



**Australian
Agricultural
Projects Ltd**

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HALF-YEAR FINANCIAL RESULTS

ANNOUNCEMENT

28 FEBRUARY 2017

In accordance with Listing Rule 4.2A.3, the Interim Financial Report for the six months ended 31 December 2016 and ASX Appendix 4D – Half Year Report of Australian Agricultural Projects Limited (ASX: AAP) follow this announcement. This information is to be read in conjunction with the annual report for the year ended 30 June 2016.

AUTHORISED BY:

Paul Challis
Managing Director

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Paul Challis – Managing Director

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**AUSTRALIAN AGRICULTURAL PROJECTS LIMITED****Appendix 4D****Half Year Report
for the period ended 31 December 2016****Results for announcement to the market**

	Current Period \$'000	Percentage Change Up/(Down)	Previous Corresponding Period \$'000
Revenue from ordinary activities	1,304	7.5%	1,213
Profit from ordinary activities after tax attributable to members	221	323.9%	52
Net profit for the period attributable to members	221	323.9%	52

Dividends

It is not proposed to pay dividends for the current period.

Net tangible assets per security	Current Period	Previous Corresponding Period
Cents per ordinary share	3.72 cents	3.36 cents



Australian Agricultural Projects Ltd

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Interim Report
for the half-year ended 31 December 2016



INTERIM REPORT – 31 DECEMBER 2016

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Australian Agricultural Projects Ltd

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DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of Australian Agricultural Projects Ltd ("AAP") and its controlled entities for the six months ended 31 December 2016 and the independent auditor's review report thereon:

1. Directors

The directors of the Company during the half-year and up to the date of this report are:

Name	Period of directorship
Mr Paul Challis <i>Managing Director</i>	Director since 12 September 2007
Mr Phillip Grimsey <i>Non-Executive Director</i>	Director since 12 September 2007
Mr Anthony Ho <i>Non-Executive Director</i>	Director since 30 April 2003

2. Results and review of operations

The Company is pleased to present the financial report for the six months period to 31 December 2016. The financial result for this period is summarised below:

	Six months to Dec 16	Six months to Dec 15	Six months to Dec 14
Earnings before interest, tax, depreciation and amortisation	376,955	301,714	409,316
Depreciation	(162,204)	(137,454)	(143,543)
Borrowing costs	(145,354)	(186,868)	(197,094)
Asset revaluation	151,723	71,773	(161,542)
Net profit / (loss) after income tax	221,120	52,165	(92,863)

This result is consistent with management's expectations. The improvement in earnings before interest, tax, depreciation and amortisation for the six months reflects:

- The lower cost of water largely due to the wet winter and high inflows into the irrigation system. We expect water prices to remain at this level for the balance of this season and the Company is now considering strategies regarding next seasons water requirements.
- The ongoing orchard operating costs as equipment maintenance and fertiliser costs are incurred with the view of providing greater long term benefits.

As we have previously indicated, other than the Barnea variety, the orchard continues in general good health. Approximately 6,000 trees of this variety in the Peppercorn Estate project were replaced before Christmas with varieties which have proven to be more productive in our region. Orchard management is currently investigating a scenario where a further 15,000 of these low producing trees are replanted next calendar year. While fewer trees will result in reduced crops, it is expected that the impact on the business will not be significant as these trees are not expected to make a material contribution to the total harvest over the next few years. The long term impact of the replanting will be to increase total yields as the new trees come into production in three to five years time.



Expected yield

A review of the flowering and subsequent fruit set has indicated that the volume of fruit across the orchard is similar to that harvested last year. Flowering was two weeks later than normal which was consistent with other orchards in the region. The climatic conditions over the next three months as the fruit accumulates oil as well as that the time of harvest will be a major determinant to the final volumes of oil at harvest.

Oil sales

All of the oil produced in the 2016 harvest has now been transferred to Boundary Bend Limited under the Olive Oil Supply Agreement.

The expectation is that a small portion of the 2017 harvest will fall outside the fixed price arrangements with boundary Bend Limited and the variable price formula will be used to price this portion. This is not expected to have a significant impact upon the business this year.

Recognition

The board continues to recognise the ongoing effort of the small team who continue to manage the orchard at an incredibly high standard. The Directors take this opportunity to record their appreciation.



3. Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

Dated at Melbourne, Victoria, this 28th day of February 2017.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director



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DECLARATION OF INDEPENDENCE BY RICHARD DEAN TO THE DIRECTORS OF AUSTRALIAN AGRICULTURAL PROJECTS LIMITED

As lead auditor for the review of Australian Agricultural Projects Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Agricultural Projects Limited and the entities it controlled during the period.

Richard Dean
Partner

BDO East Coast Partnership

Melbourne, 28 February 2017



Australian Agricultural Projects Ltd

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2016

	Note	2016 \$	2015 \$
Revenue		1,303,687	1,212,700
Cost of sales		(787,554)	(832,775)
Corporate and administrative expenses		(139,178)	(75,211)
Depreciation and amortisation		(162,204)	(137,454)
Borrowing costs		(145,354)	(186,868)
Net fair value gain on investment property	4	151,723	71,773
Net profit before income tax		<u>221,120</u>	<u>52,165</u>
Income tax expense	6	-	-
Net profit for the period		<u>221,120</u>	<u>52,165</u>
Other Comprehensive Income			
Movement in foreign exchange reserve		-	-
Total Other Comprehensive Income		<u>-</u>	<u>-</u>
Total Comprehensive Income for the period		<u>221,120</u>	<u>52,165</u>
Earnings per share			
Basic Earnings per share (cents)		0.15	0.03
Diluted Earnings per share (cents)		0.15	0.03
Earnings per share attributed to members			
Basic Earnings per share (cents)		0.15	0.03
Diluted Earnings per share (cents)		0.15	0.03

The Company's potential ordinary shares are not considered dilutive and accordingly the basic earnings/(loss) per share is the same as diluted loss per share.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.



Australian Agricultural Projects Ltd

ABN 19 104 555 455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2016

	Note	31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents		180,991	36,541
Trade and other receivables		2,184,593	2,889,453
Inventories		-	357,350
Other		398,651	67,283
Total Current Assets		<u>2,764,235</u>	<u>3,350,627</u>
NON CURRENT ASSETS			
Property, plant and equipment		1,303,521	1,414,195
Investment property	4	8,725,208	8,573,485
Total Non Current Assets		<u>10,028,729</u>	<u>9,987,680</u>
TOTAL ASSETS		<u>12,792,964</u>	<u>13,338,307</u>
CURRENT LIABILITIES			
Bank overdraft		-	494,525
Trade and other payables		2,661,374	2,855,076
Provisions		292,476	287,161
Loans and borrowings		1,039,483	1,107,932
Total Current Liabilities		<u>3,993,333</u>	<u>4,744,694</u>
NON CURRENT LIABILITIES			
Loans and borrowings		3,137,856	3,152,958
Total Non Current Liabilities		<u>3,137,856</u>	<u>3,152,958</u>
TOTAL LIABILITIES		<u>7,131,189</u>	<u>7,897,652</u>
NET ASSETS		<u>5,661,775</u>	<u>5,440,655</u>
EQUITY			
Contributed equity		22,840,966	22,840,966
Reserve		259,784	259,784
Accumulated losses		(17,438,975)	(17,660,095)
TOTAL EQUITY		<u>5,661,775</u>	<u>5,440,655</u>

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.



Australian Agricultural Projects Ltd

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CONSOLIDATED STATEMENT OF CASH FLOWS for the half-year ended 31 December 2016

	2016 \$	2015 \$
Cash flows from operating activities		
Cash receipts in the course of operations	2,380,135	2,741,428
Cash payments in the course of operations	(1,457,023)	(1,732,981)
Interest received	212	688
Interest paid	(176,254)	(204,306)
Net cash provided by in operating activities	<u>747,070</u>	<u>804,829</u>
Cash flows from investing activities		
Payment for property, plant and equipment	-	-
Net cash (used in) / provided by investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Repayment of borrowings	(108,095)	(230,182)
Net cash used in financing activities	<u>(108,095)</u>	<u>(230,182)</u>
Net increase in cash and cash equivalents held	638,975	574,647
Cash and cash equivalents at the beginning of the period	(457,984)	(431,465)
Cash and cash equivalents at the end of the period	<u>180,991</u>	<u>143,182</u>

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.



Australian Agricultural Projects Ltd
(formerly known as RedIsland Australia Ltd)

ABN 19 104 555 455

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2016

	Contributed Equity \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2016	<u>22,840,966</u>	<u>259,784</u>	<u>(17,660,095)</u>	<u>5,440,655</u>
Profit net of tax for the half year	-	-	221,120	221,120
Other comprehensive income	-	-	-	-
Balance as at 31 December 2016	<u>22,840,966</u>	<u>259,784</u>	<u>(17,438,975)</u>	<u>5,661,775</u>
Balance as at 1 July 2015	<u>22,840,966</u>	<u>259,784</u>	<u>(18,041,052)</u>	<u>5,059,698</u>
Profit net of tax for the half year	-	-	52,165	52,165
Other comprehensive income	-	-	-	-
Balance as at 31 December 2015	<u>22,840,966</u>	<u>259,784</u>	<u>(17,988,887)</u>	<u>5,111,863</u>

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.



Australian Agricultural Projects Ltd

(formerly known as RedIsland Australia Ltd)

ABN 19 104 555 455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the half-year ended 31 December 2016

1. CORPORATE INFORMATION

Australian Agricultural Projects Ltd (the "Company") is a company domiciled in Australia.

The consolidated interim financial report as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "Group").

The annual financial report of the consolidated entity as at and for the year ended 30 June 2016 is available upon request from the Company's registered office or may be viewed on the Company's website, www.vooipl.com.au.

2. BASIS OF PREPARATION

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reports* and the *Corporations Act 2001*. The half year financial report has been prepared on the historical cost basis.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2016. It is also recommended that the interim financial report be considered together with any public announcements made by the consolidated entity during the six months ended 31 December 2016 in accordance with continuous disclosure obligations under the *ASX Listing Rules*.

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2016.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2016.

This consolidated interim financial report was approved by the Board of Directors on 28th of February 2017.

Going Concern

The financial report has been prepared on the basis of a going concern, as the directors expect the consolidated entity to be in a position to pay its debts as and when they become due for a period of twelve months from the date of approving this financial report.

The long term profitability and cash flows of the consolidated entity are dependent upon the volume of future harvests along with the value of extra virgin olive oil. These factors are subject to many influences outside of the consolidated entity's control such as growing conditions, movements in the AUD exchange rate and global supply conditions. These uncertainties create some doubt about the consolidated entity's profitability and cashflows beyond the twelve month forecast period.

Separate to the continuation of normal operations, the consolidated entity has the ability to restructure its existing finance facilities or to raise funds from additional capital raising from existing shareholders or make a placement of shares to institutional or sophisticated investors.

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

3. SEGMENT INFORMATION

Business segments

The Company operates in just one segment, that being Orchard Management; the cultivation of olive trees as well as related services.

Seasonality

A portion of the orchard fees the Company earns is subject to seasonal influences as it is not recognised until the orchard is harvested and the resulting oil produced during April to June. The recognition of the orchard expenses related to this portion of fee income are also deferred until the time of harvest.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 31 December 2016

4. INVESTMENT PROPERTY

	December 2016	June 2016
Land, trees and orchard assets held to earn lease fees	8,725,208	8,573,485
Movement consists of:		
Investment property opening balance	8,573,485	8,384,167
Net fair value gain/ (loss) on investment property	151,723	189,318
	8,725,208	8,573,485

The investment property is a level 3 asset for the purposes of determining fair value. The investment property comprises a 403 hectare olive orchard including the land, trees, irrigation infrastructure and associated buildings. It is leased to two managed investment schemes for an initial period to 2025 plus an option of another 25 years.

The value of the investment property was determined by the directors at 31 December 2016 by discounting the cash flows of expected future net income streams generated by the investment property leases over the remaining 34 year term (including option).

The assumptions used in determining the future rentals are divided between the short term (next four years) and the long term (beyond four years). The short term assumptions are the same as the long term assumptions except where a more informed short term estimate can be made.

The long term assumptions are:

- Future cash inflows were estimated as the future rental to be received from the investment property increased by CPI. Where the rental forms a percentage of the proceeds from the sale of the produce from the property, the long term average price at which the produce is sold was increased by CPI;
- Pre tax discount rate of 11.5 percent was applied to future cash flows, which is based on group cost of funding plus risk premium.
- The orchard has a long term yield of 11 tonnes of fruit per hectare per annum.
- The long term average price of water from the Goulburn Murray Water irrigation system is \$170 per ML.

The sensitivity of these long term assumptions are as follows:

Assumption	Assumed Value	Sensitivity	Change in Valuation
CPI	3.0%	if increased to 3.5%	533,936
		if reduced to 2.5 %	(476,108)
Discount rate	11.50%	if increased to 12.5%	(1,053,687)
		if reduced to 10.5 %	1,342,837
Harvest yield	11 t per ha	if increased to 12 tonne per ha	223,939
		if reduced to 10 tonne per ha	(223,939)
Average price of water	170 per ML	if increased to 190 per ML	(204,967)
		if reduced to 150 per ML	204,967

The investment property has been pledged as security in support of the consolidated entity's finance facilities provided by the Commonwealth Bank of Australia.

The lease agreement requires the consolidated entity to provide sufficient water to the property to allow for the commercial growing of olives and meet all outgoings associated with the property.



Australian Agricultural Projects Ltd

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the half-year ended 31 December 2016

5. RELATED PARTY DISCLOSURES

A member of the consolidated entity, Victorian Olive Oil Project Ltd, acts as the responsible entity for two managed investment schemes. The consolidated entity transacts with these schemes in accordance with contracts which are fundamental to the operation of the schemes. Paul Challis is a director of Victorian Olive Oil Project Ltd.

Scheme	Transaction	Note	Transactions value six months ended 31 December		Balance outstanding as at	
			2016 \$	2015 \$	31 Dec 2016 \$	30 June 2016 \$
Victorian Olive Oil Project	Lease fees	(i)	330,099	329,800	738,131	837,097
	Management fees	(ii)	445,651	480,057	1,008,027	1,065,954
Victorian Olive Oil Project II	Costs of operating the project that have been capitalised until harvest	(iii)	190,181	205,742	190,181	-
	Lease and management fees receivable	(ii)	-	-	427,007	778,107
	Oil purchased	(iv)	-	-	(799,661)	(776,159)

Notes in relation to the table of key transactions with associated entities

(i) The consolidated entity receives lease fees in respect to the land, trees and orchard assets which are leased to the schemes. These lease fees are as set out in the scheme constitution and original product disclosure statement.

(ii) The consolidated entity receives management fees for the management of the orchard and the processing of the annual harvest from the investors in the managed investment schemes as well as for acting as responsible entity. These fees are as set out in the scheme constitution and the original disclosure statement

(iii) Where the management fees set out in (ii) above are subject to a production sharing arrangement, the direct costs incurred in farming this portion of the orchard are capitalised until harvest.

(iv) The consolidated entity purchased oil from the investors in the managed investment schemes in accordance with the oil take off agreement which formed part of the acquisition of the AAI group of companies.

6. INCOME TAX

The directors have not recognised a deferred tax asset to the extent of losses available to the Company. In preparing this half year report, the directors have considered the current circumstances of the Company and are satisfied that, given there is still insufficient certainty about the period over which the tax losses will be recovered, it is appropriate to continue to not recognise the deferred tax asset.

7. CONTINGENT LIABILITIES

The consolidated entity does not have any contingent liabilities at reporting date or the date of this report.

8. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to reporting date that would have a material financial effect on the financial statements for the half year ended 31 December 2016.



Australian Agricultural Projects Ltd

ABN 19 104 555 455

DIRECTORS' DECLARATION

In the opinion of the directors of Australian Agricultural Projects Ltd ("the Company"):

1. the financial statements and notes, as set out on pages 6 to 12, of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance for the six month period ended on that date; and
 - (a) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne, Victoria, this 28th day of February 2017.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Agricultural Projects Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Agricultural Projects Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility 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 for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Agricultural Projects Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Agricultural Projects Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

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 Projects Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Richard Dean', written over a faint BDO logo.

Richard Dean
Partner

Melbourne, 28 February 2017