



Australian Agricultural Company Limited

ABN 15 010 892 270

FINANCIAL REPORT

**For the half-year ended
30 September 2023**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the year ended 31 March 2023 and any public announcements made by Australian Agricultural Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

Your Directors present their report on the Group consisting of Australian Agricultural Company Limited and the entities it controlled (AACo) for the half-year ended 30 September 2023.

DIRECTORS

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

Donald McGauchie AO (Non-executive Chairman)

David Harris (Managing Director)

Stuart Black AM (Non-executive Director)

Dr Shehan Dissanayake (Non-executive Director)

Anthony Abraham (Non-executive Director)

Neil Reisman (Non-executive Director)

Jessica Rudd (Non-executive Director)

Marc Blazer (Non-executive Director)

Sarah Gentry (Non-executive Director)

OPERATING AND FINANCIAL REVIEW

About AACo

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

Key Financial Indicators Used by Management

The following table summarises financial indicators used by Management to monitor and manage the Company. Operating Profit is a key measure of profitability, which removes unrealised livestock mark-to-market fluctuations from the Statutory Profit result, and measures cost of goods sold using production costs rather than fair value. Management therefore believe external stakeholders benefit from this metric being reported.

The table below includes results which are unaudited, non-IFRS financial information: Operating Profit, Statutory EBIT and Statutory EBITDA.

	6 MONTHS TO 30 SEP 2023	6 MONTHS TO 30 SEP 2022
	\$'000	\$'000
Meat sales	131,824	122,325
Cattle sales	35,259	41,416
Operating Profit	30,124	38,259
Statutory EBITDA	(124,885)	92,258
Statutory EBIT	(136,666)	80,770
Net (loss) / profit after tax	(105,536)	51,567
Net cash inflow from operating activities	2,574	3,410

Discussion on drivers of movements in key financial indicators are included in the following Sales & Marketing, Production and Statutory Financial Results sections.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

Sales and Marketing

Wagyu beef pricing per kilogram has decreased 5% on the prior comparative period. Challenging macroeconomic conditions in established target markets for our branded beef, including inflation and domestic supply dynamics, has put pressure on price. However, the Company has been able to materially retain average price performance through its investment in global distribution partnerships, increased brand awareness, and engagement and relationships with chefs and placement of product in strategic and prestigious locations across the globe.

Volumes sold have increased 15%, with a higher volume available for sale off the back of improved seasonal conditions.

Marketing activity has normalised in the current year, with the Company hosting several exclusive brand events and features at influential showcases. Our digital resources and brand promotion has expanded through our continued partnership with distributors, building on our relationships with customers.

	6 MONTHS TO 30 SEP 2023	6 MONTHS TO 30 SEP 2022
Wagyu beef revenue – \$ mil ⁽¹⁾	129.8	120.2
Wagyu beef kgs sold – mil kg CW ⁽²⁾	6.2	5.4
Wagyu beef sold – \$/kg CW	\$20.96	\$22.06
Cattle revenue – \$ mil	35.3	41.4
Cattle sales – mil kg LW ⁽²⁾	12.1	10.1
Cattle sales - \$/Kg LW	\$2.92	\$4.10

⁽¹⁾ Wagyu beef sales represents total meat sales excluding by-products

⁽²⁾ CW – carton weight containing saleable boxed meat, LW – live animal weight.

Production

Kilograms produced is a measure of the number of cattle live weight kilograms grown throughout the breeding, backgrounding and feedlot operations of the Company during the period, excluding the offsetting impact of attrition kilograms. Kilograms produced has increased by 10% on the prior comparative period, as a result of improved seasonal conditions and herd growth on the prior year.

Cost of production is a measure of the operating costs incurred to produce a kilogram of live weight of cattle throughout the breeding, backgrounding and feedlot operations of the Company during the period. This calculation is the sum of production costs incurred at each of the Company's productive properties, divided by the number of total live weight kilograms produced over the period. The cost of production decreased by 5% on the prior comparative period, with the impact of increased inflationary costs absorbed by improved kilograms through more efficient production.

	6 MONTHS TO 30 SEP 2023	6 MONTHS TO 30 SEP 2022
Kilograms produced – mil kg LW	44.2	40.1
Cost of production – \$/kg LW	\$2.29	\$2.42

Statutory Financial Results

The H1FY24 results include a Statutory EBITDA loss of (\$124.9) million (H1FY23 profit of \$92.3 million), which is a reduction on the prior comparative period driven by a (\$175.5) million unrealised mark-to-market loss on the fair value of the herd, with costs managed in a higher inflationary environment. Cattle fair value adjustments have decreased materially due to market price movements since March 2023, with the cattle market at a four-year low at our half-year end balance date.

An Operating cash inflow of \$2.6 million was achieved in H1FY24 compared with an operating cash inflow of \$3.4 million in H1FY23. The net positive operating cash flow result has been achieved in the current period through higher receipts from branded beef sales due to greater volumes, and fewer cattle purchases, which were required in the prior comparative period due to the impact of the 2019 flood on supply. There has also been disciplined management of costs in a higher inflationary environment.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

Reconciliation of Operating Profit to Statutory Profit

The measure of Operating Profit is a key indicator which is used to monitor and manage the Company and represents an adjusted Statutory EBITDA. Operating Profit is a key measure of profitability for AACo which removes unrealised livestock mark-to-market fluctuations from the Statutory Profit result, and measures cost of goods sold using production costs rather than fair value. Management therefore believe that external stakeholders benefit from this metric being reported, as it is a better reflection of financial performance within the control of Management.

Operating Profit for H1FY24 of \$30.1 million (H1FY23 \$38.3 million), was achieved through resilience in meat sales performance during challenging macroeconomic conditions. This has declined on the prior comparative period due to the significant decline in the cattle sales market prices, as well as higher costs for processing, freight and storage.

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

	6 MONTHS TO 30 SEP 2023	6 MONTHS TO 30 SEP 2022
	\$'000	\$'000
Operating Profit	30,124	38,259
Unrealised mark-to-market of herd	(175,504)	(9,358)
Cost versus Fair Value: Kg sold or produced	17,714	61,252
Other income	2,781	2,105
Statutory EBITDA⁽¹⁾	(124,885)	92,258
Depreciation and amortisation	(11,781)	(11,488)
Statutory EBIT	(136,666)	80,770
Finance costs	(11,872)	(7,407)
Income tax (expense) / benefit	43,002	(21,796)
Net (loss) / profit after tax	(105,536)	51,567

⁽¹⁾ EBITDA is defined by the Company as earnings before interest, tax, depreciation, amortisation, impairment, and changes in the fair value of property.

Capital Structure

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

	30 SEP 2023	31 MAR 2023
	\$'000	\$'000
ASSETS AND CAPITAL STRUCTURE		
Current debt		
Interest-bearing liabilities	5,562	4,529
Lease liabilities	8,655	7,867
Non-current debt		
Interest-bearing liabilities	16,626	13,368
Lease liabilities	33,173	31,393
Bank loan facility ⁽¹⁾	395,665	374,127
Bank guarantees	1,052	1,454
Cash	(6,121)	(4,019)
Net debt	454,612	428,719
Equity employed	1,453,055	1,562,086
Total capital employed	1,907,667	1,990,805
Gearing (net debt / net debt + equity)	23.8%	21.5%
Gearing (net debt / net debt + equity) pre AASB 16 adoption	22.1%	19.6%

⁽¹⁾ The gearing ratio is calculated utilising the drawn-down balance of the bank loan facility. This is not offset by \$1.1 million of prepaid borrowing costs.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

Net Tangible Assets

The Company's Net Tangible Assets per share was \$2.39 as at 30 September 2023, compared to \$2.59 as at 31 March 2023. Net tangible assets of the Company include leasehold land assets.

The decline in Net Tangible Assets is driven by the (\$175.5) million market value decline on cattle values at the half-year end, with cattle prices at four-year lows. This change in market price is driven by market dynamics, and is an unrealised mark-to-market adjustment on our herd. Our herd is primarily held for the production of beef and therefore the majority are not disposed of through the market sales process.

Dividends

There were no dividends declared or paid during the six months to 30 September 2023, and therefore the Company's Dividend Reinvestment Plan (DRP) was inactive throughout the period.

Risk Management

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

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

We continue to monitor, mitigate and manage business risks and their potential impact on the Company's operations, financial performance and business strategies for future financial years. The business risks that have the potential to impact the Company's ability to deliver its strategy and achieve its business objectives, as detailed in the AACo 2023 Annual Report, remain relevant for the interim 2024 period.

For more information, refer to the following documents at www.aaco.com.au:

- > AACo 2023 Annual Report
- > AACo 2023 Sustainability Report
- > AACo 2023 Corporate Governance Statement

Business Strategies, Likely Developments and Expected Results

The Board has reiterated its commitment to increasing shareholder value. To achieve this outcome, the Company continues to focus on the efficiency and effectiveness of the end-to-end supply chain, improvement and development of its extensive Pastoral assets.

The Company's short-term performance may be impacted by market price dynamics in domestic and global markets, with cost management, rationalisation of spend and measures to increase productivity continuing to be a focus. Investment activities such as the Goonoo expansion, North Queensland farming trials and solar bore projects are on-track and provide a solid foundation to realise future benefits.

DIRECTORS' REPORT

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the period ended 30 September 2023.

ROUNDING

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

Signed in accordance with a resolution of the Directors.



Donald McGauchie

Chairman

Brisbane

16 November 2023



David Harris

Managing Director and CEO

Brisbane

16 November 2023

AUDITOR'S INDEPENDENCE DECLARATION

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



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

To the Directors of Australian Agricultural Company Limited

I declare that, to the best of my knowledge and belief, in relation to the half-year review of Australian Agricultural Company Limited for the half-year ended 30 September 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Scott Guse'.

Scott Guse
Partner

Brisbane
16 November 2023

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

For the half-year ended 30 September 2023

	6 MONTHS TO 30 SEP 2023	6 MONTHS TO 30 SEP 2022
	\$'000	\$'000
Meat sales	131,824	122,325
Cattle sales	35,259	41,416
	167,083	163,741
Cattle fair value adjustments	(31,710)	186,379
	135,373	350,120
Cost of meat sold	(104,999)	(92,205)
Cost of cattle sold	(33,090)	(40,294)
Cattle and feedlot expenses	(49,083)	(58,192)
Gross margin	(51,799)	159,429
Other income	3,422	3,135
Employee expenses	(32,944)	(30,298)
Administration and selling costs	(22,589)	(22,387)
Other operating costs	(18,556)	(15,210)
Property costs	(2,419)	(2,411)
Depreciation and amortisation	(11,781)	(11,488)
(Loss) / profit before finance costs and income tax	(136,666)	80,770
Finance costs	(11,872)	(7,407)
(Loss) / profit before income tax	(148,538)	73,363
Income tax benefit / (expense)	43,002	(21,796)
Net (loss) / profit after tax	(105,536)	51,567
(LOSS) / PROFIT PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT		
	CENTS	CENTS
Basic (loss) / earnings per share	(17.63)	8.64
Diluted (loss) / earnings per share	(17.63)	8.63

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

For the half-year ended 30 September 2023

	6 MONTHS TO 30 SEP 2023	6 MONTHS TO 30 SEP 2022
	\$'000	\$'000
Net (loss) / profit for the period	(105,536)	51,567
Other comprehensive (loss) / income		
Items that may be reclassified subsequently to profit or loss:		
Revaluation of foreign currency operations, net of tax	(714)	(1,600)
Changes in fair value of cash flow hedges, net of tax	(3,280)	(3,249)
Other comprehensive loss for the period, net of tax	(3,994)	(4,849)
Total comprehensive (loss) / income for the period, net of tax	(109,530)	46,718

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 30 September 2023

	NOTE	AS AT 30 SEP 2023 \$'000	AS AT 31 MAR 2023 \$'000
Current assets			
Cash and cash equivalents		6,121	4,019
Trade and other receivables		17,867	10,302
Inventories and consumables		46,084	35,919
Livestock		310,879	346,076
Other assets		1,938	6,275
Total current assets		382,889	402,591
Non-current assets			
Livestock		273,101	389,127
Property, plant and equipment	4	1,553,408	1,535,914
Intangible assets		12,891	12,935
Right-of-use assets	5	39,854	37,309
Investments		238	238
Other assets		2,431	1,101
Total non-current assets		1,881,923	1,976,624
Total assets		2,264,812	2,379,215
Current liabilities			
Trade and other payables		36,489	33,247
Provisions		5,396	4,225
Lease liabilities	5	8,655	7,867
Derivatives	6	8,954	4,425
Interest-bearing liabilities	7	5,562	4,529
Total current liabilities		65,056	54,293
Non-current liabilities			
Provisions		1,154	991
Lease liabilities	5	33,173	31,393
Derivatives	6	371	537
Interest-bearing liabilities	7	411,203	386,227
Deferred tax liabilities		300,800	343,688
Total non-current liabilities		746,701	762,836
Total liabilities		811,757	817,129
Net assets		1,453,055	1,562,086
Equity			
Contributed equity		528,822	528,822
Reserves		931,272	934,767
(Accumulated losses) / retained earnings		(7,039)	98,497
Total equity		1,453,055	1,562,086

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

For the half-year ended 30 September 2023

	CONTRIBUTED EQUITY \$'000	RESERVES \$'000	(ACCUMULATED LOSSES)/RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
At 1 April 2022	528,822	739,862	93,886	1,362,570
Profit / (Loss) for the period	-	-	51,567	51,567
Other comprehensive income / (loss)	-	(4,849)	-	(4,849)
Total comprehensive income / (loss) for the period	-	(4,849)	51,567	46,718
Transactions with owners in their capacity as owners:				
Cost of share-based payments	-	87	-	87
At 30 September 2022	528,822	735,100	145,453	1,409,375
At 1 April 2023	528,822	934,767	98,497	1,562,086
Profit / (Loss) for the period	-	-	(105,536)	(105,536)
Other comprehensive income / (loss)	-	(3,994)	-	(3,994)
Total comprehensive income / (loss) for the period	-	(3,994)	(105,536)	(109,530)
Transactions with owners in their capacity as owners:				
Cost of share-based payments	-	499	-	499
At 30 September 2023	528,822	931,272	(7,039)	1,453,055

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

For the half-year ended 30 September 2023

	6 MONTHS TO 30 SEP 2023	6 MONTHS TO 30 SEP 2022
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	172,998	170,377
Payments to suppliers, employees and others	(158,599)	(160,102)
Payment of interest and finance costs	(11,909)	(6,891)
Interest received	84	26
Net cash inflow from operating activities	2,574	3,410
Cash flows from investing activities		
Payments for property, plant and equipment	(17,534)	(5,317)
Proceeds from sale of property, plant and equipment	904	1,021
Net cash outflow from investing activities	(16,630)	(4,296)
Cash flows from financing activities		
Proceeds from interest-bearing liabilities	40,000	20,000
Repayments of interest-bearing liabilities	(15,000)	(15,000)
Principal repayments of leases	(8,842)	(4,653)
Net cash inflow from financing activities	16,158	347
Net increase / (decrease) in cash	2,102	(539)
Cash at the beginning of the period	4,019	9,269
Cash at the end of the period	6,121	8,730

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2023

1. Basis of preparation

a) Corporate information

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

The interim financial statements for the half-year ended 30 September 2023 were authorised for issue in accordance with a resolution of the Directors on 16 November 2023.

b) Basis of preparation

This general purpose financial report for the half-year ended 30 September 2023 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim report does not include all notes of the type normally included within the annual financial report. Accordingly, this report should be read in conjunction with the financial report for the year ended 31 March 2023 and considered together with any public announcements made by Australian Agricultural Company Limited during the half-year ended 30 September 2023, in accordance with the continuous disclosure obligations of the ASX listing rules.

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

c) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires judgements, estimates and assumptions to be made that affect the reported amounts in the financial statements. Judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses are continually evaluated. Judgements and estimates are based on historical experience and on other various factors considered reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Management's approach to significant judgements, estimates and assumptions is consistent with that applied for the 31 March 2023 consolidated financial report.

2. Accounting policies

a) Livestock

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

The fair value of livestock is based on its present location and condition. AASB 13 *Fair Value Measurement* establishes the hierarchy for valuation techniques used to measure fair value, with the highest priority given to quoted prices in active markets for identical assets or liabilities (Level 1 Price Input), and the lowest priority to unobservable inputs (Level 3 Price Input).

If an active market exists for an identical livestock asset in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset (Level 1 Price Input). Where access to multiple markets exists, then the most relevant market is used to determine fair value.

If an active market does not exist then other observable inputs are used, when available, in determining fair value (Level 2 Price Input):

- > the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period; or
- > market prices, in markets accessible to the entity, for similar assets with adjustments to reflect differences.

In the event that market determined prices or values are not available for livestock in its present condition, the fair value price input is not based on observable market data (unobservable inputs) (Level 3 Price Input).

Consistent with previous reporting periods, at 30 September 2023 cattle have been valued using Fair Value Level 2 and Level 3 price inputs as defined by AASB 13 *Fair Value Measurement*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2023

2. Accounting policies (continued)

b) Pastoral property and improvements at fair value

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

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

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, unless it reverses a revaluation decrement of the same asset previously recognised in profit or loss. Any revaluation decrement is recognised in profit or loss unless it directly offsets a previous increment of the same asset in the asset revaluation reserve.

In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal of property and improvements, any revaluation reserve relating to the particular asset being sold is transferred to the capital profits reserve.

All initial lump sum payments in respect of pastoral and perpetual property leases have been classified as land. The remaining lease payments are nominal and are therefore expensed to the income statement as incurred. Leasehold properties in Queensland are mainly pastoral holdings which are rolling term leases. In the Northern Territory, the pastoral leases held have been granted on a perpetual basis by the Northern Territory Government. We treat statutory pastoral leases held with government bodies as perpetual leases and as such, specifically excluded these from measurement under AASB 16 *Leases*.

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

c) Property, Plant and Equipment at cost

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

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

During H1FY24, operations continue to be suspended at Livingstone Beef. As at 30 September 2023, Management have reassessed internal and external factors that may indicate further impairment of the CGU. As a result of this assessment, no factors were identified that may indicate the CGU's recoverable amount was materially different from its carrying value as at 30 September 2023.

d) Taxes

The Company's consolidated effective tax rate in respect of continuing operations for the six months ended 30 September 2023 was 29.0% (for the six months ended 30 September 2022: 29.7%).

e) Intangible Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2023

3. 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 Company's chief decision maker is the Managing Director/Chief Executive Officer and, along with the Board and Executive Leadership team, reviews financial information for the Company at least monthly and as one operating segment.

Accounting policies – reportable segments

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

The measure of Operating Profit is a key indicator which is used to monitor and manage the Company and represents an adjusted Statutory EBITDA. Operating Profit is a key measure of profitability for AACo which removes unrealised livestock mark-to-market fluctuations from the Statutory Profit result, and measures cost of goods sold using production costs rather than fair value. Management therefore believe that external stakeholders benefit from this metric being reported, as it is a better reflection of financial performance within the control of Management.

The following table presents the revenue and profit information by operating segment (incorporating a reconciliation of Operating Profit to Statutory NPAT) for the six months to 30 September 2023 and 30 September 2022.

	30 SEP 2023	30 SEP 2022
	\$'000	\$'000
Segment revenue	167,083	163,741
Revenue from external customers	167,083	163,741
Operating Profit	30,124	38,259
Unrealised mark-to-market of herd	(175,504)	(9,358)
Cost versus Fair Value: Kg sold or produced	17,714	61,252
Other income	2,781	2,105
Statutory EBITDA	(124,885)	92,258
Depreciation and amortisation	(11,781)	(11,488)
Statutory EBIT	(136,666)	80,770
Net finance costs	(11,872)	(7,407)
Income tax benefit / (expense)	43,002	(21,796)
Net (loss) / profit after tax	(105,536)	51,567

Revenues from external customers

	30 SEP 2023	30 SEP 2022
	\$'000	\$'000
MEAT SALES REVENUES		
South Korea	35,664	34,071
USA	29,671	25,413
China	12,165	3,243
Australia	11,273	8,762
Netherlands	7,419	10,842
Other countries	35,632	39,994
Total meat sales revenue per Income Statement	131,824	122,325
	30 SEP 2023	30 SEP 2022
	\$'000	\$'000
CATTLE SALES REVENUES		
Australia	35,259	41,416
Total cattle sales revenue per Income Statement	35,259	41,416

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2023

4. Property, plant and equipment

Acquisitions and disposals

During the six months ended 30 September 2023, the Company acquired assets with a cost of \$17.5 million (six months to 30 September 2022: \$5.3 million). No property acquisitions were made during the period.

Assets with a combined net book value of \$0.2 million were disposed of by the Company during the six months ended 30 September 2023 (six months to 30 September 2022: \$0.4 million). No sales of property were made during the period.

5. Right-of-use assets and lease liabilities

Right-of-use assets relate to buildings, property, vehicles and equipment leased by the Company, excluding pastoral property held under statutory leases. When measuring liabilities for leases that were previously classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 April 2019, the date of adoption of AASB 16. When measuring liabilities for new lease agreements, the Company discounts lease payments using its incremental borrowing rate at the lease commencement date. The average interest rate applied to measure leases is 3.52%.

	30 SEP 2023	31 MAR 2023
	\$'000	\$'000
Right-of-use assets		
Non-current	39,854	37,309
Lease liabilities		
Current	8,655	7,867
Non-current	33,173	31,393
	41,828	39,260

During the six month period to 30 September 2023, the Company renewed the lease for the Brisbane Head Office on an 8-year term.

6. Derivatives

	30 SEP 2023		31 MAR 2023	
	\$'000		\$'000	
	Current	Non-Current	Current	Non-Current
Financial assets				
Foreign currency contracts ⁽⁴⁾	290	1,867	339	580
	290	1,867	339	580
Financial liabilities				
Foreign currency contracts	8,560	–	3,819	–
Interest rate swap contracts	394	371	606	537
	8,954	371	4,425	537

⁽⁴⁾ Foreign currency contract assets are included in Other assets in the Consolidated Statement of Financial Position.

Fair values

As at 30 September 2023 and 31 March 2023, the only financial instruments recognised at fair value were interest rate swaps and forward currency contracts. These are valued using a 'Level 2' method under AASB 13 *Fair Value Measurement*, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2023

6. Derivatives (continued)

Forward currency exchange contracts

Foreign currency contracts are entered in to hedge the cash flows of foreign denominated forecast meat sales. As these contracts are hedge accounted, their effectiveness was required to be assessed under AASB 9 *Financial Instruments*. The effective portion of the gain or loss is accounted for in Other Comprehensive Income and the ineffective portion posted to profit or loss. Forward currency contracts can have maturities of up to 36 months. These contracts sell in US dollars and buy in Australian dollars. The total notional value of these contracts at 30 September 2023 was AUD \$250.7 million (31 March 2023: AUD \$150.1 million).

Interest rate swap contracts

The Company has entered into interest rate swaps which are economic hedges. Interest rate swaps manage the mix of borrowings between fixed and floating rates as per our Treasury Policy. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the forward interest rate curves at reporting date. At the half-year balance date, the Company holds \$194 million interest rate swaps with differing tenors, which have being designated as effective hedges and therefore satisfy the accounting standard requirements for hedge accounting.

As at 30 September 2023, the notional principal amounts and period of expiry of the interest rate swaps are as follows:

	30 SEP 2023	31 MAR 2023
	\$'000	\$'000
0-1 years	152,000	127,000
1-7 years	42,000	67,000
	194,000	194,000

7. Interest-bearing liabilities

	30 SEP 2023	31 MAR 2023
	\$'000	\$'000
Current		
Asset financing	5,562	4,529
Non-Current		
Secured bank loan facility	394,577	372,859
Asset financing	16,626	13,368
	411,203	386,227

Asset financing has been obtained over some of the Company's vehicles, plant and equipment. These liabilities are discounted using the interest rate implicit in the financing arrangement. The average rate is 3.1%.

Secured bank loan facility

The Company's Club Debt Facilities committed facility capacity is \$600 million, with an expiry of 8 October 2026. Interest drawn on borrowings under the Club Debt Facilities is charged at the applicable BBSY rate + Margin. The facility is currently drawn down by \$395.7 million (31 March 2023: \$374.1 million).

The Facility A limit is \$410 million, repayable on 8 October 2026. The Facility B limit is \$190 million, repayable on 8 April 2025 with a rolling 18 month tenor. Financing facilities are provided on a secured basis, with security given over all assets under fixed and floating charges. Financial covenants are in place over the Company's Loan to Value Ratio (LVR).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2023

7. Interest-bearing liabilities (continued)

Secured bank loan facility (continued)

The following financing facilities are available:

	30 SEP 2023	31 MAR 2023
	\$'000	\$'000
Borrowing Capacity under Facility A and Facility B	600,000	600,000
Guarantee Facility Capacity	3,000	3,000
Facility A and B drawn-down	(395,665)	(374,127)
Bank guarantee utilised	(1,052)	(1,454)
Unused	206,283	227,419

8. Equity securities issued

Equity securities issued

No shares were issued during the six months to 30 September 2023 (six months to 30 September 2022: nil).

Dividends

No dividend was declared or paid during the six months to 30 September 2023 (six months to 30 September 2022: nil).

9. Commitments

Capital commitments

Capital expenditure of \$13.1 million has been contractually committed to in respect of property, plant and equipment as at 30 September 2023 (31 March 2023: \$14.7 million).

Other commitments

Forward purchase contracts have been entered into for \$6.8 million worth of grain commodities and no forward purchase contracts for cattle as at 30 September 2023 (31 March 2023: \$7.7 million worth of grain commodities and no forward purchase contracts for cattle). The contracts are expected to be settled within 12 months from balance date.

10. Related party disclosures

There were no material transactions with related parties during the six months to 30 September 2023 (30 September 2022: nil).

11. Events after the balance sheet date

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

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- a) The consolidated financial statements and notes of Australian Agricultural Company Limited set out on pages 9 to 19 are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of its financial position as at 30 September 2023 and its performance for the half-year ended on that date;
 - ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Donald McGauchie
Chairman

Brisbane
16 November 2023

INDEPENDENT AUDITOR'S REVIEW REPORT



Independent Auditor's Review Report

To the shareholders of Australian Agricultural Company Limited

Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 30 September 2023 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 30 September 2023
- Consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Basis for Conclusion

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

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

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INDEPENDENT AUDITOR'S REVIEW REPORT



Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 September 2023 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Scott Guse
Partner

Brisbane
16 November 2023

COMPANY INFORMATION

Name of Entity

Australian Agricultural Company Limited

ABN

15 010 892 270

Registered Office

Principal Place of Business
Gasworks Plaza
Level 1, Lobby 1
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
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Auditors

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