	N/A	-	-	-	124,046
D. Crombie									
31/03/2019	130,000	-	-	12,350	N/A	-	-	-	142,350
31/03/2018	118,284	-	-	11,237	N/A	-	-	-	129,521
A. Abraham									
31/03/2019	100,000	-	-	9,500	N/A	-	-	-	109,500
31/03/2018	88,284	-	-	8,387	N/A	-	-	-	96,671
T. Keene									
31/03/2019	140,000	-	-	13,300	N/A	-	-	-	153,300
31/03/2018	128,284	-	-	12,187	N/A	-	-	-	140,471
N. Reisman									
31/03/2019	115,000	-	-	-	N/A	-	-	-	115,000
31/03/2018	103,284	-	-	-	N/A	-	-	-	103,284
J. Rudd									
31/03/2019	99,351	-	-	10,149	N/A	-	-	-	109,500
31/03/2018	37,808	-	-	3,592	N/A	-	-	-	41,400
Executive Directors									
Dr S. Dissanayake									
31/03/2019	239,800	-	-	-	-	-	-	-	239,800
31/03/2018	224,447	-	-	-	-	-	-	-	224,447
H. Killen									
31/03/2019	648,509	-	12,964	20,089	-	-	-	129,919	811,481
31/03/2018	100,912	-	-	3,341	-	-	-	18,708	122,961
Total Remuneration: Directors									
31/03/2019	1,847,660	-	12,964	101,013	-	-	-	129,919	2,091,556
31/03/2018	1,140,632	-	-	70,980	-	-	-	18,708	1,230,320

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

[2] The STI expense amounts to the value expensed by the Company for the period.

[3] The LTI expense in 2018 was based on estimates of the expected value of rights to be granted under the LTI plan.

REMUNERATION REPORT (AUDITED) (continued)

7. Link between Remuneration and Performance (continued)

Remuneration of Key Management Personnel – Other KMP

	SHORT TERM			POST-EMPLOYMENT	LONG-TERM BENEFIT	TERMINATION	SHARE BASED PAYMENT		
EXECUTIVES	SALARY & FEES $	OTHER PAYMENTS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	LONG SERVICE LEAVE[1] $	BENEFITS $	SHORT TERM INCENTIVE (DEA)[2] $	PERFORMANCE RIGHTS (LTI)[3]	TOTAL $
Other KMP									
B. Bennett									
31/03/2019	310,523	-	-	20,049	-	-	15,599	125,524	471,695
31/03/2018	292,088	-	-	19,940	16,094	-	11,625	105,411	445,158
S. Grant									
31/03/2019	381,225	40,000[4]	4,200	31,707	-	-	-	1,465	458,597
31/03/2018	172,705	-	2,275	15,127	-	-	-	-	190,107
N. Simonsz[5]									
31/03/2019	397,508	-	2,800	19,317	-	-	-	2,832	422,457
31/03/2018	-	-	-	-	-	-	-	-	-
A. Speer[6]									
31/03/2019	362,235	100,000[7]	1,976	13,753	-	-	-	2,637	480,601
31/03/2018	-	-	-	-	-	-	-	-	-
A. O'Brien[8]									
31/03/2019	147,585	-	-	-	-	-	-	-	147,585
31/03/2018	-	-	-	-	-	-	-	-	-
Former Other KMP									
T. McCormack[9]									
31/03/2019	-	-	-	-	-	-	-	-	-
31/03/2018	356,519	-	4,200	39,818	-	270,749	-	-	671,286
D. FitzGibbon[10]									
31/03/2019	358,034	100,000[4]	2,975	15,278	-	-	-	62,030	538,317
31/03/2018	250,249	-	3,500	23,355	-	-	-	52,705	329,809
Total Remuneration: Other KMP									
31/03/2019	1,957,110	240,000	11,951	100,104	-	-	15,599	194,488	2,519,252
31/03/2018	1,071,561	-	9,975	98,240	16,094	270,749	11,625	158,116	1,636,360

(1) Long service leave balances are only accrued from 5 years' service onwards.
(2) The STI expense amounts to the value expensed by the Company for the period.
(3) The LTI expense in 2018 was based on estimates of the expected value of rights to be granted under the LTI plan.
(4) Other payments to S. Grant and D. FitzGibbon during FY19 relate to discretionary cash bonuses for successful project completion.
(5) N. Simonsz was appointed Chief Financial Officer on 1 August 2018 and became a member of KMP on the same date.
(6) A. Speer was appointed Chief Operating Officer on 30 July 2018 and became a member of KMP on the same date.
(7) Other payments to A. Speer during FY19 relate to a sign-on bonus.
(8) A. O'Brien was appointed Chief Commercial Officer on 17 December 2018 and became a member of KMP on the same date.
(9) T. McCormack ceased employment with the Company on 2 April 2018.
(10) D. FitzGibbon ceased employment with the Company on 14 December 2018.

No STI cash incentives were granted during the 12-month period ended 31 March 2019.

REMUNERATION REPORT (AUDITED) (continued)

8. Equity Instruments Disclosures

5,948,897 performance rights under the LTI plan and nil DEA performance rights were granted during the twelve months to 31 March 2019 (31 March 2018: nil).

No shares were issued to key management personnel during the year-ended 31 March 2019 (31 March 2018: nil).

Rights to shares

The fair value of rights is determined based on the market price of the Company's shares at the grant date, with an adjustment made to take into account the two and three year vesting period (where applicable, i.e. on the issue of DEA) and expected dividends during that period that will not be received by the employees.

A summary of the outstanding performance rights relating to key management personnel is provided below, with a full listing provided in note 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:

2019	YEAR GRANTED	BALANCE AT BEGINNING OF PERIOD (1)	GRANTED AS REMUNERATION	EXERCISED DURING THE YEAR	NET CHANGE OTHER (2)	BALANCE AT END OF PERIOD	NOT VESTED AND NOT EXERCISABLE	VESTED AND EXERCISABLE	VALUE YET TO VEST (3)
		NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	$
Executives									
H. Killen	2018, 2019	348,236	1,704,234	-	(9,994)	2,042,476	2,042,476	-	455,652
B. Bennett	2018, 2019	367,659	426,059	-	(9,994)	783,724	783,724	-	420,411
S. Grant	2019	-	426,059	-	-	426,059	426,059	-	23,433
N. Simonsz	2019	-	823,713	-	-	823,713	823,713	-	45,304
A. Speer	2019	-	766,905	-	-	766,905	766,905	-	42,180
A. O'Brien	-	-	-	-	-	-	-	-	-
Former Executives									
T. McCormack(4)	-	-	-	-	-	-	-	-	-
D. FitzGibbon(5)	2018	174,118	-	-	(174,118)	-	-	-	-

(1) The rights disclosed for 2018 included rights under the LTI plan, which were based on best estimates of the expected number of rights to be granted.

(2) Represents changes to the 2018 estimates of rights to be offered under the first grant round to adjust to the actual number granted during 2019. For former executives, the person's holding at the date of termination is shown as a reduction in their holding.

(3) The maximum value of the deferred shares yet to vest has been determined based on the share price of the Company at 31 March 2019. The minimum value of deferred shares yet to vest is nil, as the shares will be forfeited if the vesting conditions are not met.

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

(5) D. FitzGibbon ceased employment with the Company on 14 December 2018.

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

REMUNERATION REPORT (AUDITED) (continued)

8. Equity Instruments Disclosures (continued)

Shareholdings

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

2019	BALANCE AT BEGINNING OF PERIOD NUMBER	GRANTED AS REMUNERATION NUMBER	EXERCISE OF OPTIONS/RIGHTS NUMBER	NET CHANGE OTHER NUMBER	BALANCE AT END OF PERIOD NUMBER
Directors					
D. McGauchie	1,120,774	-	-	-	1,120,774
H. Killen	-	-	-	113,800	113,800
S. Black	40,000	-	-	-	40,000
D. Crombie	60,000	-	-	-	60,000
T. Keene	75,000	-	-	-	75,000
A. Abraham	30,000	-	-	-	30,000
Dr S. Dissanayake	2,025,000	-	-	-	2,025,000
N. Reisman	45,000	-	-	-	45,000
J. Rudd	-	-	-	-	-
Executives					
B. Bennett	97,142	-	-	-	97,142
S. Grant	-	-	-	-	-
N. Simonsz	-	-	-	-	-
A. Speer	-	-	-	-	-
A. O'Brien	-	-	-	-	-
Former Executives					
T. McCormack	-	-	-	-	-
D. FitzGibbon	-	-	-	-	-
Total	**3,492,916**	**-**	**-**	**113,800**	**3,606,716**

All equity transactions with Directors and executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

9. Loans to key management personnel and their related parties

There are no loans outstanding with the key management personnel at 31 March 2019 (31 March 2018: nil), nor have there been any transactions that would be considered a loan throughout the period.

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

There have been no other transactions with key management personnel or their related parties during the financial year to 31 March 2019 (31 March 2018: nil).

DIRECTORS' MEETINGS

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

	DIRECTORS' MEETINGS		AUDIT & RISK MANAGEMENT COMMITTEE		STAFF & REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
	A	B	A	B	A	B	A	B
D. McGauchie	7	7	*	6	5	5	1	1
H. Killen¥	7	7	*	6	*	5	*	1
T. Keene	7	7	6	6	5	5	1	1
D. Crombie	7	7	6	5	5	5	1	1
S. Black	7	7	6	6	*	5	1	0
Dr S. Dissanayake	7	6	*	4	*	5	*	1
A. Abraham	7	7	*	6	*	5	1	1
N. Reisman	7	7	6	6	*	5	1	1
J. Rudd	7	7	*	5	*	4	*	1

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

B = Number of meetings attended

* Not a member of the relevant committee

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

Committee Membership

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

Rounding

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

AUDITOR INDEPENDENCE

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

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 2019 there have been:

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

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

KPMG

KPMG

Simon Crane
Partner

Brisbane
22 May 2019

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 2019 $	31 MAR 2018 $
Non-audit services	23,150	15,840
	23,150	15,840

Signed in accordance with a resolution of the Directors

Donald McGauchie
Chairman

Brisbane
22 May 2019

Hugh Killen
Managing Director

Brisbane
22 May 2019

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Income Statement

For the year ended 31 March 2019

	NOTE	31 MAR 2019 $000	31 MAR 2018 $000 Restated*
Meat sales		246,244	332,658
Cattle sales		117,837	47,021
		364,081	379,679
Cattle fair value adjustments	A3	58,389	162,971
		422,470	**542,650**
Cost of meat sold		(226,549)	(304,054)
Cost of live cattle sold		(108,858)	(45,589)
Cattle and feedlot expenses		(142,082)	(102,788)
Gross margin	A2	**(55,019)**	**90,219**
Other income	F3	1,888	2,822
Employee expenses	F3	(51,787)	(54,080)
Administration and selling costs		(41,200)	(41,413)
Other operating costs		(29,631)	(27,059)
Property costs		(6,960)	(5,814)
Gain/(loss) on equity investments		620	(303)
Depreciation and amortisation		(11,994)	(17,394)
Impairment	A1	-	(69,502)
Onerous contract (impairment related to Livingstone)	A1	-	(5,443)
Loss before finance costs and income tax		**(194,083)**	**(127,967)**
Finance costs	F3	(15,773)	(17,418)
Loss before income tax		**(209,856)**	**(145,385)**
Income tax benefit	F2	61,460	42,826
Net loss after tax		**(148,396)**	**(102,559)**

LOSS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT		CENTS	CENTS
Basic loss per share	C5	(24.9)	(17.4)
Diluted loss per share	C5	(24.9)	(17.4)

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

* Refer to note G3 (c) regarding restated comparative figures.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	31 MAR 2019 $000	31 MAR 2018 $000
Loss for the year	(148,396)	(102,559)
Other Comprehensive Income		
Items not to be reclassified to profit or loss:		
Fair value revaluation of land and buildings, net of tax	21,942	18,421
Items to be reclassified subsequently to profit or loss:		
Changes in the fair value of cash flow hedges, net of tax	(4,628)	2,155
Other comprehensive income for the year, net of tax	**17,314**	**20,576**
Total comprehensive loss for the year, net of tax	**(131,082)**	**(81,983)**

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 31 March 2019

	NOTE	31 MAR 2019 $000	31 MAR 2018 $000
Current Assets			
Cash	B1	7,565	11,218
Trade and other receivables	B4	18,661	20,515
Inventories and consumables	B3	33,684	35,068
Livestock	A3	171,006	259,104
Other assets		1,099	696
Total Current Assets		**232,015**	**326,601**
Non-Current Assets			
Livestock	A3	252,331	369,182
Property, plant and equipment	A4	795,341	753,777
Intangible assets		2,534	2,840
Investments	F5	3,613	2,897
Other receivables		742	-
Total Non-Current Assets		**1,054,561**	**1,128,696**
Total Assets		**1,286,576**	**1,455,297**
Current Liabilities			
Trade and other payables	B5	29,818	27,525
Provisions		3,397	3,445
Borrowings	C1	1,658	3,025
Derivatives	C2	8,319	457
Total Current Liabilities		**43,192**	**34,452**
Non-Current Liabilities			
Provisions		4,578	5,215
Borrowings	C1	364,414	353,363
Deferred tax liabilities	F2	30,732	84,747
Total Non-Current Liabilities		**399,724**	**443,325**
Total Liabilities		**442,916**	**477,777**
Net Assets		**843,660**	**977,520**
Equity			
Contributed equity	C3	528,822	531,937
Reserves	F4	435,369	417,718
Retained earnings/(losses)		(120,531)	27,865
Total Equity		**843,660**	**977,520**

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 2019

	CONTRIBUTED EQUITY (NOTE C3) $000	RESERVES (NOTE F4) $000	RETAINED EARNINGS/(LOSSES) $000	TOTAL EQUITY $000
At 1 April 2017	490,713	396,606	130,424	1,017,743
Loss for the year	-	-	(102,559)	(102,559)
Other comprehensive income	-	20,576	-	20,576
Total comprehensive loss for the year	**-**	**20,576**	**(102,559)**	**(81,983)**
Transactions with owners in their capacity as owners:				
Issue of share capital, net of transaction costs	48,109	-	-	48,109
Treasury shares acquired	(6,885)	-	-	(6,885)
Cost of share-based payment	-	536	-	536
At 31 March 2018	**531,937**	**417,718**	**27,865**	**977,520**
At 1 April 2018	531,937	417,718	27,865	977,520
Loss for the year	-	-	(148,396)	(148,396)
Other comprehensive income	-	17,314	-	17,314
Total comprehensive loss for the year	**-**	**17,314**	**(148,396)**	**(131,082)**
Transactions with owners in their capacity as owners:				
Issue of share capital, net of transaction costs	-	-	-	-
Treasury shares acquired	(3,115)	-	-	(3,115)
Revaluation of foreign currency operations	-	(10)	-	(10)
Cost of share-based payment	-	347	-	347
At 31 March 2019	**528,822**	**435,369**	**(120,531)**	**843,660**

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 2019

	NOTE	31 MAR 2019 $000	31 MAR 2018 $000
Cash Flows from Operating Activities			
Receipts from customers		378,285	376,013
Payments to suppliers, employees and others		(352,742)	(395,558)
Interest received		108	144
Net operating cash inflow/(outflow) before interest and finance costs		25,651	(19,401)
Payment of interest and finance costs		(12,661)	(20,463)
Net cash inflow/(outflow) from operating activities	B2	12,990	(39,864)
Cash Flows from Investing Activities			
Payments for property, plant and equipment and other assets		(25,967)	(19,720)
Proceeds from sale of property, plant and equipment		426	380
Investments in associates		(487)	(2,100)
Net cash outflows from investing activities		(26,028)	(21,440)
Cash Flows from Financing Activities			
Proceeds from borrowings, net of transaction costs		37,000	41,874
Repayment of borrowings		(24,500)	(5,000)
Acquisition of treasury shares		(3,115)	(6,885)
Net cash inflow from financing activities		9,385	29,989
Net decrease in cash		**(3,653)**	**(31,315)**
Cash at the beginning of the year		11,218	42,533
Cash at the end of the year	B1	7,565	11,218

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS TO 31 MARCH 2019

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A FINANCIAL PERFORMANCE

A1 Significant Matters

Gulf Flooding Event

In February 2019, a significant flood event swept through the Gulf of Carpentaria Region of North Queensland. At its peak, flood waters extended 400km from the Gulf to Julia Creek, and reached approximately 70km wide in many areas. For much of the region that experienced this event, flood waters reached unprecedented levels.

The floods, running nearly half the length of the Flinders river, impacted four of AACo's stations in the gulf region. Canobie, Wondoola, Carrum and Dalgonally experienced infrastructure and livestock losses.

Approximately 82,000 head of cattle were exposed to this event, with total losses estimated at 43,000 head. Additionally, fencing and water infrastructure on all four properties, as well as buildings at Wondoola station, were damaged.

Due to the significant nature and materiality of the event, Management have recorded estimates for the losses incurred on these properties.

Determining the extent of livestock losses, across these four stations' 860,000 hectares of land, is inherently challenging. The losses recorded were therefore based on the best available information of the event and Management's best estimates and judgement.

These estimates were performed on a station by station basis, using a combination of observations of surviving animals and damaged infrastructure, as well as applying expected survival rates by paddock against pre-event paddock records. Estimated survival rates were based on Management's understanding of livestock vulnerabilities in these events, knowledge of the land's topography, as well an in-depth understanding of how the event unfolded and how individual paddocks were impacted.

Livestock losses were estimated to be 43,000 head for a value of $45.6 million and recorded in the Income Statement as fair value losses on cattle due to attrition – gulf flood write-off (see note A3).

Costs to replace damaged infrastructure to a state that supports the externally assessed long-term carrying capacity of the properties were estimated to be $5.0m. This was adjusted against the Asset Revaluation Reserve in the equity section of the Balance Sheet. The estimate of losses recorded in the FY19 results is materially consistent with those announced to the market on 11 March 19.

Safety

In FY19, AACo continues to maintain an ongoing focus on operational leadership, skills training, and the continued development of a strong safety culture, finishing the year with a Lost Time Injury Frequency Rate (LTIFR) of 23.

Property Revaluation

The Company recorded a $36.4 million increase in the value of the Company's pastoral property and improvements, following a directors' assessment of fair value at 31 March 2019. In assessing fair value, the directors utilised information provided by an independent valuation performed by CBRE during FY19. The revaluation reflects value increases resulting from capital investments made to actively manage our properties, and increased activity and prices for recent comparable property sales.

The above increase was offset by a $5.0 million decrement due to damaged infrastructure in the Gulf following the flooding event, as noted above. The rebuild of damaged infrastructure is underway and the Company is committed to repairing and improving these properties.

See note A4 for further details.

Herd Profile

The closing herd numbers are 32.6% lower than prior year, due to increased composite cattle sales following the 1824 and Livingstone decisions. Dry seasonal conditions have also lead to an increased sell-off of these composite herd animals, as the Company focuses resources on our core Wagyu herd assets. Wagyu herd numbers have marginally increased by 3% from the prior year.

The Gulf flood event resulted in approximately 43,000 head written off, as well as a reduced accrual for unbranded calves due to the gulf flood event.

A1 Significant Matters (continued)

Herd Valuation

Market value adjustments arising from market price changes to the herd values at the close of the period resulted in an unrealised cattle price loss of $89.0 million driven by a decrease in cattle market prices.

Livingstone Beef

Livingstone Beef is considered to be a single Cash-generating Unit (CGU). During FY18, the CGU experienced adverse market conditions due to high cattle procurement costs and a lower than average meat sales demand. As indicators of impairment existed, the Company tested the CGU for impairment. The recoverable amount of the CGU was calculated to be $40.2 million, which was lower than the carrying value by $69.5 million. The carrying value prior to this assessment was $109.7 million, representing $104.8 million of property, plant and equipment and $4.9 million of working capital. The Company therefore recognised an impairment loss of $69.5 million with respect to buildings, improvements, plant and equipment, and decreased the carrying values of these assets in the CGU by this amount. There was an additional $5.4 million impairment provision recorded for an onerous contract in relation to Livingstone Beef.

During H1FY19 operations were suspended at Livingstone Beef. At 30 September 2018, management recalculated the recoverable amount of the CGU based on the updated conditions, using Level 3 fair value inputs per AASB 13 *Fair Value Measurement*. The calculated recoverable amount was materially consistent with the current carrying value of the CGU and as such no adjustment was made to the carrying value of Livingstone Beef at 30 September 2018. At 31 March 2019, consideration was given to internal and external factors impacting the CGU, noting no indications of a material change to the carrying value of Livingstone Beef at year-end.

Regular upkeep and maintenance of the facility and its supporting assets continues, whilst the Board and management continue to review various strategic options for Livingstone Beef.

A2 Operating Margin

Operating 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 2019 $000	31 MAR 2018 $000 Restated*
Meat Sales			
Sales		246,244	332,658
Cost of meat sold[1]		(226,549)	(304,054)
Operating margin		19,695	28,604
Cattle Sales			
Sales		117,837	47,021
Cost of cattle sold[2]		(108,858)	(45,589)
Operating margin		8,979	1,432
Cattle Production			
Fair value adjustments	A3	58,389	162,971
Cattle expenses		(69,448)	(47,897)
Feedlot expenses		(72,634)	(54,891)
Operating margin		(83,693)	60,183
Gross Operating Margin		**(55,019)**	**90,219**

(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. At that time, the cost of cattle sold equates to the recorded fair value less costs to sell and hence margin apart from selling costs is earned through the cattle production process.

* Refer to note G3 (c) regarding restated comparative figures.

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

A3 Livestock

CATTLE AT FAIR VALUE	31 MAR 2019 $000	31 MAR 2019 HEAD	31 MAR 2018 $000	31 MAR 2018 HEAD
Current	171,006	148,565	259,104	183,394
Non-Current	252,331	279,340	369,182	379,075
Total livestock	423,337	427,905	628,286	562,469

LIVESTOCK MOVEMENT	31 MAR 2019 $000	31 MAR 2018 $000
Opening carrying amount	628,286	662,482
Changes in fair value	58,389	162,971
Purchases of livestock	24,564	103,254
External sale of livestock less selling expenses	(108,858)	(45,589)
Transfers for meat sales	(179,044)	(254,832)
Closing carrying amount	423,337	628,286

CATTLE FAIR VALUE ADJUSTMENTS	31 MAR 2019 $000	31 MAR 2018 $000
Market value movements(1)	(88,994)	(71,145)
Biological transformation(2)	157,214	157,976
Natural increase	58,262	106,072
Attrition	(22,163)	(29,571)
Gulf flood write-off(3)	(45,648)	-
Other	(282)	(361)
Total cattle fair value adjustments	58,389	162,971

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

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

(3) Due to the Gulf flooding event in February 2019, the Company recognised an additional attrition reflecting livestock lost in this unprecedented natural disaster.

Accounting Policies – Livestock

Livestock is measured at fair value less costs to sell, with any change recognised in the income statement. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of livestock is based on its present location and condition. If an active or other effective market exists for livestock in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Where the Company has access to different markets, then the most relevant market is used to determine fair value. The relevant market is defined as the market “that access is available to the entity” to be used at the time the fair value is established.

If an active market does not exist, then one of the following is used in determining fair value in the below order:

> the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period

> market prices, in markets accessible to us, for similar assets with adjustments to reflect differences

> sector benchmarks

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

A3 Livestock (continued)

Livestock fair value

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

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

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

Fair Value Inputs are summarised as follows:

Level 1 Price Inputs – are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 Price Inputs – are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Price Inputs – are inputs for the asset or liability that are not based on observable market data (unobservable inputs).

FAIR VALUE INPUT	CATTLE TYPE	31 MAR 2019 $000	31 MAR 2019 HEAD	31 MAR 2018 $000	31 MAR 2018 HEAD
Level 1	None	-	-	-	-
Level 2	Commercial & stud breeding herd	235,387	218,918	328,595	290,659
Level 2	Trading cattle	86,406	111,323	146,462	140,235
Level 2	Unbranded calves	13,835	58,956	36,021	86,716
Level 3	Feedlot cattle	87,709	38,708	117,208	44,859
		423,337	427,905	628,286	562,469
Average value per head			$989		$1,117

A3 Livestock (continued)

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, genetics, recent comparable sales evidence and current market conditions for Crossbred Wagyu cattle.
Unbranded Calves	2	The value of unbranded calves is determined with reference to Roma store calf prices at the Company's reporting date. The number of calves is determined by applying the percentage of branding assessed each year to the number of productive cows and the results of pregnancy testing.
Feedlot Cattle	3	Feedlot cattle are valued internally by the Company as there is no observable market for them. The value is based on the estimated entry price per kilogram and the value changes for the weight of each animal as it progresses through the feedlot program. The key factors affecting the value of each beast are price/kg and average daily gain of weight. The average daily gain of weight is in the range of 0.7kgs to 1.9kgs. The value is determined by applying the average weight gain per day by the number of days on feed from induction to exit at which point the cattle are delivered to market. The value per animal is based on the breed and specifications of the animal and the market it is destined for. Significant increases (decreases) in any of the significant unobservable valuation inputs for feedlot cattle in isolation would result in a significantly higher (lower) fair value measurement.

UNBRANDED CALVES	31 MAR 2019 $000	31 MAR 2019 HEAD	31 MAR 2018 $000	31 MAR 2018 HEAD
Calf accrual opening	36,021	86,716	40,826	99,898
Movement[1]	(22,186)	(27,760)	(4,805)	(13,182)
Calf accrual closing	13,835	58,956	36,021	86,716
Average value per head		$235		$415

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

FEEDLOT CATTLE	31 MAR 2019 $000	31 MAR 2019 HEAD	31 MAR 2018 $000	31 MAR 2018 HEAD
Opening values	117,208	44,859	131,126	47,566
Inductions	104,227	50,369	152,151	67,136
Sales	(134,973)	(56,202)	(181,508)	(69,492)
Attrition and rations	(831)	(318)	(1,015)	(351)
Fair value adjustments recognised	2,078	-	16,454	-
Closing values	87,709	38,708	117,208	44,859
Average value per head		$2,266		$2,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS TO 31 MARCH 2019

A4 Property

PROPERTY PLANT AND EQUIPMENT	NOTE	31 MAR 2019 $000	31 MAR 2018 $000
Pastoral property and improvements at fair value		738,462	698,207
Industrial property and improvements at cost	F1	31,278	31,443
Plant and equipment at cost	F1	24,380	22,602
Capital work in progress	F1	1,221	1,525
Total property, plant and equipment		795,341	753,777

Pastoral property and improvements at fair value

31 MAR 2019	TOTAL $000
Opening balance	698,207
Additions	14,410
Disposals	(402)
Net revaluation increment/(decrement) recognised in asset revaluation reserve	31,346
Depreciation	(5,099)
Closing balance	738,462

31 MAR 2018	TOTAL $000
Opening balance	667,860
Additions	8,899
Disposals	-
Net revaluation increment/(decrement) recognised in asset revaluation reserve	26,315
Depreciation	(4,867)
Closing balance	698,207

Accounting policies – Pastoral property and improvements at fair value

Pastoral property and improvements are carried at a revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

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

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

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

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

A4 Property (continued)

Fair value

In determining the fair value of 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 2019 $000	31 MAR 2018 $000	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	31 MAR 2019 RANGE/(AVERAGE)	31 MAR 2018 RANGE/(AVERAGE)
629,162	604,507	Direct Comparison (Productive Unit Approach)	Number of adult equivalents	5,350 – 89,200 25,406	5,350 - 81,500 24,585
			Dollar per adult equivalents	$1,000 - $4,500 $1,669	$1,000 - $4,500 $1,644
			Number of properties	18	18
43,850	33,100	Direct Comparison (Hectare Rate Approach)	Dollar per hectare	$1,289 $1,289	$973 $973
			Number of properties	1	1
65,450	60,600	Direct Comparison (Hectare Rate and Standard Cattle Unit Approach)	Dollar per hectare	$3,521 - $3,528 $3,525	$3,467 - $3,518 $3,493
			Standard cattle units	16,000 – 45,000 30,500	16,000 – 45,000 30,500
			Number of properties	2	2

An independent valuation was performed by valuers CBRE to determine the fair value using the market based direct comparison method. One of three direct comparison method techniques were utilised, being either a Productive Unit Approach, Hectare Rate Approach or a Summation Approach using Standard Cattle Units and Hectare Rate. Valuation of the assets was determined by analysing comparable sales and allowing for size, location, rainfall, water supply, seasonal conditions, structural capital works and other relevant factors specific to the property and improvements being valued. From the sales analysed, an appropriate rate per adult equivalent or hectare has been applied to the subject property and improvements. The effective date of the valuation is 31 March 2019.

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 carrying capacity and potential, and location relative to markets and services. An external expert, Dr Steve Petty of Spektrum, was engaged during FY19 as part of the valuation process to perform an independent assessment of adult equivalent carrying capacity using a consistent methodology based on scientific analysis of grazing distribution, land system analysis, station and paddock stocking history and published data for the relevant regions.

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

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

Significant increases (decreases) in any of the significant unobservable valuation inputs under the Productive Unit Approach, Hectare Rate Approach or Hectare Rate and Standard Cattle Units Approach in isolation would result in a significantly higher (lower) fair value measurement. Changes in seasonal conditions and rainfall would result in a significantly lower or higher carrying capacity, dollar per adult equivalent and dollar per hectare.

A4 Property (continued)

Deemed Cost

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

	31 MAR 2019 $000	31 MAR 2018 $000
Deemed cost	343,722	329,312
Accumulated depreciation	(57,510)	(52,411)
Net carrying amount	286,212	276,901

Pastoral leases

Our cattle stations are generally held under a leasehold agreement with the Crown. Leasehold properties in Queensland are mainly pastoral holdings which are rolling term leases with a maximum period of 50 years. In the Northern Territory, the pastoral leases we hold have been granted on a perpetual basis by the Northern Territory Government.

A5 Segment Information

Identification of reportable segments

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Company, that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director/Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on the nature of the product produced and the reporting structure within the Group. Discrete financial information for each of the operating segments is reported to the Managing Director/Chief Executive Officer (MD/CEO) on at least a monthly basis.

Reportable segments

Under the current internal reporting framework, the financial results of the Livingstone processing plant are disclosed separately in monthly management reports from the rest of the Company. This results in the following operating segments:

- Livingstone Beef processing plant
- AACo excluding Livingstone

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

Accounting policies and inter-segment transactions

The accounting policies used in reporting segments are the same as those contained in note G3 to the financial statements and in the prior period, except as follows:

- Inter-entity sales

Inter-entity sales are recognised based on arm's length market prices.

Operating Profit is the key indicator used to monitor and manage the Company. It eliminates the potential distraction caused by unrealised livestock and inventory valuation adjustments being recorded in the financial results, and is a better reflection of actual financial performance under the control of management. Operating Profit assumes all Livestock inventory is valued on a $/kg live-weight (LW) basis and is derived by adjusting statutory EBITDA to substitute the movement in inventory at market value with the movement in inventory at cost of production.

To provide greater transparency on operating performance, Operating Profit replaces the previously reported Operating EBITDA metric. Operating Profit values inventory movement at a cost of production rather than at various standard costs.

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 2019 and 31 March 2018. Segment assets and liabilities are not reported to the MD/CEO and therefore segment assets and liabilities are not separately disclosed.

A5 Segment Information (continued)

31 MAR 2019	AACO EX LIVINGSTONE $000	LIVINGSTONE BEEF $000	ELIMINATIONS $000	TOTAL $000
Segment revenue	348,191	32,232	(16,342)	364,081
Inter-segment revenue	(16,342)	-	16,342	-
Revenue from external customers	331,849	32,232	-	364,081
Underlying Operating Profit/(Loss)	**39,644**	**(15,924)**	**-**	**23,720**
Gulf flood livestock attrition	(45,648)	-	-	(45,648)
Gulf flood emergency expenses	(994)	-	-	(994)
Operating Loss	**(6,998)**	**(15,924)**	**-**	**(22,922)**
Reverse: Movement in inventory at cost of production	(218)	2,583	-	2,365
Other income/expenses	(2,941)	90	-	(2,851)
Change in livestock value	(165,206)	5,905	-	(159,301)
Statutory EBITDA loss	**(175,363)**	**(7,346)**	**-**	**(182,709)**
Depreciation and amortisation	(10,869)	(1,125)	-	(11,994)
Impairment	-	-	-	-
Onerous contract (impairment related to Livingstone)	-	-	-	-
Gain on equity investments	620	-	-	620
Statutory EBIT loss	**(185,612)**	**(8,471)**	**-**	**(194,083)**
Net finance costs				(15,773)
Income tax benefit				61,460
Net loss after tax				**(148,396)**

31 MAR 2018	AACO EX LIVINGSTONE $000	LIVINGSTONE BEEF $000	ELIMINATIONS $000	TOTAL $000
Segment revenue	307,062	97,341	(24,724)	379,679
Inter-segment revenue	(24,724)	-	24,724	-
Revenue from external customers	282,338	97,341	-	379,679
Operating Profit/(Loss)	**9,779**	**(23,260)**	**-**	**(13,481)**
Reverse: Movement in inventory at cost of production	8,279	660	-	8,939
Other income/expenses	2,774	639	-	3,413
Change in livestock value	(34,196)	-		(34,196)
Statutory EBITDA loss	**(13,364)**	**(21,961)**	**-**	**(35,325)**
Depreciation and amortisation	(11,647)	(5,747)	-	(17,394)
Impairment	-	(69,502)	-	(69,502)
Onerous contract (impairment related to Livingstone)	-	(5,443)	-	(5,443)
Loss on equity investments	(303)	-	-	(303)
Statutory EBIT loss	**(25,314)**	**(102,653)**	**-**	**(127,967)**
Net finance costs				(17,418)
Income tax benefit				42,826
Net loss after tax				**(102,559)**

A5 Segment Information (continued)

Revenues from external customers

MEAT SALES REVENUES	31 MAR 2019 $000	31 MAR 2018 $000
South Korea	65,876	71,405
Australia	47,592	53,559
China	25,860	12,962
USA	19,860	71,198
Other countries	87,056	123,534
Total meat sales revenue per Income Statement	246,244	332,658

Meat sales revenues of $58.9 million were derived from one of the Company's major external customers (31 March 2018: $101.5 million from two major external customers). No other customer contributed to more than 10% of the Company's revenue.

CATTLE SALES REVENUES	31 MAR 2019 $000	31 MAR 2018 $000
Australia	117,837	47,021
Total cattle sales revenue per Income Statement	117,837	47,021

B WORKING CAPITAL

B1 Net Working Capital

	NOTE	31 MAR 2019 $000	31 MAR 2018 $000
Cash		7,565	11,218
Inventory and consumables	B3	33,684	35,068
Trade and other receivables	B4	18,661	20,515
Trade and other payables	B5	(29,818)	(27,525)
Net working capital		30,092	39,276

B2 Cash

RECONCILIATION OF NET LOSS AFTER TAX TO NET CASH FLOWS FROM OPERATIONS	31 MAR 2019 $000	31 MAR 2018 $000
Net loss after income tax	(148,396)	(102,559)
Adjustments for:		
Depreciation and amortisation	11,994	17,394
Impairment	-	69,503
(Gain)/loss on equity investments	(620)	303
Change in fair value of property	-	-
Loss/(gain) on disposal of property, plant and equipment	453	(380)
Amortisation of borrowing costs	(315)	(379)
Non-cash share based payment expense	347	536
(Increment)/decrement in fair value of livestock	204,949	34,196
Income tax expense reported in equity	(7,445)	(9,402)
Derivative movement reported in equity	(5,525)	2,973
Changes in assets and liabilities:		
(Increase)/decrease in inventories	1,384	(6,494)
(Increase)/decrease in trade and other receivables	1,112	(6,424)
(Increase)/decrease in prepayments and other assets	(403)	710
(Decrease)/increase in deferred tax liabilities	(54,015)	(33,424)
(Decrease)/increase in trade and other payables	2,293	(3,717)
(Decrease)/increase in derivatives	7,862	(5,656)
(Decrease)/increase in provisions	(685)	2,956
Net cash (outflow)/inflow from operating activities	**12,990**	**(39,864)**
Non-cash financing and investing activities		
Acquisition of assets by means of finance leases	3,132	3,810

B3 Inventory and Consumables

	31 MAR 2019 $000	31 MAR 2018 $000
Meat inventory	13,917	18,488
Feedlot commodities	10,275	6,732
Bulk stores	7,964	7,853
Other inventory	1,528	1,995
	33,684	35,068

B4 Trade and Other Receivables

	31 MAR 2019 $000	31 MAR 2018 $000
Trade receivables from others	17,143	15,347
Trade receivables from individually not material associates	-	561
Total trade receivables	17,143	15,908
Provision for impairment of receivables	(319)	-
	16,824	15,908
Other receivables	1,837	4,607
	18,661	20,515

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 2019 $000	31 MAR 2018 $000
Current or past due under 30 days	16,804	15,865
Past due 31-60 days	2	33
Past due 61+ days	337	10
Total trade receivables	17,143	15,908

Provision for impairment of receivables aging	31 MAR 2019 $000	31 MAR 2018 $000
Current or past due under 30 days	(253)	-
Past due 31-60 days	-	-
Past due 61+ days	(66)	-
Total trade receivables	(319)	-

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

B5 Trade and Other Payables

	31 MAR 2019 $000	31 MAR 2018 $000
Trade payables	22,398	20,738
Other payables	4,023	4,691
Deferred revenue	3,397	2,096
	29,818	27,525

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.

Trade payables includes amounts due to associates, as shown below. Refer to note F6 for further details.

Trade payables	31 MAR 2019 $000	31 MAR 2018 $000
Trade payables to others	21,712	19,782
Trade payables to associate – Pyxle (Private) Limited	686	296
Trade payables to other individually not material associates	-	660
	22,398	20,738

C FUNDING AND CAPITAL MANAGEMENT

C1 Borrowings

	31 MAR 2019 $000	31 MAR 2018 $000
Current		
Obligations under finance leases	1,658	3,025
Non-Current		
Obligations under finance leases	2,782	4,547
Secured bank loan facility	361,632	348,816
	364,414	**353,363**

Secured bank loan facility

Facility A loans are repayable on 8 September 2022 and Facility B loans are repayable on 8 September 2020. The interest on these facilities is charged at the applicable BBSY rate + Margin. The facility is currently drawn down by $362.7 million (31 March 2018: $350.2 million) and is offset in the Statement of Financial Position by a prepaid facility participation fee of $1 million (31 March 2018: $1.4 million).

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

	31 MAR 2019 $000	31 MAR 2018 $000
Total available under Facility A and Facility B	500,000	500,000
Guarantee facility	3,000	3,000
Drawn-down (including bank guarantees - refer note C4)	(364,154)	(351,654)
Unused	138,846	151,346

C2 Derivatives

	31 MAR 2019 $000	31 MAR 2018 $000
Current Liabilities		
Interest rate swap contracts	6,884	355
Foreign currency contracts	1,435	102
	8,319	**457**

Foreign currency contract

SELL FX/BUY AUD	NOTIONAL AMOUNTS (AUD) 31 MAR 2019 $000	NOTIONAL AMOUNTS (AUD) 31 MAR 2018 $000	AVERAGE EXCHANGE RATE 31 MAR 2019 $000	AVERAGE EXCHANGE RATE 31 MAR 2018 $000
Sell USD Maturity 0-12 months	48,391	11,354	0.7339	0.7787

Foreign currency contracts are attributed to forecast meat sales. As these contracts are hedge accounted, the effectiveness was required to be assessed in terms of AASB 9 *Financial Instruments* from 1 April 2018 due to the Company's decision to adopt AASB 9 rather than electing to continue applying AASB 139 *Financial Instruments*. The effective portion of the movement has been accounted for in Other Comprehensive Income and the ineffective portion posted to the income statement. 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 2019 was AUD $48.4 million (31 March 2018: AUD $11.4 million). There was no material impact from the implementation of AASB 9, and therefore no prior period adjustments have been recorded.

The net fair value gain on foreign currency derivatives during the twelve months to 31 March 2019 was $1,435,000 with $1,358,000 effective and $77,000 ineffective (12 months to 31 March 2018: $102,000 gain with $84,000 effective and $18,000 ineffective).

C2 Derivatives (continued)

Interest rate swap contracts

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

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

	31 MAR 2019 $000	31 MAR 2018 $000
0-1 years	-	-
1-5 years	235,000	235,000

The gain or loss from remeasuring the interest rate swaps at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the twelve months to 31 March 2019 the loss recognised for interest rate swaps into profit or loss was $2.1 million (twelve months to 31 March 2018: $4.1 million). There was no hedge ineffectiveness in the current or prior year.

C3 Equity

	31 MAR 2019 SHARES	31 MAR 2018 SHARES	31 MAR 2019 $000	31 MAR 2018 $000
Opening balance	598,430,888	558,710,413	531,937	490,713
Shares issued on exercise of performance rights	-	87,037	-	-
Shares issued on exercise of options	-	-	-	-
Treasury shares acquired	(2,428,989)	(4,335,859)	(3,115)	(6,885)
Value of conversion rights – convertible notes	-	43,969,297	-	48,109
Total contributed equity	**596,001,899**	**598,430,888**	**528,822**	**531,937**

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FOR THE TWELVE MONTHS TO 31 MARCH 2019

C4 Capital Management

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

We monitor capital using the gearing ratio (net debt divided by total capital plus net debt) and our target gearing ratio is between 20.0% to 35.0%. We include within net debt, interest-bearing loans and borrowings. For the Company's financial risk management objectives and policies refer to note D.

ASSETS AND CAPITAL STRUCTURE	31 MAR 2019 $000	31 MAR 2018 $000
Debt:		
Current interest-bearing loans and borrowings	1,658	3,025
Non-current interest-bearing loans and borrowings		
Obligations under finance leases	2,782	4,547
Bank loan facility [(1)]	362,700	350,200
Bank guarantees	1,454	1,454
Cash	(7,565)	(11,218)
Net debt	**361,029**	**348,008**
Net equity	**843,660**	**977,520**
Total capital employed	**1,204,689**	**1,325,528**
Gearing (net debt/net debt+equity)	**29.97%**	**26.25%**

[(1)] The gearing ratio is calculated utilising the drawn-down balance of the bank loan facility. This is not offset for $1 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 2019 $000	31 MAR 2018 $000
Net (loss)/profit attributable to ordinary equity holders of the parent (basic)	(148,396)	(102,559)
Interest expense on convertible notes, net of tax	-	388
Net (loss)/profit attributable to ordinary equity holders of the parent (diluted)	(148,396)	(102,171)

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

	31 MAR 2019 SHARES	31 MAR 2018 SHARES
Weighted average number of ordinary shares (basic)	596,690,028	589,060,929
Adjustments for calculation of diluted earnings per share:		
Weighted average options and rights	-	-
Weighted average number of ordinary shares (diluted) as at 31 March	596,690,028	589,060,929

C6 Dividends

No final or interim dividends were declared and paid during the twelve months to 31 March 2019 (twelve months to 31 March 2018: nil). There are no franking credits available for the subsequent financial year (31 March 2018: nil).

D FINANCIAL RISK MANAGEMENT

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

As at 31 March 2019 and 31 March 2018, 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 are observable either directly (as prices) or indirectly (derived from prices). The carrying amount of all other financial assets and liabilities approximates the fair value.

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.

In 2018 the Company entered into interest rate swaps totalling $235 million. These swaps expire on 8 September 2022 in line with the expiry date of the bank facility. The swaps have been designated as effective interest rate swaps and therefore satisfy the accounting standard requirements for hedge accounting. The net fair value loss on interest rate swaps during the twelve months to 31 March 2019 was $6.9million (31 March 2018: $0.4 million). The Company fair values these contracts by comparing the contracted rate to the future market rates for contracts with the same length of maturity. At 31 March 2019, after taking into account the effect of interest rate swaps, approximately 65% (31 March 2018: 67%) 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 2019 $000	31 MAR 2018 $000
Financial assets:		
Cash assets	7,565	11,218
Financial liabilities:		
Bank loan	(127,700)	(115,200)
Interest rate swaps	(6,884)	(355)
Net exposure	**(127,019)**	**(104,337)**

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 2019		
+1 (100 basis points)	(1,277)	8,225
-1 (100 basis points)	1,277	(8,225)
31 MAR 2018		
+1 (100 basis points)	(1,152)	9,400
-1 (100 basis points)	1,152	(9,400)

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

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 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, through forward currency contracts or 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 $1,435,000 movement in other comprehensive income and a $77,000 movement in profit and loss in the twelve months to 31 March 2019 (31 March 2018: $102,000 movement in other comprehensive income and a $18,000 movement in profit and loss).

Our Treasury Policy is to hedge between 50% and 90% of forecast US dollar cash flows for sales up to one quarter in advance, and between 25% and 75% of forecast sales for the period three months to 12 months in advance. For the year ended 31 March 2019, approximately 60% and 50% of highly probable forecast sales were hedged for the periods 0-3 months in advance and 3-12 months in advance, respectively.

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

	31 MAR 2019 USD $000	31 MAR 2018 USD $000
Financial assets		
Trade receivables	531	5,944
Financial liabilities		
Derivatives	(1,435)	(102)
Net exposure	**(904)**	**5,842**

At 31 March 2019, 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 2019		
AUD/USD +10%	243	4,286
AUD/USD -10%	(298)	(5,239)
31 MAR 2018		
AUD/USD +10%	237	1,097
AUD/USD -10%	(290)	(1,341)

D3 Commodity Price Risk

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

Our exposure to derivative commodity price risk is minimal. We do not currently apply hedge accounting to our beef commodity price exposures as the derivatives do not meet the accounting standard requirements for hedge accounting. However, we have a policy whereby we will forward sell a significant proportion of our feedlot cattle sales for a period of up to 6 months. These contracts are entered into and continue to be held for the purpose of delivery of feedlot cattle arising from our expected sale requirements; they are classified as non-derivative and are not required to be fair valued.

We enter into forward purchase contracts for grain commodities. This practice mitigates the price risk for the Company. As at 31 March 2019, we had forward purchased approximately 51% (31 March 2018: 58%) of our expected grain usage for the coming 12 months. These contracts are entered into and continue to be held for the purpose of grain purchase requirements; they are classified as non-derivative and are not required to be fair valued. At the reporting date we had no commodity price exposures on forward sales and purchase contracts that are not designated as cash flow hedges.

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 with a limited number of quality customers. The risk is also mitigated by paying an annual insurance premium in relation to certain sales overseas. In addition, receivable balances are monitored on an ongoing basis with the result that our experience of bad debts has not been significant. We have no significant concentrations of credit risk. Credit risk 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 finance leases.

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

The Company is exposed to counterparty credit risk from its operating activities (primarily from trade receivables) and from its financing activities. As at 31 March 2019, the mark-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

The following liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as of 31 March 2019. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which we can be required to pay. When we are committed to make amounts available in instalments, each instalment is allocated to the earliest period in which we are required to pay.

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

D5 Liquidity Risk (continued)

	LESS THAN 6 MONTHS $000	6-12 MONTHS $000	1-2 YEARS $000	2-5 YEARS $000	TOTAL $000	CARRYING AMOUNT $000
31 MAR 2019						
Financial assets						
Cash	7,565	-	-	-	7,565	7,565
Trade and other receivables	18,661	-	-	-	18,661	18,661
Derivatives	-	-	-	-	-	-
Financial liabilities						
Trade and other payables	(31,569)	-	-	-	(31,569)	(31,569)
Borrowings	(7,641)	(7,397)	(129,681)	(269,252)	(413,971)	(366,072)
Derivatives	(607)	(607)	(1,214)	(1,821)	(4,249)	(8,319)
Net maturity	(13,591)	(8,004)	(130,895)	(271,073)	(423,563)	(379,734)
31 MAR 2018						
Financial assets						
Cash	11,218	-	-	-	11,218	11,218
Trade and other receivables	20,515	-	-	-	20,515	20,515
Derivatives	-	-	-	-	-	-
Financial liabilities						
Trade and other payables	(27,525)	-	-	-	(27,525)	(27,525)
Borrowings	(7,811)	(7,880)	(174,543)	(224,691)	(414,925)	(356,388)
Derivatives	(628)	(526)	(1,053)	(2,632)	(4,839)	(457)
Net maturity	(4,231)	(8,406)	(175,596)	(227,323)	(415,556)	(352,637)

E UNRECOGNISED ITEMS

E1 Commitments

ASSETS AND CAPITAL STRUCTURE	31 MAR 2019 $000	31 MAR 2018 $000
Future minimum lease payments under non-cancellable operating leases for land and buildings are as follows:		
Not later than one year	1,559	1,994
Later than one year but not later than five years	2,800	3,075
Later than five years	-	18
Total leased land and buildings	4,359	5,087
Future minimum lease payments for motor vehicles under finance leases and hire purchase are as follows:		
Within one year	536	1,141
After one year but not more than five years	1,581	1,934
Total minimum lease payments	2,117	3,075
Future minimum payments under equipment finance together with the present value of the net minimum lease payments are as follows:		
Within one year	1,122	1,884
Later than one year but not later than five years	1,201	2,613
Total equipment finance	2,323	4,497

Other commitments

We have entered into forward purchase contracts for $19.3 million worth of grain commodities as at 31 March 2019 (31 March 2018: $14.6 million) and forward purchase contracts for $15.8 million worth of cattle as at 31 March 2019 (31 March 2018: $21.5 million). The contracts are expected to be settled within 12 months from balance date.

No capital expenditure has been contracted in respect of property, plant and equipment as at 31 March 2019 (31 March 2018: $0.5 million).

E2 Contingencies

At 31 March 2019 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.

F OTHER

F1 Property, Plant and Equipment at Cost

31 MAR 2019	INDUSTRIAL PROPERTY AND IMPROVEMENT $000	PLANT AND EQUIPMENT $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
Opening balance	31,443	22,602	1,525	55,570
Additions and transfers	243	8,066	(304)	8,005
Disposals	-	(325)	-	(325)
Depreciation	(408)	(5,963)	-	(6,371)
Impairment	-	-	-	-
Closing balance	**31,278**	**24,380**	**1,221**	**56,879**
Cost	77,893	151,443	1,221	230,557
Accumulated depreciation and impairment	(46,615)	(127,063)	-	(173,678)

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

Impairment of property, plant and equipment at cost

Livingstone Beef is considered to be a single Cash-generating Unit (CGU). During FY18, the CGU experienced adverse market conditions due to high cattle procurement costs and a lower than average meat sales demand. As indicators of impairment existed, the Company tested the CGU for impairment. The recoverable amount of the CGU was calculated to be $40.2 million, which was lower than the carrying value by $69.5 million. The carrying value prior to this assessment was $109.7 million, representing $104.8 million of property, plant and equipment and $4.9 million of working capital. The Company therefore recognised an impairment loss of $69.5 million with respect to buildings, improvements, plant and equipment, and decreased the carrying values of these assets in the CGU by this amount. There was an additional $5.4 million impairment provision recorded for an onerous contract in relation to Livingstone Beef.

During H1FY19 operations were suspended at Livingstone Beef. At 30 September 2018, management recalculated the recoverable amount of the CGU based on the updated conditions, using Level 3 fair value inputs per AASB 13 *Fair Value Measurement*. The calculated recoverable amount was materially consistent with the current carrying value of the CGU and as such no adjustment was made to the carrying value of Livingstone Beef at 30 September 2018. At 31 March 2019, consideration was given to internal and external factors impacting the CGU, noting no indications of a material change to the carrying value of Livingstone Beef at year-end.

Regular upkeep and maintenance of the facility and its supporting assets continues, whilst the Board and management continue to review various strategic options for Livingstone Beef.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS TO 31 MARCH 2019

F2 Tax

THE MAJOR COMPONENTS OF TAX ARE:	31 MAR 2019 $000	31 MAR 2018 $000
Income statement		
Current income tax		
Current income tax charge/(benefit)	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	(61,419)	(43,166)
Under/(over) provision in prior years	(41)	340
Research and development claims from prior years	-	-
Income tax benefit in the income statement	(61,460)	(42,826)
Statement of changes in equity		
Deferred income tax		
Net gain on cash flow hedges	1,928	1,508
Net gain on revaluation of land and buildings	9,404	7,894
Income tax expense reported in equity	11,332	9,402
Tax reconciliation		
Accounting loss before tax	(209,856)	(145,385)
At the statutory income tax rate of 30%	(62,957)	(43,616)
Research and development offsets	-	-
Other items (net)	1,497	790
Income tax (benefit)/expense in the income statement	(61,460)	(42,826)
Deferred income tax in the balance sheet relates to:		
Deferred tax liabilities		
Adjustments to land, buildings and improvements	(71,137)	(61,052)
Revaluations of trading stock for tax purposes	-	(30,307)
Other	(6,948)	(3,044)
Offsetting deferred tax asset	47,353	9,656
	(30,732)	**(84,747)**
Deferred tax assets		
Accruals and other	285	523
Capitalised expenses accelerated for book purposes	66	382
Interest rate swaps	2,065	137
Revaluations of trading stock for tax purposes	8,274	-
Cash flow hedges	276	-
Leave entitlements and other provisions	2,027	2,190
Franking deficit tax	1,012	1,012
Research and development offsets	4,716	4,716
Carried forward losses	27,520	-
Deferred income	1,019	629
Individually insignificant balances	93	67
Total deferred tax asset (offset against deferred tax liability)	47,353	9,656
Deferred income tax in the income statement relates to:		
Revaluations of trading stock for tax purposes	(68,458)	(23,357)
Accruals and other	238	(1,075)
Capitalised expenses accelerated for book purposes	316	769
Impairment of property, plant and equipment	-	(20,935)
Other	6,485	1,432
Total deferred tax (benefit)/expense	(61,419)	(43,166)

F3 Other Earnings Disclosures

	31 MAR 2019 $000	31 MAR 2018 $000
Other income	1,749	2,822
Cropping income	139	-
Total other income	1,888	2,822
Interest expense	15,456	16,366
Other finance costs	317	1,052
Total finance costs	15,773	17,418
Remuneration and on-costs	42,616	46,315
Superannuation and post-employment benefits	3,398	3,831
Other employment benefits	5,426	3,398
Share-based payments expense	347	536
Total employee expenses	51,787	54,080
Other earnings information:		
Minimum lease payments – operating leases	5,752	4,725
Commodity and foreign currency expense/(benefit)	960	241

F4 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 2017	309,894	84,762	(3,704)	-	5,654	396,606
Revaluation of land and buildings	26,315	-	-	-	-	26,315
Tax effect on revaluation of land and buildings	(7,894)	-	-	-	-	(7,894)
Net movement in cash flow hedges, net of tax	-	-	2,155	-	-	2,155
Share based payment	-	-	-	-	536	536
At 31 March 2018	328,315	84,762	(1,549)	-	6,190	417,718
At 1 April 2018	328,315	84,762	(1,549)	-	6,190	417,718
Revaluation of land and buildings	31,346	-	-	-	-	31,346
Tax effect on revaluation of land and buildings	(9,404)	-	-	-	-	(9,404)
Net movement in cash flow hedges, net of tax	-	-	(4,628)	-	-	(4,628)
Revaluation of foreign currency operations	-	-	-	(10)	-	(10)
Share based payment	-	-	-	-	347	347
At 31 March 2019	350,257	84,762	(6,177)	(10)	6,537	435,369

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

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

The cash flow hedge reserve is used to record the portion of movements in fair value of a hedging instrument in a cash flow hedge that is recognised in other comprehensive income.

The foreign currency translation reserve is used to accumulate the net impact of translating our US denominated foreign currency balances and transactions into our functional currency, Australian dollars.

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

F5 Investments

	31 MAR 2019 $000	31 MAR 2018 $000
Equity accounted investments in associate – Pyxle (Private) Limited	2,072	1,230
Other equity accounted investments in individually not material associates	1,175	1,539
Other investments	366	128
	3,613	2,897

The Company has a 31.82% interest in Pyxle (Private) Limited (2018: 31.82%). This entity is considered to be an associate due to the Company having significant but not controlling influence over the entity. Pyxle (Private) Limited is an IT support services company, which during the year provided special project and operational IT support services to AACo.

The Company has interests in a number of other individually not material associates. All associates are accounted for using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures*.

During the year, one entity ceased to be an associate and at 31 March 2019 been recorded as a non-associated investment, held at fair value in accordance with AASB 9 *Financial Instruments*.

F6 Related Parties

COMPENSATION FOR KEY MANAGEMENT PERSONNEL	31 MAR 2019 $000	31 MAR 2018 $000
Short-term employee benefits	4,070	3,007
Post-employment benefits	201	209
Share-based payment	340	290
Termination benefits	-	271
Long-term benefits	-	16
Total compensation	4,611	3,793

Transactions with other related parties

During the year, the Company transacted with associates and other related parties. Associates are entities considered to be related parties, due to the Company having significant but not controlling influence over the entity.

Transactions with associates for the year ended 31 March	31 MAR 2019 $000	31 MAR 2018 $000
Purchase of goods or services from associates – Pyxle (Private) Limited	(4,818)	(2,279)
Other transactions with individually not material associates	(1,436)	199
	(6,254)	(2,080)

Transactions with individually not material associates for the year ended 31 March	31 MAR 2019 $000	31 MAR 2018 $000
Sales of goods or services to associates	470	1,317
Purchase of goods or services from other associates	(862)	(582)
Interest paid on convertible notes	-	(536)
Dividends received from associates	135	-
Other transactions with associates	(1,179)	-
	(1,436)	199

Transactions with other related parties	31 MAR 2019 $000	31 MAR 2018 $000
Purchase of goods or services from other individually not material related parties	(804)	(213)

F7 Share-based Payments

The share-based payment plans are described below. During 2019, expenses arising from equity settled share-based payment transactions were $347,000 (31 March 2018: $536,000).

Executive Option Plan (EOP)

The Company has one Executive Option Plan (EOP) for the granting of non-transferable options to the Managing Director/ Chief Executive Officer, senior executives and middle management with more than twelve months' service at the grant date. There will be no further grants under this Plan, including none for 2018 and 2019.

Performance rights plan (PRP)

The Company's Performance Rights Plan has been in place since 2011 and has taken the place of the option plan for future incentive awards comprising performance rights. There will be no further grants of options under the option plan in the future. The performance rights will remain until such time as they are either exercised or the rights lapse. The performance rights have a nil exercise price. Vesting of the performance rights is dependent on the satisfaction of a service vesting condition and/or a performance condition. Any performance rights which fail to meet the service condition on the vesting date will lapse immediately. Performance rights issued are subject to: external performance conditions (TSR outperformance of S&P/ASX Small Ordinaries Accumulated Index; ASX Code: AXSOA); internal performance conditions (EPS performance based on compound % growth rates over 3 financial years following issue of the performance rights); and termination/change of control provisions. Once the performance rights have vested, they are automatically exercised and shares in AACo issued to either the AACo Employee Share Scheme Trust (EST) or acquired on-market by the EST Trustee on behalf of the participant.

Long-term incentives

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

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

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

F7 Share-based Payments (continued)

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

FEATURE	DESCRIPTION
Timing of grant	Grants of performance rights in a grant round will not be made unless and until the specific 'commencing' market capitalisation of the Company for that grant round is achieved. The commencing market capitalisation of the Company for the first grant round was the market capitalisation of the Company on the LTI Plan Implementation Date.
Performance condition	The performance condition which applies to the vesting of performance rights in a grant round is the achievement of the specific 'target' market capitalisation of the Company during the performance period for that grant round. The performance condition for the first grant round was satisfied on 5 June 2017.
Performance period	The performance period for each grant round is calculated by reference to the target market capitalisation of the Company for that grant round and an assumed annualised growth rate of 20%.
Determination of market capitalisation of the Company for the purposes of the LTI Plan	For the purposes of calculating the market capitalisation of the Company in order to determine if the commencing market capitalisation of the Company or the target market capitalisation of the Company for each grant round has been achieved, the twenty day volume weighted average price (VWAP) of ordinary shares in the capital of the Company will be used.
Vesting period	In respect of each grant round, there is a four-year staggered vesting period for performance rights in that grant round which commences on satisfaction of the performance condition for that grant round.
Number of available performance rights	In each grant round, eligible persons may be offered a percentage of the "Total Available Performance Rights" for that grant round (rounded down to the nearest whole number). In respect of each grant round, the number of "Baseline Shares" will be the number of ordinary shares in the Company acquired on market by the AACo Employee Share Trust in respect of that grant round having an aggregate share acquisition price of $5 million. In respect of each grant round, the number of "Total Available Performance Rights" will be (a) the number of Baseline Shares for that grant round; plus (b) the number of any Total Available Performance Rights for previous grant rounds which, at the time of completion of acquisition of all of the Baseline Shares for that grant round and all previous grant rounds, are not notionally allocated to a previous grant round
Lapsing conditions	Holders of performance rights will be entitled to exercise those performance rights if they have vested and have not otherwise lapsed. The circumstances in which performance rights may lapse include non-satisfaction of performance conditions or ceasing employment with the Company group. If the holder of performance rights ceases to be an employee as a result of an "Uncontrollable Event" (e.g. death, permanent disablement, retirement, retrenchment, or such other circumstances which the Board determines is an Uncontrollable Event), any unvested performance rights held by that person are expected to continue to be subject to the requirements for vesting and exercise applying to those performance rights, unless the Board determines that the vesting conditions applying to some or all of those performance rights will be waived or that some or all of those performance rights will lapse.
Change of control event	If a change of control event for the Company occurs, the treatment of any unvested performance rights will be within the discretion of the Board to determine
On market acquisition of shares	The requirement to deliver shares in the Company upon the vesting and exercise of performance rights under the LTI Plan must be satisfied by way of on market acquisition of shares in the Company.

F7 Share-based Payments (continued)

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

	COMMENCING MARKET CAPITALISATION OF THE COMPANY	PERFORMANCE CONDITION (TARGETED MARKET CAPITALISATION OF THE COMPANY)	PERFORMANCE PERIOD (CALCULATED USING AN ASSUMED ANNUALISED GROWTH RATE OF 20%)
FIRST GRANT ROUND	The market capitalisation of the Company on the LTI Plan Implementation Date	$1 billion	Within 2 quarters of the LTI Plan Implementation Date (i.e. performance period ends 30 September 2017)
SECOND GRANT ROUND	$1 billion	$1.5 billion	Within 9 quarters of the LTI Plan Implementation Date (i.e. performance period ends 30 June 2019)
THIRD GRANT ROUND	$1.5 billion	$2 billion	Within 16 quarters of the LTI Plan Implementation Date (i.e. performance period ends 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 total number of shares purchased for the LTI Plan grant rounds one and two was 6,764,848 at an average price per share of $1.478.

The performance condition for the first grant round of targeted market capitalisation of $1 billion was achieved on 5 June 2017. The rights associated to the first grant round have been granted to the relevant senior executives at a fair value per right of $1.07. The second grant round was granted to relevant senior executives on 11 January 2019 and are subject to a performance condition of target market capitalisation of $1.5 billion by 30 June 2019. The fair value per right of $0.055 was based on the Company's share price on grant date and the expectation the market condition would be reached.

Equity settled awards outstanding:

The table below shows the number (No.) and weighted average exercise prices (WAEP) of options and performance rights outstanding. There have been no cancellations or modifications to any of the plans during the twelve months to 31 March 2019.

31 MAR 2019	EOP NO.	EOP WAEP $	PRP NO.
Outstanding at the beginning of the period	300,000	3.22	1,198,727
Granted during the period	-	-	4,913,876
Granted during the period LTIP adjust prior year	-	-	(126,345)
Forfeited during the period	(300,000)	3.22	(103,522)
Exercised during the period	-	-	-
Outstanding at the end of the period	-	3.22	5,882,736
Exercisable at the end of the period	-		-
Weighted average remaining contractual life (days)	-		1,147
Weighted average fair value at grant date	-		1.095
Range of exercise prices ($)	3.22		-

31 MAR 2018	EOP NO.	EOP WAEP $	PRP NO.
Outstanding at the beginning of the period	590,625	2.64	87,037
Granted during the period	-	-	102,271
Granted during the period LTIP estimate(1)	-	-	2,023,248
Forfeited during the period	(290,625)	2.04	(926,792)
Exercised during the period	-	-	(87,037)
Outstanding at the end of the period	300,000	3.22	1,198,727
Exercisable at the end of the period	300,000		-
Weighted average remaining contractual life (days)	282		848
Weighted average fair value at grant date	-		1.2
Range of exercise prices ($)	3.22		-

(1) Expected number of rights to be granted under the LTIP, calculated based on our best estimates.

F8 Controlled Entities

The consolidated financial statements include the following controlled entities:

NAME OF ENTITY	NOTES	COUNTRY OF INCORPORATION	31 MAR 2019 % OF SHARES HELD	31 MAR 2018 % OF SHARES HELD
Parent Entity				
Australian Agricultural Company Limited	(a)			
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 Innovation (US) LLC		United States of America	100	100
AACo Operations (US) LLC		United States of America	100	-

(a)These companies have entered into a deed of cross guarantee dated 22 November 2006 (amended 1 April 2015) with Australian Agricultural Company Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of a Class Order issued by the Australian Securities and Investments Commission, these companies are relieved from the requirement to prepare financial statements. The Consolidated Income Statement and consolidated Statement of Financial Position of all entities included in the class order "closed Group" are set out in (b).

(b)Financial information for class order Closed Group:

	31 MAR 2019 $000	31 MAR 2018 $000
Current Assets		
Cash	7,565	11,218
Trade and other receivables	18,661	20,515
Inventories and consumables	33,684	35,068
Livestock	171,006	259,104
Other assets	1,099	696
Total Current Assets	232,015	326,601
Non-Current Assets		
Livestock	252,331	369,182
Property, plant and equipment	795,341	753,777
Intangible assets	2,534	2,840
Investments	3,613	2,897
Intercompany receivable	3,342	3,342
Other receivables	742	-
Total Non-Current Assets	1,057,903	1,132,038
Total Assets	**1,289,918**	**1,458,639**

F8 Controlled Entities (continued)

	31 MAR 2019 $000	31 MAR 2018 $000
Current Liabilities		
Trade and other payables	29,818	27,525
Provisions	3,397	3,445
Borrowings	1,658	3,025
Derivatives	8,319	457
Total Current Liabilities	43,192	34,452
Non-Current Liabilities		
Provisions	4,578	5,215
Borrowings	364,414	353,363
Deferred tax liabilities	30,732	84,747
Total Non-Current Liabilities	399,724	443,325
Total Liabilities	**442,916**	**477,777**
Net Assets	**847,002**	**980,862**
Equity:		
Contributed equity	528,822	531,937
Reserves	435,369	417,718
Retained earnings/(losses)	(117,189)	31,207
Total Equity	**847,002**	**980,862**

INCOME STATEMENT OF THE CLOSED GROUP	31 MAR 2019 $000	31 MAR 2018 $000 Restated*
Meat sales	246,244	332,658
Cattle sales	117,837	47,021
	364,081	379,679
Cattle fair value adjustments	58,389	162,971
	422,470	542,650
Cost of meat sold	(226,549)	(304,054)
Deemed cost of cattle sold	(108,858)	(45,589)
Cattle and feedlot expenses	(142,082)	(102,788)
Gross operating margin	**(55,019)**	**90,219**
Other income	1,888	2,822
Employee expenses	(51,787)	(54,080)
Administration and selling costs	(41,200)	(41,413)
Other operating costs	(29,631)	(27,059)
Property costs	(6,960)	(5,814)
Gain/(loss) on equity investments	620	(303)
Depreciation and amortisation	(11,994)	(17,394)
Impairment	-	(69,502)
Onerous contract (impairment related to Livingstone)	-	(5,443)
Loss before finance costs and income tax expense	**(194,083)**	**(127,967)**
Net finance costs	(15,773)	(17,418)
Loss before income tax	**(209,856)**	**(145,385)**
Income tax benefit	61,460	42,826
Net loss after tax	**(148,396)**	**(102,559)**

F9 Parent Entity

	31 MAR 2019 $000	31 MAR 2018 $000 Restated*
Current assets	8,566	1,543
Non-Current assets	738,927	779,988
Total Assets	747,493	781,531
Current liabilities	10,198	915
Non-Current liabilities	361,632	348,817
Total Liabilities	371,830	349,732
Net Assets	**375,663**	**431,799**
Contributed equity	538,822	538,822
Reserves	23,066	29,324
Accumulated losses	(186,225)	(136,347)
Total Equity	**375,663**	**431,799**
Profit/(Loss) of the parent entity	**(49,878)**	**(60,467)**
Total comprehensive profit/(loss) of the parent entity	**(52,877)**	**(57,403)**

* Refer to note G3 (c) regarding restated comparative figures.

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. The nature of the deed of cross guarantee is such that each Company which is party to the deed guarantees, to each creditor, payment in full of any debt in accordance with the deed of cross guarantee. No deficiency of net assets existed for the Company as at 31 March 2019. No liability was recognised by Australian Agricultural Company Limited in relation to these guarantees, as the fair value of the guarantees is immaterial.

The accounting policies of the parent entity, which have been applied in determining the financial information shown above, are the same as those applied in the consolidated financial statements except for investments in subsidiaries are accounted for at cost in the financial statements of Australian Agricultural Company Limited.

F10 Auditor's Remuneration

	31 MAR 2019 $	31 MAR 2018 $
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	410,000	415,300
Other non-audit services	23,150	15,840
Total	**433,150**	**431,140**

F11 Significant Events After Balance Date

There have been no significant events after the balance 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 2019 were authorised for issue in accordance with a resolution of the Directors on 22 May 2019.

We recommend the financial statements be considered together with any public announcements made by the Company during the year ended 31 March 2019 in accordance with the Company's continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

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

G2 Basis of Preparation

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

(a) Terminology used in the financial statements

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

(b) Historical cost convention

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

(c) Compliance with IFRS

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

(d) Critical accounting estimates

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

(e) Rounding amounts in the financial statements have been rounded to the nearest thousand dollars for presentation where noted ($000)

This has been completed under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

G3 Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) New accounting standards and interpretations

(i) New and amended standards adopted

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting the following standards:

> AASB 9 *Financial Instruments*

> AASB 15 *Revenue from Contracts with Customers*

The impact of adoption of AASB 9 *Financial Instruments* has not had a material impact on the recognition of financial assets or liabilities and therefore no transitional adjustment has been recognised in retained earnings upon adoption. In accordance with the transitional requirements, the Company has elected not to restate comparatives.

The Company has adopted AASB 15 *Revenue from Contracts with Customers* from 1 April 2018 which resulted in a changes in accounting policies. This change in policy is relatively consistent with previous policy and has therefore not had a material impact. The Company has applied the modified retrospective application approach in which only the initial period of application applies AASB. No adjustments were made as a result of adopting AASB 15.

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

> AASB 16 *Leases*

The Company is required to adopt AASB 16 *Leases* from 1 April 2019. The Company has assessed the estimated impact that initial application of AASB 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 April 2019 may change because the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including AASB 117 *Leases*, AASB *Interpretation 4 Determining whether an Arrangement contains a Lease*, AASB Interpretation-115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of land, buildings and equipment. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Company's finance leases.

Based on the information currently available, the Company estimates that it will recognise additional right of use assets and corresponding lease liabilities of $12.0m as at 1 April 2019. It is also estimated the application of this standard will improve Operating Profit and Statutory EBITDA by $3.8m and also improve Operating Cash Flows by $3.5m, due to the change in classification of where the expenses and cash flows are recorded under AASB 16.

G3 Accounting Policies (continued)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Australian Agricultural Company Limited, and its subsidiaries (as outlined in note 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) Restatements of prior period disclosures

The consolidated financial statements include restatements to previously disclosed amounts, where indicated, which represent reclassifications to more accurately align reported amounts with business activities. Previously disclosed amounts for administration and selling costs have been restated to account for meat sales freight previously included in cost of meat sold. Additionally, to provide greater transparency on operating performance, Operating Profit replaces the previously reported Operating EBITDA metric. Operating Profit values inventory movement at a cost of production rather than at various standard costs. The parent entity note disclosures have also been restated, to account for balances more appropriately as they relate to the parent. Additionally, the Cost of production has changed to remove the offsetting impact of attrition from the number of kilograms produced

(d) 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 pastoral property and improvements, refer to note A4
- Fair value determination of livestock, refer to note A3
- Impairment of non-financial and financial assets, refer to note F1

Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(e) Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of Australian Agricultural Company Limited and all its subsidiaries.

(ii) Transactions and balances

Transactions in foreign currencies are converted into Australian dollars by applying the exchange rates applicable at the date of the transactions. Amounts payable and receivable in foreign currencies are converted into Australian dollars at the exchange rate ruling at the reporting date.

All differences arising on settlement or translation of amounts payable and receivable in foreign currencies are taken to the statement of profit and loss.

G3 Accounting Policies (continued)

(f) 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.

(g) Trade and other receivables

Trade and other receivables are considered financial assets. They are recognised initially at the fair value of the amounts to be received and are subsequently measured at amortised cost using the effective interest method, less an allowance for doubtful debts. These financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and we have transferred substantially all the risks and rewards of ownership.

We review the collectability of trade receivables on an ongoing basis at the Company level. Individual debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is recognised to reduce the carrying amount of trade receivables when there is objective evidence that we will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts significantly overdue are considered indicators that the trade receivable may not be recoverable. The amount of the allowance for doubtful debts is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The allowance for doubtful debts is recognised in the income statement within administration costs. When a trade receivable for which an allowance for doubtful debts had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administration costs.

(h) 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.

(i) 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:

G3 Accounting Policies (continued)

(i) Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

Policy that was in effect until 31 March 2018

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement in other operating expenses.

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

We use forward currency contracts as hedges of our exposure to foreign currency risk in forecasted transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income. Refer to note C2 for more details.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Policy that was in effect from 1 April 2018

Beginning 1 April 2018, the Company adopted AASB 9 *Financial Instruments* which addresses classification, measurement, and derecognition of financial assets and financial liabilities, sets out new rules for hedge accounting, and introduces a new expected-loss impairment model.

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.

(j) 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.

G3 Accounting Policies (continued)

(k) Plant and equipment (continued)

(ii) Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

PROPERTY, PLANT AND EQUIPMENT	AVERAGE USEFUL LIFE
Land (freehold lease, pastoral/perpetual lease, industrial)	Not depreciated
Buildings	40 years
Fixed improvements	30 years
Owned plant and equipment	3-10 years
Plant and equipment under lease	2-5 years

(k) Leases & Agistment

(i) AACo as a lessee

We determine whether an arrangement is or contains a lease based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(ii) Pastoral and perpetual property leases

Pastoral and perpetual property leases have been included in Property, Plant and Equipment (Refer note A4).

(iii) Agistment agreements

Agistment agreements give us the right to use land under a licence agreement to feed and pasture livestock for a fee. Agistment agreements are usually up to 12 months' duration and may be renewed for further periods. Agistment rights are classified as operating leases and the costs are expensed as incurred.

(iv) Other leases

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

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

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

(l) Trade and other payables

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

(m) Borrowings

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

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

All borrowings are initially recognised at fair value plus any transaction costs that are directly attributable to the issue of the instruments and are subsequently measured at amortised cost. Any difference between the final amount paid to discharge the borrowing and the initial borrowing proceeds (including transaction costs) is recognised in the income statement over the borrowing period using the effective interest method.

G3 Accounting Policies (continued)

(m) Borrowings (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that we incur in connection with the borrowing of funds.

(n) 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).

(o) 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.

(p) 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

Policy that was in effect until 31 March 2018

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

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

Policy that was in effect from 1 April 2018

The Company has adopted AASB 15 *Revenue from Contracts with Customers* from 1 April 2018 which resulted in a changes in accounting policies.

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.

G3 Accounting Policies (continued)

(q) Income tax and other taxes

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(r) 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

> 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 2019 are in accordance with the *Corporations Act 2001*, including:

      i. Giving a true and fair view of its financial position as at 31 March 2019 and of its performance for the year ended on that date.

      ii. Complying with Accounting Standards and Corporations Regulations 2001.

   b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note G2.

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

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year to 31 March 2019.

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

Chairman

Brisbane

22 May 2019

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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 2019 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 2019;
- Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- Notes, including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis for opinion

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

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

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

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

- quantity and valuation of livestock;
- valuation of pastoral property and improvements; and
- carrying value of the Livingstone Beef cash generating unit.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Quantity and valuation of livestock ($423.3m)

Refer to notes *A1 Significant Matters, Gulf Flooding Event* and *A3 Livestock* in the Financial Report.

The key audit matter	How the matter was addressed in our audit
The quantity and valuation of livestock is considered a key audit matter due to: • the size of the balance (being 32.9% of total assets); • the significant audit effort as a result of the risk of error associated with quantifying livestock at year end. In quantifying livestock the Group uses estimates of birth rates, animal growth rates and rates of attrition; and • the level of judgement required by us in evaluating the market prices for livestock used by the Group where there is no readily observable market price, for which the Group has appointed an external valuer to value this livestock. 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 addition, in February 2019 a number of the Group's cattle properties in the Gulf region of Northern Queensland were subject to significant flooding which resulted in the loss of cattle. The Group has exercised significant judgement in estimating the number of cattle lost, further increasing the risk of error associated with quantifying livestock at year end. 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: • visiting six of the Group's cattle properties to test key controls in the livestock accounting process; • testing the Group's reconciliation of the number of livestock at the beginning of the year to the number recorded at the end of the year, including checking a sample of cattle purchases and sales transactions, and natural increase in the herd to various sources of evidence, for example, purchase invoices and sales documentation; • critically evaluating the Group's estimate of the number of livestock lost as a result of flooding by: – visiting the most significantly affected property to understand the impact of the flood; – comparing the estimated number of livestock lost in the accounting records to the Group's livestock paddock records; and – considering paddock maps, satellite imagery of the flood, our on-site observations and own understanding of the floods informed by information such as media reports; • comparing estimates of birth rates, animal growth rates and remaining rate of attrition to historical data and our industry understanding; • comparing a sample of livestock market prices adopted by the Group to a range of recent observable market prices, such as from the Meat and Livestock Australia Market Information reports;

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	• evaluating the competence, experience and objectivity of the external valuer used by the Group; and • 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.

Valuation of pastoral property and improvements ($738.5m)

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 57.4% 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 Group's assessment of fair value of pastoral property and improvements involves significant judgements, including determination of: • the valuation methodology applied to each property; • the Adult Equivalent carrying capacity of each property; and • the corresponding dollar per Adult Equivalent, Standard Cattle Unit or hectare. The Group has appointed external valuers and other external experts to assist in the 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 complex inputs involved, we involved senior audit team members, including valuation specialists, who understand the nature of the Group's properties and recent comparable market transactions.	Our procedures included: • evaluating the competence, experience and objectivity of external valuers and other external experts used by the Group; • working with our valuation specialists, reading the reports of the external valuers and other external experts 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; and • using our valuation specialist to assess the valuation report and compare the valuation methodology for each property to accepted market practices, industry norms, and criteria in the accounting standards.

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Carrying value of the Livingstone Beef cash generating unit ($35.7m)	
Refer to Note *F1 Property, plant and equipment at cost* in the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
Assessment of the carrying value of the Livingstone Beef cash generating unit is considered a key audit matter due to the level of judgement required by us in evaluating the Group's impairment assessment. The Livingstone Beef processing facility's operations ceased at the end of July 2018 and the facility remained in care and maintenance at 31 March 2019. The Group's impairment assessment is performed through their fair value less cost of disposal (FVLCD) model and includes the following significant assumptions: • the estimated costs of restarting operations after a period of suspension; • future cattle purchase prices and meat sales prices, which are difficult to forecast as they are impacted by factors including climatic conditions, increasing the risk of future fluctuations and inaccurate forecasting; • future capital expenditure, expected production levels and operating costs, which are difficult to estimate given the recent operating losses and operational changes made to improve efficiency, increasing the risk of inaccurate forecasting; and • long-term growth rate and discount rate applied, which are complicated in nature and vary according to the conditions and environment the cash generating unit is subject to from time to time. These factors created complexity and resulted in increased audit effort in this key audit area. In assessing this key audit matter, we involved senior audit team members, including valuation specialists, with experience in the industry and the valuation methodology.	Our procedures included: • consideration of the appropriateness of the FVLCD method applied by the Group in performing the impairment assessment against the requirements of the accounting standards; • assessing the integrity of the FVLCD model used, including the accuracy of the underlying formulae; • performing sensitivity analysis on significant assumptions to focus our further testing on the Group's consideration of alternate assumptions or outcomes which could indicate impairment or impairment reversal; • working with our valuation specialists, assessing the discount and long term growth rates by comparing to publicly available market data, such as interest rates and peer group forecasts, and our assessments based on knowledge of the Group and its industry; and • critically evaluating the key cash flow assumptions by: – comparing future cattle purchase prices and meat sales prices to published industry information, including past market prices and trends; – assessing the Group's future operating costs, capital expenditure and production levels against historical results and the Group's Board approved forecasts, considering the impact of operational changes during the year; and – assessing the estimated costs of restarting operations with reference to the cost of historical operations, and using our knowledge of the industry and the nature of costs expected for restarting operations.

INDEPENDENT AUDIT REPORT

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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 Message and CEO's Message 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; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

INDEPENDENT AUDIT REPORT

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Australian Agricultural Company Limited for the year ended 31 March 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 14 to 30 of the Directors' Report for the year ended 31 March 2019.

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

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Simon Crane
Partner

Brisbane
22 May 2019

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in the annual report is as follows. The information is current as at 06 May 2019.

(a) Distribution of equity securities

Ordinary share capital

602,766,747 fully paid ordinary shares are held by 9,468 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	2,138
1,001 to 5,000	3,514
5,001 to 10,000	1,537
10,001 to 100,000	2,091
100,001 and Over	188
Total	9,468

Unquoted equity securities

As at 06 May 2019, there were 5,882,736 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:

	NUMBER	PERCENTAGE
J P MORGAN NOMINEES AUSTRALIA LIMITED	182,927,463	30.35%
CITICORP NOMINEES PTY LIMITED	163,965,655	27.20%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	54,415,164	9.03%
BBRC INTERNATIONAL PTE LTD <THE BB FAM INTERNATIONAL A/C>	13.697,000	2.27%
MEDICH PROPERTIES PTY LIMITES <ROY MEDICH INVESTMENT A/C>	11,253,416	1.87%
FORTE LAND PTY LTD	9,190,311	1.52%
BNP PARIBAS NOMS PTY LTD <DRP>	8,782,461	1.46%
AACO NOMINEES PTY LIMITED <AACO EMP SHARE SCHEME A/C>	6,764,848	1.12%
NATIONAL NOMINEES LIMITED	5,858,850	0.97%
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	3,437,455	0.57%
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	3,175,000	0.53%
NIZIN HOLDINGS PTY LTD <CHARLES CROPPER A/C>	2,800,000	0.46%
BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	2,087,945	0.35%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,883,203	0.31%
TASMAN SUPER PTY LIMITED <ROBINSON FAMILY S/F A/C>	1,880,000	0.31%
UBS NOMINEES PTY LTD	1,473,422	0.24%
MR JOHN QIANE HE	1,422,113	0.24%
NEASHAM HOLDINGS PTY LTD <THE NEASHAM A/C>	1,220,735	0.20%
MR BARRY MARTIN LAMBERT	1,177,660	0.20%
MR TROY CHRISTOPHER ANGUS	1,100,000	0.18%

(c) Substantial shareholders

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

ORDINARY SHAREHOLDERS	NUMBER
Bryan Glinton as trustee of The AA Trust	270,332,457

(d) Marketable Shares

The number of security investors holding less than a marketable parcel of 439 securities ($1.140 on 06 May 2019) is 768 and they hold 131,402 securities.

COMPANY INFORMATION

Name of Entity

Australian Agricultural Company Limited

ABN

15 010 892 270

Registered Office

Principal Place of Business

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

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

Share Registry

Link Market Services Limited

Level 21, 10 Eagle Street
Brisbane QLD 4000

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

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

Solicitors

Allens Linklaters

Level 26, 480 Queen Street
Brisbane QLD 4000

Auditors

KPMG

Level 16, 71 Eagle Street
Brisbane QLD 4000

Annual General Meeting

The Annual General Meeting of Shareholders of the Australian Agricultural Company Limited will be held on Tuesday 31st July at 10:00am (Brisbane time) at Brisbane Convention and Exhibition Centre, Merivale & Glenelg Street, South Brisbane, Queensland 4101.