

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. Executive remuneration arrangements (continued)

Variable remuneration - long term incentive (LTI) (continued)

Under the LTI there are both internal (EPS) and external (TSR) performance benchmarks which are required to be achieved over a three year service vesting period for the Managing Director/Chief Executive Officer to receive any benefit. The Managing Director was not awarded any performance rights during the three months to 31 March 2013.

The performance conditions were as follows:

1. External Performance Condition (TSR outperformance)

50% of the Performance Rights are subject to an external Performance Condition, namely, AACo's Total Shareholder Return (TSR) performance relative to the S&P/ASX Small Ordinaries Accumulation Index (ASX Code: XSOAI) measured over a three year Vesting Period.

Vesting of the Performance Rights subject to the TSR outperformance condition will be calculated based on the following percentile results in the table below:

AACo TSR Ranking versus S&P/ASX Small Ords Accumulation Index (XSOAI)	% of Performance Rights to vest
Below the 50th percentile	0% vest
At the 50th percentile	50% vest
Between the 50th and 75th percentile	2% vesting on a straight line interpolation for each percentile ranking
At or above the 75th percentile	100% vest

The Company's TSR will be measured by an independent third party over the Vesting Period. The testing of the TSR outperformance condition will occur at the end of the Vesting Period.

2. Internal Performance Condition (EPS)

50% of the Performance Rights are subject to an internal Performance Condition based on the Company's earnings per share (EPS).

EPS is defined as Adjusted Net after Tax Profit per Ordinary Share, where Adjusted Net after Tax Profit is calculated as follows:

- ▶ Annual reported Net Profit after Tax
- ▶ Less: Valuation adjustments.
- ▶ Less: Any adjustment deemed fair and appropriate by the Board, in the Board's absolute discretion.

The Board in its absolute discretion may vary this formula from year to year to reflect the changing nature of the Group's operations and its operating environment.

Vesting of the Performance Rights subject to the EPS condition will be calculated based on the following compound % growth rates over the three financial years following the base year the Performance Rights are established.

EPS Compound Growth Rate	% of Performance Rights to vest
Compound growth rate of less than 7.5% p.a.	0% vest
Compound growth rate of at least 7.5% p.a.	50% vest
Compound growth rate between 7.5% p.a. and 10% p.a.	2% vesting on a straight line interpolation for each 0.1% increment in EPS
Compound growth rate of 10% p.a. or more	100% vest

Termination and change in control provisions

Under the terms of the LTI if the Managing Director/Chief Executive Officer ceases employment with the Company and holds Performance Rights, the ability of the Managing Director/Chief Executive Officer to retain his Performance Rights will depend on the circumstances in which the employment ceases. The Plan Rules define Bad Leavers and Good Leavers.

If the executive was a Bad Leaver, then the Performance Rights 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 Performance Rights to vest (and be exercised).