Australian Agricultural Projects Ltd

ABN 19 104 555 455

FINANCIAL REPORT

for the year ended 30 June 2018

Australian Agricultural Projects Ltd

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CORPORATE DIRECTORY

Directors

Mr Paul Robert Challis – Managing Director
Mr Phillip John Grimsey – Non-Executive Director
Mr Anthony Ho – Non-Executive Director

Company Secretary

Mr Kimberley Arnold Hogg

Principal Place of Business

Suite 5, 342 South Road
Hampton East, Victoria, 3188

Facsimile: (61-3) 9532 1556

Registered Office

79 Broadway
Nedlands, Western Australia, 6009

Telephone: (61-8) 6389 2688
Facsimile: (61-8) 6389 2588

Auditor

BDO East Coast Partnership
Collins Square, Tower 4
Level 18, 727 Collins Street
Melbourne Victoria 3000

Bankers

Commonwealth Bank of Australia
Level 1, 482 Dean Street
Albury, New South Wales, 2640

Solicitor

HWL Ebsworth
Level 26
530 Collins Street
Melbourne, Victoria, 3000

Share Registry

Computershare Investor Services Pty Ltd
Level 11
172 St George's Terrace
Perth, Western Australia, 6000

Telephone: (61-8) 9323 2000
Facsimile: (61-8) 9323 2033

Stock Exchange

ASX Limited
Level 40, Central Park
152-158 St George's Terrace
Perth, Western Australia, 6000

ASX Code: AAP

Corporate Governance Statement

www.voopl.com.au/aap-shareholders

Australian Agricultural Projects Ltd

A B N 1 9 1 0 4 5 5 5 4 5 5

CONTENTS

Australian Agricultural Projects Ltd

A B N 1 9 1 0 4 5 5 5 4 5 5

MANAGING DIRECTOR'S REVIEW

25 September 2018

Dear Shareholders,

The Company experienced a lower than expected harvest this season largely as a consequence of the continued deterioration of the barnea trees in combination with this being an off year as part of the biennial cycle of the orchard. This resulted in an operating loss for the Company of $852,707 although the operating cashflows remained positive. Management expects a better performance for the 2019 season.

Your Company has accelerated the process of replacing those parts of the orchard that include the barnea variety. This year the second tranche of replanting will comprise approximately 100 ha of high density plantings which should come back into commercial production in 2022. It is expected that the potential for large harvests will be limited until this time.

The Company is confident that this replanting programme will materially improve the value of the orchard asset and the future returns of the company over the medium term.

The operating and financial reviews on pages 3 to 6 detail the performance for the year.

Your Company remains open to opportunities to expand its operations over the long term although at present the principal focus is the completion of the replanting of the orchard and the establishment of strong future cashflows. In this aspect your directors appreciate your ongoing patience and support.

Yours faithfully

PAUL CHALLIS
Managing Director

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity, being Australian Agricultural Projects Ltd "the Company" and its subsidiaries, for the financial year ended 30 June 2018 and the auditor's report thereon.

DIRECTORS

The directors of the Company at any time during the year and to the date of this report are:

Mr Paul Challis
Managing Director – Appointed 12 September 2007

Mr Challis is an accountant with more than 20 years' experience in the finance, health and agricultural industries. Mr Challis has been involved with the olive industry, including a term as a director of the Australian olive industry's peak body – the Australian Olive Association, since the planting of the Company's first orchard in 2002. As part of his role as Managing Director, Mr Challis will continue to oversee grove operations.

Mr Phillip Grimsey
Non-Executive Director – Appointed 12 September 2007

Mr Grimsey is the founding partner of Grimsey Pty Ltd, a CPA practice specialising in the provision of an integrated financial services package to its predominantly professional client base. He has been actively involved in the development, structuring and marketing of the financial services of the group and has been a key contributor to the growth of Australian Agricultural Investments Ltd and its controlled entities (the "AAI Group").

Mr Anthony Ho
Non-Executive Director – Appointed 30 April 2003

Mr Ho graduated in 1980 with a Bachelor of Commerce from the University of Western Australia. He qualified as a Chartered Accountant in 1983. Mr Ho is presently the principal of a firm specialising in providing corporate and financial services to companies listed on the ASX. He is currently a director of a number of companies listed on ASX.

Mr Ho will be retiring by rotation and seeking re-election by shareholders at the 2018 Annual General Meeting.

COMPANY SECRETARY

Mr Kim Hogg
Company Secretary – Appointed 18 November 2003

Mr Hogg has worked in the private sector for the past 20 years, predominantly in the coordination and documentation of capital raisings and as company secretary for both listed and unlisted companies. Mr Hogg is currently the secretary of a number of companies listed on the ASX.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by directors of the Company during the last 3 years immediately before the end of the year are as follows:

Director	Company	Period of directorship From	To
Mr P Challis	Nil	-	-
Mr P Grimsey	Nil	-	-
Mr A Ho	Alchemy Resources Limited	2011	Present
	Newfield Resources Limited	2011	Present
	Glory Resources Limited (now delisted)	2014	March 2016
	Mustera Property Group Ltd	2014	Present

DIRECTORS' INTERESTS

The relevant interest of each director in the securities of the Company at the date of this report is as follows:

Director	Ordinary Shares 2018	Ordinary Shares 2017
Mr P Challis	12,473,845	12,473,845
Mr P Grimsey	33,263,585	33,263,585
Mr A Ho	2,000,001	2,000,001

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Nomination and Remuneration Committee Meetings		Audit and Risk Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Mr P Challis	4	4	N/A	N/A	N/A	N/A
Mr P Grimsey	4	4	1	1	1	1
Mr A Ho	4	4	1	1	1	1

Committee membership

As at the date of the report, the Company had a Nomination and Remuneration Committee and an Audit and Risk Committee of the Board of Directors. Members acting on the committees of the Board during the financial year were:

Nomination and Remuneration Committee	Audit and Risk Committee
Mr P Grimsey (Chairman)	Mr A Ho (Chairman)
Mr A Ho	Mr P Grimsey

PRINCIPAL ACTIVITY

The Company's principal activity is the management of managed investment schemes and other investors' olive groves located in Boort, Victoria.

OPERATING AND FINANCIAL REVIEW

Financial result

The Company advises that the trading result for the year ended 30 June 2018 was a loss of $852,707 (2017: profit of $442,641), reflecting the lower than expected harvest which was completed in June. The key components of this result are:

- A harvest of 429,300 litres (2017: 710,400 litres) from the orchard at Boort resulting in management and lease fees of $1,654,827 (2017: $2,658,993 restated). The principal factors behind this lower than expected result are:
  - The decreasing yield from the barnea variety which are being progressively replaced; and
  - Climatic conditions which resulted in a lower yield across most of South East Australia.
- A significant reduction in third party harvesting and processing fees as a consequence of minimal fruit on their trees;
- Lower than budgeted operating expenses due principally to the lower than expected fruit yield as well as below budget water prices; and
- An impairment of the orchard asset of $74,003 (2017: upward revaluation of $216,075).

The table below summarises the annual financial performance over the past five years and details how business EBITDA is heavily reliant upon the size of the annual harvest. This relationship has been strong over the period, especially so as up until this year, the price the Company receives for its oil has been fixed under the olive oil supply agreement.

	2018	2017	2016	2015	2014
Harvest volume	**Litres**	**Litres**	**Litres**	**Litres**	**Litres**
VOOP	252,400	409,600	493,400	505,800	347,500
VOOP II	96,300	160,700	210,700	208,000	142,100
Peppercorn	80,600	140,100	141,800	237,900	119,100
Total harvest (litres)	429,300	710,400	845,900	951,700	608,700
	$	**$**	**$**	**$**	**$**
EBITDA attributable to AAP	(160,226)	823,931	819,599	1,400,654	285,402
Depreciation	(286,908)	(284,315)	(275,096)	(283,940)	(283,970)
Interest	(331,570)	(313,050)	(352,864)	(386,501)	(416,984)
Revaluations/other add backs	(74,003)	216,075	189,318	(161,933)	(44,411)
Tax	-	-	-	-	-
NPAT to AAP	(852,707)	442,641	380,957	568,280	(459,963)

The Company's surplus operating cash flow for 2018 amounted to $469,902, 40% greater than the 2017 surplus of $334,022. This result came about despite the operating receipts from the 2017 harvest being lower than the 2016 harvest. These surplus funds were committed to the replanting programme as noted below.

Management expects operating cash flows over the next twelve months will be appreciably lower due to the size of the 2018 harvest and the resulting reduction in current year cash receipts. The planned expenditure on the 2019 tranche of the replanting programme has been fully financed by the additional facilities made available by the CBA Bank. The total long term debt with the bank has now been extended to $3.6m (from $2.205m) and is on an interest only basis until 2021.

The olive orchards

Operations

Other than the barnea variety which is the subject of the replanting programme, the orchard is generally in good health. The trees have recovered well from the June harvest and the annual pruning operations are well advanced.

The significant features of this season were:

- The extremely low fruit volumes at the time of harvest. While yields were expected to be low as a consequence of this being an off year combined with the impact of the deteriorating barnea, the actual volumes were still 25% to 30% below expectations. This experience seemed to be consistent across most of the Victorian region and especially so on other orchards close to the Company's;
- The refurbishment of the orchard filtration and irrigation control systems which allows for more precise irrigation across the orchard; and
- The planting of around 26,000 trees as part of the replanting programme described in more detail below.

Management is expecting the 2019 season to be an "on year" with fruit and oil production per productive hectare being above average and greater than the 2018 harvest. We will continue to comment on orchard activity and likely harvest yields in our quarterly updates.

Replanting programme

This past year saw the first tranche of the replanting programme completed with 26 hectares of the barnea variety replaced with a combination of arbequina and arbsonna.

The replanting has been completed on a high-density basis of 1,000 trees per hectare rather than the existing 333 trees in the current layout. It is anticipated that the higher density format will:

- Allow the replanted areas to return to commercial production quicker;
- Reduce the harvest risk associated with managing these areas as the equipment required to harvest the higher density trees is both lighter and quicker reducing the impact of wet weather over the harvest period; and
- The yields per hectare at maturity will be similar to those of the existing trees planted on a less dense basis.

The second tranche comprising 104 hectares will be completed over the 2019 financial year. This will result in the majority of the identified areas replanted with the third tranche to be completed in one of the following two years.

Management's long term expectation for future harvest volumes once the replanting programme has been completed is between 800,000 and 1,200,000 litres across all of the projects currently managed.

Oil Price

All of the oil produced this year has been accepted by Boundary Bend under the Olive Oil Supply Agreement in support of their retail brands including Cobram Estate and Redisland.

The oil price this year is to be determined by a formula derived from the farm gate price Boundary Bend receives for sale of packaged goods in Australia. The price will not be finalised until the final invoice under the sale agreement is raised in April 2019, but the Company expects the current year price will improve by at least 8% over last year. The Company notes that Boundary Bend has negotiated price increases across all of its brands and private label and the final price will depend upon how quickly the benefits of this increase flow.

The Directors remain confident that the Olive Oil Supply Agreement is in the best long term interests of the Company in that it ensures the sale of each year's production to secure markets at a price that reflects the margins of that market.

Orchard Valuation

The orchard is the principal asset operated by the Company and it is leased to two of the projects the Company manages. Accordingly, in the financial statements the property is valued as an investment property having consideration of the discounted future cash flows generated by the property.

The replanting programme impacts this valuation in two ways:

- The budgeted capital cost of the programme reduces the net present value of the future cash flows; and
- The redevelopment of the orchard increases the amount of the rental that the Company may expect at 2025, the date at which the projects have the option to renew the lease for a further term.

In the current year, this valuation led to an impairment of the asset of $74,003 after capital expenditure of $329,164, albeit, the current year valuation was negatively impacted by higher than normal short term water prices.

The expectation is that, barring abnormal circumstances, the value of the property will continue to increase over the medium term.

For banking purposes, the Directors have had the property independently valued on a going concern basis. This valuation, as with past valuations, supports the valuation recorded in the financial statements.

Looking forward

The Company is focused in the short term on the current replanting project and considers this is the best means of securing shareholder value in the longer term. However, the Company always remains open to other agricultural investments that would complement its current asset and skill base but, in the interim, will continue to focus on the long term improvement to the underlying orchard assets. Consistent with this approach is the ongoing strengthening of the balance sheet in order to provide an environment where the agricultural risk associated with the business can be best managed.

Appreciation

On behalf of the board, I thank our small management team who continue to manage the orchard to a high standard. The Directors take this opportunity to record their appreciation.

Impact of legislation and other external requirements

The Board believes that the consolidated entity has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the consolidated entity. There were no changes in environmental or other legislative requirements during the year that have significantly affected the results or operations of the consolidated entity.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There has not been any significant change in the state of affairs of the Company during the year.

RESULTS

The consolidated entity reported a loss of $852,707 (2017: profit of $442,641) after income tax for the year.

DIVIDENDS

No dividend has been declared or paid by the Company during the year or to the date of this Report.

MATTERS SUBSEQUENT TO REPORTING DATE

On 9 July 2018, the Company settled new finance facilities with its bank. The $2,205,000 commercial bill facility was converted to a term loan facility with an increased limit of $3,600,000 on an interest only basis of three years. The additional funds of $1,395,000 are to be used to assist with the replanting programme. The seasonal overdraft facility of $500,000 was amended to a permanent limit.

Other than the above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

LIKELY DEVELOPMENTS

The consolidated entity will continue to operate the olive grove at Boort in line with the discussion above in the Operating and Financial Review.

OPTIONS

Options granted during the year

There were no options granted during the financial year. No options have been granted since the end of the financial year. No options were exercised during the year and no options lapsed during the year. There were no options on issue at 30 June 2018.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the current directors and company secretary of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet, to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

The Company paid a premium, during the year in respect of a director and officer liability insurance policy, insuring the directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts; as such disclosure is prohibited under the terms of the contract.

INDEMNIFICATION AND INSURANCE OF AUDITORS

The Company has not, during or since the financial year indemnified or agreed to indemnify an auditor of the Company or any related body corporate against a liability incurred as an auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

No non-audit services were provided by the consolidated entity's auditor, BDO East Coast Partnership.

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF BDO EAST COAST PARTNERSHIP

There are no officers of the Company who are former audit partners of BDO East Coast Partnership.

REMUNERATION REPORT

The remuneration report is set out on pages 10 to 16 and forms part of the Directors' Report.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 9 and forms part of the Directors' Report.

Dated at Melbourne, Victoria this 25th day of September 2018.

Signed in accordance with a resolution of the directors, made pursuant to s298(2)(a) of the Corporations Act 2001.

____
Paul Challis
Managing Director

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AUSTRALIA

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

As lead auditor of Australian Agricultural Projects Limited for the year ended 30 June 2018, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 25 September 2018

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the consolidated entity 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.

For the purposes of this report, key management personnel of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

KEY MANAGEMENT PERSONNEL

The following were key management personnel of the consolidated entity at any time during the financial year and unless otherwise indicated were key management personnel for the entire financial year:

Directors

Name	Position held
Mr P Challis	Managing Director
Mr P Grimsey	Non-Executive Director
Mr A Ho	Non-Executive Director

Other Key Management Personnel

Name	Position held
Mr K Hogg	Company Secretary

REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration policies for the directors and executives. If necessary, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the consolidated entity.

PRINCIPLES OF REMUNERATION

The remuneration structures explained below are competitively set to attract and retain suitably qualified and experienced candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segments performance;
- the consolidated entity's performance including:
    - the consolidated entity's earnings; and
    - the growth in share price and delivering constant returns on shareholder wealth.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives.

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2003 General Meeting, is not to exceed $100,000 per annum. Directors' fees cover all main board activities and membership of committees.

Non-executive directors do not receive any retirement benefits, nor do they receive any performance related compensation. Non-executive directors' fees as at the reporting date is as follows:

Name	Non-executive directors' fees (per annum)
Mr P Grimsey	-
Mr A Ho	$12,000

Executive remuneration

Remuneration for executives is set out in employment agreements.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

Fixed remuneration

Fixed remuneration consists of base compensation as well as employer contributions to superannuation funds.

Fixed remuneration is reviewed by the Nomination and Remuneration Committee through a process that considers individual and overall performance of the consolidated entity. As noted above, the Nomination and Remuneration Committee has access to external advice independent of management.

Other benefits

Key management personnel may receive benefits such as car allowances, and the Company pays fringe benefits tax on these benefits.

Long-term incentives

Long-term incentives (**LTI**) may be provided to key management personnel via the Australian Agricultural Projects Ltd Employee Option Scheme (**EOS**). The LTI are provided as options over ordinary shares of the Company to key management personnel based on their position within the consolidated entity. Vesting conditions may be imposed on any LTI grants if considered appropriate, in accordance with the EOS's terms and conditions.

LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. Options may only be issued to directors subject to approval by shareholders in general meeting.

The Company has introduced a policy that prohibits employees and directors of the consolidated entity from entering into transactions that operate or are intended to operate to limit the economic risk or are designed or intended to hedge exposure to unvested Company securities. This includes entering into arrangements to hedge their exposure to LTI granted as part of their remuneration package. This policy may be enforced by requesting employees and directors to confirm compliance.

REMUNERATION STRUCTURE (cont'd)

Consequences of performance on shareholder wealth

In considering the consolidated entity's performance and benefits for shareholder wealth, the directors have regard to the following indices in respect of the current financial year and the previous four financial years:

	2018	2017	2016	2014	2014
Profit/(loss) for the year	$(852,707)	$442,641	$380,957	$568,280	$(459,963)
Dividends paid	Nil	Nil	Nil	Nil	Nil
Change in share price	0.9 cents	0.9 cents	1.4 cents	0.1 cents	-
Share price at beginning of the period	3.4 cents	2.5 cents	1.1 cents	1.0 cents	1.0 cents
Share price at end of the period	2.5 cents	3.4 cents	2.5 cents	1.1 cents	1.0 cents
Earnings per share	(0.56) cents	0.29 cents	0.25 cents	0.37 cents	(0.30 cents)

The overall level of key management personnel's compensation takes account of the performance of the consolidated entity over the past 5 years. As a result, the level of compensation has remained relatively unchanged, other than the increase or decrease in compensation levels due to the appointment or resignation of key management personnel.

There were no performance related remuneration transactions during the financial year (2017: Nil).

USE OF REMUNERATION CONSULTANTS

The Nomination and Remuneration Committee did not engage the services of a remuneration consultant during the year.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2017 ANNUAL GENERAL MEETING

The Remuneration Report for the 2017 financial year received unanimous shareholder support at the 2017 AGM. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

EMPLOYMENT AGREEMENTS

The consolidated entity has employment agreements with all senior executives who are not directors, that are capable of termination between one and three months' notice. The terms of the contracts are open ended although the consolidated entity retains the right to terminate a contract immediately by making payment equal to the termination period in lieu of notice. The key executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The employment contract outlines the components of compensation paid to each executive but does not prescribe how compensation levels are to be modified year to year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performed by the executive and any changes to meet the principles of remuneration.

All directors of the Company are employed under a letter of appointment. The letters of appointment set out remuneration details and are rolling with no fixed term.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of the remuneration of each key management person of the consolidated entity are:

		SHORT TERM		LONG TERM	POST-EMPLOYMENT	SHARE-BASED PAYMENTS			
		Salary & fees $	Other benefits $	Long term benefits* $	Superannuation benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors									
Non-executive									
Mr P Grimsey	2018	-	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-	-
Mr A Ho	2018	12,000	-	-	-	-	12,000	-	-
	2017	12,000	-	-	-	-	12,000	-	-
Executive									
Mr P Challis	2018	140,000	-	2,741	13,300	-	156,041	-	-
	2017	140,000	-	2,743	13,300	-	156,043	-	-
Total, all directors	**2018**	**152,000**	**-**	**2,741**	**13,300**	**-**	**168,041**	**-**	**-**
	2017	**152,000**	**-**	**2,743**	**13,300**	**-**	**168,043**	**-**	**-**

REMUNERATION REPORT (cont'd)

		SHORT TERM		LONG TERM	POST-EMPLOYMENT	SHARE-BASED PAYMENTS			
		Salary & fees $	**Other benefits $**	**Long term benefits* $**	**Superannuation benefits $**	**Options $**	**Total $**	**Proportion of remuneration performance related %**	**Value of options as proportion of remuneration %**
Other key management personnel									
Consolidated									
Mr K Hogg	2018	-	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-	-
Total, all key management personnel	**2018**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total, all directors and key management personnel	**2018**	**152,000**	**-**	**2,741**	**13,300**	**-**	**168,041**	**-**	**-**
	2017	**152,000**	**-**	**2,743**	**13,300**	**-**	**168,043**	**-**	**-**

* Long term benefits relate to the change in long service leave entitlements from the previous year.

OPTION HOLDINGS BY KEY MANAGEMENT PERSONNEL

There are no options held by key management personnel, and there were no movements during the year (2017: also nil).

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

	Held at 1 July 2017	Purchases	Received on exercise of options	Other changes	Held at 30 June 2018
Directors					
Mr P Challis	12,473,845	-	-	-	12,473,845
Mr P Grimsey	33,263,585	-	-	-	33,263,585
Mr A Ho	2,000,001	-	-	-	2,000,001

	Held at 1 July 2016	Purchases	Received on exercise of options	Other changes	Held at 30 June 2017
Directors					
Mr P Challis	12,473,845	-	-	-	12,473,845
Mr P Grimsey	33,263,585	-	-	-	33,263,585
Mr A Ho	2,000,001	-	-	-	2,000,001

No shares were granted to key management personnel during the reporting year as compensation in 2018 or 2017.

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.
The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

			Transactions value year ended 30 June		Balance outstanding as at 30 June	
	Transaction	**Note**	**2018 $**	**2017 $**	**2018 $**	**2017 $**
Directors						
Mr A Ho	Secretarial and accounting fees	(i)	-	-	(43,414)	(79,775)
Mr P Grimsey and Mr P Challis	Management fees	(ii)	197,775	494,282	-	-
	Shareholder Loans	(iii)	-	-	(1,466,000)	(1,466,000)
	Interest paid on loans	(iv)	112,280	112,280	(103,106)	(137,500)

Other key management personnel transactions with the Company or its controlled entities (continued)

Notes in relation to the table of related party transactions

(i) A company associated with Mr Ho, provides company secretarial services in connection with the operations of the consolidated entity. No secretarial service fees were charged in the year.
(ii) The consolidated entity manages an olive orchard for a company in which Mr P Challis and Mr P Grimsey are both beneficially entitled to minority shareholdings (approx 1.3% each). The management fees for this project had been calculated in accordance with production sharing agreement. The fees charged for this project are of a similar amount and nature as the fees charged for management of other projects managed by the consolidated entity.
(iii) The consolidated entity entered into shareholder loan agreements with entities associated with Mr P Grimsey ($339,000) and Mr P Challis ($127,000) in 2009. In addition, an entity associated with Mr P Challis has provided a $1,000,000 unsecured loan facility to the Company, which was fully drawn at 30 June 2018.
(iv) The consolidated entity pays interest in relation to the unsecured shareholder loan agreements referred to in note (iii). Average interest rate for the year was 7.71%

SHARE-BASED COMPENSATION

Equity based payments

There were no equity based payments during the year ended 30 June 2018 (2017: Nil).

Employee option scheme

The Company operates an incentive scheme known as the Australian Agricultural Projects Ltd Employee Option Scheme ("EOS") approved at the general meeting on 30 May 2003.

The maximum number of options that can be granted under the Scheme is restricted to 5% of the total issued shares as at the date of the grant of options. There is no issue price for any options granted under the EOS.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the terms of the plan, is the highest of:

- 110% of the market price of the Company's shares on the date on which the options are issued;
- 20 cents; or
- any greater price determined by the Directors.

All options expire on the earlier of their expiry date or one month after termination of the employee's employment.

There were no options issued under the employee share scheme during the year ended 30 June 2018 (2017: nil).

At 30 June 2018 there were no option on issue under this scheme.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	2018 $	Restated* 2017 $
Revenue	3	1,654,827	2,969,873*
Cost of sales		(1,548,538)	(1,871,458)*
Gross profit		106,289	1,098,415
Other income	4	5,032	463
Corporate and administrative expenses		(271,547)	(274,947)
Depreciation and amortisation		(286,908)	(284,315)
Borrowing costs		(331,570)	(313,050)
Net fair value (loss)/gain on investment property	13	(74,003)	216,075
(Loss) / Profit before income tax		**(852,707)**	**442,641**
Income tax expense	7	-	-
(Loss) / Profit after income tax		**(852,707)**	**442,641**
Other Comprehensive Income		-	-
Total Comprehensive (Loss) / Income attributable to the members of Australian Agricultural Projects Limited		**(852,707)**	**442,641**
Basic earnings per share (cents)	20	(0.56)	0.29
Diluted earnings per share (cents)	20	(0.56)	0.29

* Refer Note 3 for details of the restatement

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Note	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	8	197,570	192,100
Trade and other receivables	9	1,660,462	2,641,856
Inventories	10	129,514	295,128
Other current assets	11	37,124	98,057
Total Current Assets		2,024,670	3,227,141
NON-CURRENT ASSETS			
Property, plant & equipment	12	1,317,602	1,188,314
Investment property	13	9,044,721	8,789,560
Total Non-Current Assets		10,362,323	9,977,874
TOTAL ASSETS		12,386,993	13,205,015
CURRENT LIABILITIES			
Bank overdraft	8	474,740	492,874
Trade and other payables	14	2,164,918	2,390,653
Provisions	15	279,817	295,680
Loans and borrowings	16	1,042,899	996,566
Total Current Liabilities		3,962,374	4,175,773
NON-CURRENT LIABILITIES			
Loans and borrowings	16	3,394,030	3,145,946
Total Non-Current Liabilities		3,394,030	3,145,946
TOTAL LIABILITIES		7,356,404	7,321,719
NET ASSETS		**5,030,589**	**5,883,296**
EQUITY			
Issued capital	17	22,840,966	22,840,966
Reserves	17	259,784	259,784
Accumulated losses		(18,070,161)	(17,217,454)
TOTAL EQUITY		**5,030,589**	**5,883,296**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Cash receipts in the course of operations		3,504,765	4,010,932
Cash payments in the course of operations		(2,672,384)	(3,290,792)
Interest received		227	463
Interest paid		(362,707)	(386,581)
Net cash provided by operating activities	24	469,901	334,022
Cash flows from investing activities			
Payments for property, plant and equipment		(416,196)	(58,434)
Improvements to investment property		(329,164)	-
Proceeds from sale of property, plant and equipment		4,646	-
Net cash used in investing activities		(740,714)	(58,434)
Cash flows from financing activities			
Proceeds from hire purchase facilities		428,500	84,442
Repayment of hire purchase liabilities		(134,083)	(202,820)
Net cash provided by / (used in) financing activities		294,417	(118,378)
Net increase in cash and cash equivalents		23,604	157,210
Cash and cash equivalents at the beginning of the year		(300,774)	(457,984)
Cash and cash equivalents at the end of the year	8	**(277,170)**	**(300,774)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Issued capital $	Reserves $	Accumulated losses $	Total $
Balance as at 1 July 2016	**22,840,966**	**259,784**	**(17,660,095)**	**5,440,655**
Profit for the year after income tax	-	-	442,641	442,641
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	442,641	442,641
Balance as at 30 June 2017	**22,840,966**	**259,784**	**(17,217,454)**	**5,883,296**
Balance as at 1 July 2017	**22,840,966**	**259,784**	**(17,217,454)**	**5,883,296**
Loss for the year after income tax	-	-	(852,707)	(852,707)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(852,707)	(852,707)
Balance as at 30 June 2018	**22,840,966**	**259,784**	**(18,070,161)**	**5,030,589**

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The consolidated financial report of Australian Agricultural Projects Ltd for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 25th September 2018.

Australian Agricultural Projects Ltd (the **Company**) is a company limited by shares incorporated in Australia whose shares are quoted on the Australian Securities Exchange. The registered office for the Company is 79 Broadway, Nedlands, Western Australia, 6009 and the principal place of business is Suite 5, 342 South Road, Hampton East VIC 3188.

Separate financial statements for Australian Agricultural Projects Ltd as an individual entity have not been presented within this financial report as permitted by the Corporations Act 2001, however limited financial information for Australian Agricultural Projects Limited as an individual entity is included in Note 25.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

Basis of preparation

Statement of compliance

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (**AASBs**) and interpretations of the Australian Accounting Standards Board as appropriate for profit oriented entities. The consolidated financial report of the consolidated entity also complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis of measurement

Except for the cash flow information, the financial report is prepared on the accruals basis and the historical cost basis with the exception of financial assets and liabilities and the investment property which are recorded at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the consolidated entity.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

(a) Note 7 - Recognition of Deferred Tax Assets
(b) Note 13 - Investment Property

Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the consolidated entity.

Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. The reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

The assets, liabilities and results of all subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment charges.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency

Functional and presentation currency

Both the functional and presentation currency of the company and its Australian subsidiaries is Australian dollars ($). The United States subsidiaries' functional currency is United States Dollars which is translated to presentation currency. The United States subsidiaries are non-operating and have no assets or liabilities denominated in US dollars.

Exchange variations resulting from the translation are recognised in the foreign currency translations reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in United States subsidiaries are taken to the foreign currency translation reserve. If a United States subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of profit or loss and other comprehensive income.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with any of the consolidated entity's other components) whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment, assess its performance and for which discrete financial information is available.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included in current liabilities in the statement of financial position.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible monies. An allowance for doubtful debts is made when there is objective evidence that the consolidated entities will not be able to collect the debts. Bad debts are written off when identified.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Issued capital

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the consolidated entity and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

Plant and equipment	2.5 to 14 years
Motor vehicles	5 to 10 years
Office furniture and equipment	2.5 to 14 years
Buildings	10 to 25 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which is based on discounted cash flows of future income streams, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and the leased assets are not recognised in the consolidated entity's statement of financial position.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price less associated costs to sell.

Provisions

A provision is recognised if, as a result of a past event, the consolidated entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The time value of money is not material to the currently recognised provisions and they are not discounted to expected future cash flows at a pre-tax rate.

Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian corporate bond markets (formally national government bonds) with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits (continued)

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

The consolidated entity provides benefits to employees (including directors) of the consolidated entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

The Company operates an incentive scheme to provide these benefits, known as the Australian Agricultural Projects Limited Employee Option Scheme ("EOS") approved at the general meeting on 30 May 2003.

The cost of these share-based payment transactions is measured by reference to the fair value at the date at which the options are granted. The fair value is determined using a Black-Sholes model.

In valuing share-based payment transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Australian Agricultural Projects Limited ('market conditions').

The cost of share-based payment transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

Rendering of services

Revenue from the management and ongoing maintenance of the orchard schemes not subject to production sharing is recognised by reference to separate contracts. The rates are set at the beginning of the financial year and billed when proceeds from the sale of the produce is available.

Production sharing revenue

Revenue from the production sharing arrangement is earned under lease and management agreements whereby the company is entitled to an agreed percentage of the crops proceeds. Revenue is recognised once the company has sufficient information to enable determination with reasonable certainty the value of the Company's share of the oil.

Interest Revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental Revenue

Rental revenue from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognisable for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group on 1 July 2007. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Agricultural Projects Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amount of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Tax funding agreement

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding agreement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Amounts are recognised as payable to or receivable by the head entity and each member of the group in relation to any tax liability/asset assumed by the head entity.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Loans and borrowings

Loans are recognised at their principal amount, subject to set-off arrangements. Borrowing costs are recognised as an expense when incurred.

Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. Trade accounts payable are normally settled within 60 days.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share

The consolidated entity presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

The Group will adopt this standard from 1 July 2018 and it is not expected to materially impact the Company's performance.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The directors have reviewed the requirements of the new standard and do not consider that there will be any changes required to the revenue recognition policies currently in place. The directors are satisfied that the adoption of this standard from 1 July 2018 will not have a material impact on the Groups balance sheet or operating result.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 16: Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The standard will affect primarily the accounting for the consolidated entity's operating leases. As at the reporting date, the consolidated entity has non-cancellable operating lease commitments of $51,380, see note 19. In accordance with the standard the discounted value of this liability will be reflected on the balance sheet in conjunction with a right to use asset. The adoption of this standard from 1 July 2018 will not have a material impact on the Groups balance sheet or operating result.

Determination of fair values

A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment Property

The fair value of the investment property is based on the discounted cash flows expected to be derived from the property.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of items of plant, equipment, fixtures and fittings is based on directors' estimates and the quoted market prices for similar items.

Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Determination of fair values (continued)

Share-based payment transactions

The fair value of incentive options is measured using the Black-Sholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2. FINANCIAL RISK MANAGEMENT

Overview

The consolidated entity has exposure to the following risks from the use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the consolidated entity's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included in Note 18.

The Company's risk management framework is supported by the Board, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the consolidated entity's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the consolidated entity and considering the effectiveness of its internal control system. Management and the Audit and Risk Committee report to the Board.

The Board has established an overall Risk Management Policy which sets out the consolidated entity's system of risk oversight, management of material business risks and internal control.

Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's cash and cash equivalents.

The consolidated entity does not hold any credit derivatives to offset its credit exposure.

Trade and other receivables

The consolidated entity's exposure to credit risk is influenced principally by the ability to collect fees from the participants in the projects it manages.

The consolidated entity's current policy is to only invoice fees once an equivalent amount of oil has been harvested. In this way the collectability of fees is linked to the sale of the bulk oil and this has been secured under the olive oil supply agreement with Boundary Bend Ltd ("BBL"). The consolidated entity maintains a constant credit watch on BBL due to the critical nature of this agreement.

The consolidated entity's policy in respect to receivables not covered by oil supplies is to only recognise those balances that it expects to recover from the proceeds of the sale of future harvests. The consolidated entity has not sourced new customers or projects to manage and therefore there is no new credit risk to the consolidated entity.

2. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk arises from the financial liabilities of the consolidated entity and the consolidated entity's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows. This is done in the context of an annual forecast and projected inventory levels.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and commodity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Price risk

The consolidated entity's exposure to price risk primarily relates to the market price of olive oil. The consolidated entity manages price risk by monitoring its supply agreements and assessing those price arrangements against current and market prices.

Foreign currency risk

The consolidated entity is not exposed to currency risk on transactions that are denominated in a currency other than the Australian dollar (AUD) as part of its ordinary operations.

Interest rate risk

The consolidated entity's exposure to interest rates primarily relates to the consolidated entity's long-term debt obligations. The consolidated entity manages market risk by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates.

Capital management

When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board is constantly adjusting the capital structure to take advantage of favorable costs of capital or high return on assets. As the market is constantly changing, management may issue new shares, sell assets to reduce debt or consider payment of dividends to shareholders.

The Board has no current plans to issue further shares on the market. There are no options on issue.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 16, offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings).

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels. This position has not changed from the previous year. The consolidated entity had loans and borrowings (including overdraft) totaling $4,911,669 at 30 June 2018 (2017: $4,635,386).

There were no changes in the consolidated entity's approach to capital management during the year.

The consolidated entity is not subject to any externally imposed capital requirements.

	Consolidated 2018 $	Consolidated 2017 $
3. REVENUE		
Management fees	567,928	1,585,955
Lease fees from the investment property	678,857	666,200
Production sharing	408,042	717,718
	1,654,827	2,969,873

The directors have reviewed the treatment of the sale of bulk oil recovered by the company in return for services provided. In previous years this had been treated as revenue however due to its nature, the transaction should not be recorded as revenue. For consistency, the 2017 comparative revenue amount has been restated to $2,969,873 (a reduction of $369,334) and 2017 Cost of Sales has been restated to $1,871,458 (a reduction of $369,334). This restatement does not impact on Gross Profit or Net Profit after Tax.

4. OTHER INCOME

	2018 $	2017 $
Interest received	277	463
Profit on sale of assets	4,646	-
Other income	159	-
	5,032	463

5. PERSONNEL EXPENSES

	2018 $	2017 $
Wages and salaries costs	536,157	665,337
Superannuation costs	72,459	73,420
Change in liability for annual and long service leave	(15,863)	8,519
Non-executive directors' fees	12,000	12,000
	604,753	759,276

In 2018, $516,103 (2017: $670,626) of personnel expenses were included in cost of sales and the balance, $88,650 (2017: $88,650) was included in corporate and administrative expenses.

6. AUDITOR'S REMUNERATION

Audit services

	2018 $	2017 $
Auditors of the Company (BDO East Coast Partnership)		
- audit and review of this financial report	42,000	41,000
- audit and review of other financial statements	52,700	50,700
	94,700	91,700

	Consolidated 2018 $	Consolidated 2017 $

7. INCOME TAX

(a) Income tax

The major components of income tax are:

Income statement

	2018 $	2017 $
Current income tax charge	-	-
Deferred tax - origination and reversal of timing differences	-	-
Adjustment recognised for prior period	-	-
Aggregate income tax expense	-	-

(b) Numerical reconciliation between tax credit and pre-tax net loss

	2018 $	2017 $
(Loss) / Profit before income tax	(852,707)	442,641
Income tax expense calculated at 27.5%	(234,494)	121,726
Tax effect on the following amounts:		
Depreciation entitlement attached to fixed assets	(77,053)	(78,549)
Fair value on investment property	20,351	(59,421)
Net tax losses and temporary differences not brought to account	291,196	16,244
Income tax credit reported in the statement of comprehensive income	-	-

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2018 $	2017 $
Tax losses - Revenue	2,486,341	2,187,955
Deductible temporary differences	654,964	662,154
Unrecognised deferred tax asset	3,141,305	2,850,109
Movement consists of:		
Opening balance	2,850,109	3,091,489
Current year tax losses and temporary differences not brought to account	291,196	16,244
Effect of change in corporate tax rate on unrecognised deferred tax assets	-	(257,624)
Closing balance	3,141,305	2,850,109

The benefits of the deferred tax benefits not brought to account will only be recognised if the conditions for deductibility set out in the accounting policies note occur.

	Consolidated 2018 $	Consolidated 2017 $

8. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash at bank and in deposits	197,570	192,100
Bank overdrafts	(474,740)	(492,874)
Cash and cash equivalents in the statement of cash flows	(277,170)	(300,774)

The consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 18.

9. TRADE AND OTHER RECEIVABLES

Current

	2018 $	2017 $
Trade receivables	1,660,462	2,641,856
	1,660,462	2,641,856

The consolidated entity's exposure to credit and currency risks and impairment losses related to trade and receivables are disclosed in Note 18.

10. INVENTORIES

	2018 $	2017 $
Finished goods at net realisable value	129,514	295,128
	129,514	295,128

11. OTHER CURRENT ASSETS

	2018 $	2017 $
Prepayments	37,124	78,807
Deposits paid	-	19,250
	37,124	98,057

12. PROPERTY, PLANT & EQUIPMENT

Consolidated

Year ended 30 June 2018	**Plant & equipment**	**Motor vehicles**	**Office furniture & equipment**	**Buildings**	**Total**
At 1 July 2017, net of accumulated depreciation	620,777	153,755	2,451	411,331	1,188,314
Additions	383,344	32,852	-	-	416,196
Disposals	-	-	-	-	-
Depreciation charge for the year	(205,199)	(48,019)	(1,127)	(32,563)	(286,908)
At 30 June 2018, net of accumulated depreciation	798,922	138,588	1,324	378,768	1,317,602
At 30 June 2018					
Cost	4,021,919	993,707	62,019	1,061,417	6,139,062,
Accumulated depreciation	(3,222,997)	(855,119)	(60,695)	(682,649)	(4,821,460)
Net carrying amount	798,922	138,588	1,324	378,768	1,317,602
Year ended 30 June 2017					
At 1 July 2016, net of accumulated depreciation	740,625	220,664	4,044	448,862	1,414,195
Additions	56,630		1,804	-	58,434
Disposals	-	-	-	-	-
Depreciation charge for the year	(176,478)	(66,909)	(3,397)	(37,531)	(284,315)
At 30 June 2017, net of accumulated depreciation	620,777	153,755	2,451	411,331	1,188,314
At 30 June 2017					
Cost	3,638,575	995,089	62,019	1,061,417	5,757,100
Accumulated depreciation	(3,017,798)	(841,334)	(59,568)	(650,086)	(4,568,786)
Net carrying amount	620,777	153,755	2,451	411,331	1,188,314

Restrictions on property plant and equipment

Where plant and equipment was purchased using hire purchase finance, then the financier has a charge over that equipment until such time as the finance is repaid. This amounts to $380,153 as at 30 June 2018 (2017: $50,429).

Where motor vehicles were purchased using hire purchase finance, then the financier has a charge over that vehicle until such time as the finance is repaid. This amounts to $131,150 as at 30 June 2018 (2017: $153,754).

All buildings are included in the security provided to the Commonwealth Bank of Australia in support of the finance facilities the bank has provided to the consolidated entity.

13. INVESTMENT PROPERTY	Consolidated 2018 $	2017 $
Land, trees and orchard assets held to earn lease fees	9,044,721	8,789,560
Movement consists of:		
Investment property opening balance	8,789,560	8,573,485
Capital improvements	329,164	-
Orchard (impairment)/revaluation	(74,003)	216,075
	9,044,721	8,789,560

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 30 June 2018 by discounting the cash flows of expected future net income streams over the 32 year term (including option) of the lease generated by the investment property based on the following key assumptions:

- Future cash inflows were estimated as the budgeted rental to be received from the investment property increased annually by CPI indexation commencing at a rate of 2.75 percent increasing to a long term average of 3 percent from 2023. Where the rental forms a percentage of the proceeds from the sale of the produce from the property, the long term average value of the production was assumed to increase by 3 percent per annum.
- Where a lease is required to be renewed at a market rental at the end of the first term in 2025, the market rental at that time is assumed to be $4,000 per hectare.
- 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 short term yield averaging 7.5 tonnes of fruit per hectare per annum increasing to a long term average of 10.5 tonnes per hectare per annum from 2023.
- The average price of water available to the orchard decreases from $250 per ML in the current year to a long term average of $170 per ML from 2023.
- The remaining capital costs required to complete the current replanting programme amounts to $1,861,630 and will be completed by 2021.

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%	579,967
	from 2023	if reduced to 2.5 %	(517,922)
2025 market rental	$4,000 per ha	If increased to $4,250	369,027
		If reduced to $3,750	(369,027)
Discount rate	11.5%	if increased to 12.5%	(1,350,441)
		if reduced to 10.5 %	1,731,767
Harvest yield	10.5 t per ha	if increased to 11.5 tonne per ha	248,127
	from 2023	if reduced to 9.5 tonne per ha	(248,127)
Price of water	$170 per ML	if increased to $190 per ML	(192,090)
	from 2023	if decreased to $150 per ML	192,090

The investment property has been pledged as security in support of the consolidated entities 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.

	Consolidated 2018 $	Consolidated 2017 $
14. TRADE AND OTHER PAYABLES		
Current		
Trade payables	1,588,645	1,824,650
Other payables and accruals	576,273	566,003
	2,164,918	2,390,653
15. PROVISIONS		
Liability for employee benefits	279,817	295,680
	279,817	295,680

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount of the provision of $279,817 (2017: $295,680) is presented as current since the group does not have an unconditional right to the defer settlement for any of these obligations. However, based upon past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The current leave obligations expected to be settled within the next 12 months is $37,314 (2017: $59,459).

16. LOANS AND BORROWINGS

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate risk, see Note 18.

	Consolidated 2018 $	Consolidated 2017 $
Current		
Hire purchase liabilities	122,899	76,566
Unsecured loan facilities	920,000	920,000
	1,042,899	996,566
Non-current		
Hire purchase liabilities	389,030	140,946
Secured bank facilities	2,205,000	2,205,000
Unsecured loan facilities	800,000	800,000
	3,394,030	3,145,946

16. LOANS AND BORROWINGS (CONTINUED)

Hire purchase facilities

The hire purchase liabilities are secured by the leased assets, as such in the event of default, the assets revert to the lessor. These assets are included in the categories of Plant and Equipment and Motor Vehicles.

Hire purchase liabilities of the consolidated entity are payable as follows:

	Consolidated			Consolidated		
	Minimum payments 2018	**Interest 2018**	**Principal 2018**	**Minimum payments 2017**	**Interest 2017**	**Principal 2017**
Less than one year	148,360	25,461	122,899	83,616	7,050	76,566
Between one and five years	423,613	34,583	389,030	147,585	6,639	140,946
Later than 5 years	-	-	-	-	-	-
	571,973	60,044	511,929	231,201	13,689	217,512

Terms of loans and borrowings

Secured loan facilities

The secured loan facilities bear an average weighted interest rate of 5.83% pa (2017: 5.78% pa). The above noted facilities comprise the following:

- Term loan facility of $2,205,000 (2017: $2,205,000), with a term to May 2020 with no principal reductions.
- As set out in note 27: Events subsequent to reporting date, this term loan facility was refinanced on 9 July 2018.

Unsecured loan facilities

The unsecured loan facilities bear the following interest rates:

$1,000,000	the greater of 7.5% or the 30 day bank bill swap reference rate plus 5%; and
$ 720,000	the greater of 8% or the 30 day bank bill swap reference rate plus 5%.

The current unsecured loan facilities include loans of $720,000 (2017: $720,000) from shareholders which matured in October 2012 and are continuing on a month by month basis until more formal arrangements are made.

Assets pledged as security

The finance facilities provided by the Commonwealth Bank of Australia comprise commercial bills, an overdraft facility and credit card facilities. These facilities are secured by:

- a first registered mortgage over rural property situated at Wytchitella Road, Boort, and;
- a first registered charge over the assets of all Australian subsidiaries.

	Consolidated	
	2018	2017
	$	$
17. ISSUED CAPITAL AND RESERVES		
Issued capital		
152,358,384 (2017: 152,358,384) fully paid ordinary shares	22,840,966	22,840,966

Movements in ordinary share capital

There have been no movements in share capital during the reporting period.
Ordinary shares have no par value.

Options

Options granted during the year

There were no options granted during the financial year. No options have been granted since the end of the financial year. No options were exercised during the year.

Unissued shares under option

The company had no options on issue as at 30 June 2018 (2017: nil).

	Consolidated	
	2018	2017
Reserves	$	$
Foreign currency translation reserve	259,784	259,784

Foreign currency translation reserve

This reserve is used to record the value of exchange differences arising on translation of the foreign controlled entities. There were no movements in the reserve during the year (2017: nil).

18. FINANCIAL INSTRUMENTS DISCLOSURE

Market risk

Exposure to foreign currency risk
The consolidated entity has no material exposure to foreign currency risk (2017: nil).

Price risk
The consolidated entity is not exposed to any significant price risk.

18. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Market risk (continued)

Interest rate risk

(a) Profile

At the reporting date the interest rate profile of the consolidated entity's interest bearing financial instruments was:

	Consolidated Carrying Amount			
	2018 Interest rate p.a.	2018 $	2017 Interest rate p.a.	2017 $
Fixed rate instruments				
Hire purchase liabilities	3.1% - 5.8%	511,929	3.1% - 5.8%	217,509
		511,929		217,509
Variable rate instruments				
Secured bank loans	5.95%	2,205,000	5.67%	2,205,000
Unsecured loans	(i) 7.71%	1,720,000	(i) 7.71%	1,720,000
Bank overdraft	9.31%	474,740	9.31%	492,874
		4,399,740		4,417,874
Interest free instruments				
Trade and other payables	-	2,164,918		2,390,653
		7,076,587		7,026,036

(i) Weighted Average

(b) Cash flow sensitivity for variable rate instruments

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value risk.

The consolidated entity's variable rate borrowings at reporting date amounted to $4,399,470 (2017: $4,417,874) are interest only loans. Monthly cash outlays of approximately $25,870 are required to service the interest payments on these variable rate borrowings. An increase / decrease in interest rates of 50 (2017: 50) basis points would have an adverse / favourable effect on profit before tax of $21,999 (2017: $22,089) per annum. The percentage change is based on the expected maximum change in interest rates over the next twelve months using market data and analysts forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The financial assets are:

	Consolidated Carrying Amount 2018 $	Consolidated Carrying Amount 2017 $
Cash and cash equivalents	197,570	192,100
Trade receivables	1,660,462	2,641,856
	1,858,032	2,833,956

18. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Credit risk (continued)

The consolidated entity has a credit risk exposure to the investors in the projects it manages who collectively, as at 30 June 2018, owed the consolidated entity $1,658,262 (99.9% of trade receivables) (2017: $2,390,088 (90.5% of trade receivables). These receivables arise from the management of the investors projects and lease fees for the orchard assets and primarily relate to the year ended 30 June 2018. The consolidated entity expects to collect $1,491,379 (2017: $2,217,272) of this amount by way of a deduction from the proceeds of the sale of the investors oil over the next twelve months. The balance of $166,883 (2017: 172,816) past due for more than 30 days includes amounts that relate to management and lease fees, due from project investors, which have resulted from insufficient project returns to enable growers to offset oil proceeds against the fees. Management anticipates that these projects will be restructured, which will result in the receivables being collected by way of deduction from future harvest proceeds or by way of equity in the restructured project.

Liquidity risk

Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities with the bank at the reporting date:

	2018		2017	
	Facility amount	**Unused portion**	**Facility amount**	**Unused portion**
Bank overdraft	500,000	25,260	500,000	7,126
Secured bank loans	2,205,000	-	2,205,000	-
	2,705,000	25,260	2,705,000	7,126

As set out in note 27: Events subsequent to reporting date, these financing arrangements with the bank were refinanced on 9 July 2018.

Contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position. Where the financial liability has a variable interest rate, the contractual payments are calculated using the weighted average interest rate for the past twelve months.

30 June 2018	**1 year or less**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Remaining contractual maturities**
Non-interest bearing				
Trade and other payables	2,164,918	-	-	2,164,918
Interest bearing – fixed rate				
Hire purchase liabilities	148,360	194,009	229,604	571,973
Interest bearing – variable rate				
Secured loans	131,087	2,325,317	-	2,456,404
Unsecured loans	1,052,600	260,000	690,000	2,002,600
Bank overdraft	474,740	-	-	474,740
	3,971,705	2,779,326	919,604	7,670,635

18. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Liquidity risk (continued)

30 June 2017	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Remaining contractual maturities
Non-interest bearing				
Trade and other payables	2,390,653	-	-	2,390,653
Interest bearing – fixed rate				
Hire purchase liabilities	83,616	48,305	99,280	231,201
Interest bearing – variable rate				
Secured loans	125,024	125,024	2,319,747	2,569,795
Unsecured loans	1,052,600	260,000	690,000	2,002,600
Bank overdraft	492,874	-	-	492,874
	4,144,767	433,329	3,109,027	7,687,123

Fair value of financial instruments

Fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows.

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

Fair value measurement

Details regarding fair value measurement of investment property are disclosed in Note 13.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair value.

19. COMMITMENTS

Operating lease commitments

	2018 $	2017 $
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	25,690	24,960
Later than one year but not later than five years	25,690	20,800
More than five years	-	-
	51,380	45,760

The consolidated entity leases office premises. The lease term is until June 2020 with an option to renew after that date.

Operating lease payments receivable

The consolidated entity also leases the investment property set out in note 13. A significant portion of the lease payments from this property are directly linked to the value of the agricultural production each year and as a consequence, the directors cannot measure the future receivables with reliable certainty.

These lease payments are included in the valuation model of the investment property as set out in note 13.

20. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 30 June 2018 was based on the loss attributable to ordinary shareholders of $852,707 (2017: profit of $442,641) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2018 of 152,358,384 (2017: 152,358,384). There are no potentially dilutive shares.

21. RELATED PARTY DISCLOSURES

(a) Controlled entities

The consolidated financial statements include the financial statements of Australian Agricultural Projects Limited and the subsidiaries listed in the following table:

	Country of Incorporation	Equity interest 2018	Equity interest 2017
AOX Pty Ltd	Australia	100%	100%
Australian Agricultural Investments Ltd	Australia	100%	100%
Victorian Olive Oil Project limited	Australia	100%	100%
Popeye Holdings Pty Ltd	Australia	100%	100%
Lanyons Paddock Pty Ltd	Australia	100%	100%
Terrapee Contractors Pty Ltd	Australia	100%	100%
Victorian Olive Processors Pty Ltd	Australia	100%	100%
EVOO Marketing Pty Ltd	Australia	100%	100%
Finest Food Import Corporation	USA	100%	100%
AAP Export Pty Ltd	Australia	100%	100%
Oilpack Australia Pty Ltd	Australia	100%	100%
Red Island Australian Food Corporation	USA	100%	100%

Investments in controlled entities are measured at cost.

(b) Ultimate parent

Australian Agricultural Projects Ltd is the ultimate parent of the consolidated entity.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid and related party transactions are included in Note 22.

(d) Key transactions with related parties

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.

			Transactions value year ended 30 June		Balance outstanding as at 30 June	
	Transaction	Note	2018 $	2017 $	2018 $	2017 $
Scheme						
Victorian Olive Oil Project	Lease fees	(i)	678,858	666,200	794,806	809,796
	Management fees	(ii)	446,494	746,687	351,728	773,100
Victorian Olive Oil Project II	Lease fees as part of production sharing	(i)	118,094	182,719	116,764	180,788
	Management fees as part of production sharing	(ii)	165,331	255,806	314,537	428,220
	Oil purchased	(iii)	-	-	(667,346)	(703,455)

21. RELATED PARTY DISCLOSURES (cont'd)

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) The consolidated entity sells the oil produced by the investors in the managed investment schemes on their behalf. At reporting date, the balance outstanding is the amount of proceeds received by the consolidated entity that has still to be paid to the investors.

(e) Loans from director related parties

The Company has entered into shareholder loan agreements with entities associated with Mr P Grimsey ($339,000) and Mr P Challis ($1,127,000). These loans are unsecured. The interest rate for the $1,000,000 loan with Mr Challis is the greater of 7.5% or the 30 day bank bill swap reference rate plus 5%. The remaining loans have an interest rate being the greater of 8% or the 30 day bank bill swap reference rate plus 5%. The maturity profile of these loans is as follows:

	Carrying amount	At call	1 year or less	2-5 years
Mr P Grimsey	339,000	-	339,000	-
Mr P Challis	1,127,000	200,000	327,000	600,000
	1,466,000	200,000	666,000	600,000

22. KEY MANAGEMENT PERSONNEL

Details of key management personnel

The following were key management personnel of the consolidated entity at any time during the year and unless otherwise indicated were key management personnel for the entire year:

- Mr P Challis (Managing Director)
- Mr P Grimsey (Non-Executive Director)
- Mr A Ho (Non-Executive Director)
- Mr K Hogg (Company Secretary)

Key management personnel compensation

	Consolidated	
	2018 $	2017 $
Short-term employee benefits	152,000	152,000
Post-employment benefits	13,300	13,300
Long term benefits	2,741	2,743
	168,041	168,043

The Company has entered into loan agreements with entities related to Mr P Grimsey and Mr P Challis. Details of these loans are set out in Note 21(e).

Detailed remuneration disclosures are provided in the Remuneration Report on pages 10 to 16.

23. SEGMENT INFORMATION

Business segments

Identification of reportable operating segments

The company only operates in one segment, being the management of olive groves located in Boort, Victoria, including those managed investment schemes that lease the orchard assets from the consolidated entity. The company utilised its assets to provide harvest and processing services to external parties during the year deriving $6,480 (2017: $310,880) of revenue.

24. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

	2018 $	2017 $
Cash flows from operating activities		
(Loss) / Profit for the year	(852,707)	442,641
Adjustments for:		
Revaluation of investment property	74,003	(216,075)
Depreciation	286,908	284,315
Profit on sale of assets	(4,646)	-
Change in trade and other receivables	981,394	247,597
Change in inventories	165,614	62,222
Change in other assets	60,933	(30,774)
Change in provisions and employee benefits	(15,863)	(464,423)
Change in trade and other payables	(225,735)	8,519
Net cash provided by operating activities	469,901	334,022

25. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Australian Agricultural Projects Limited as at 30 June 2018. The information presented has been prepared using accounting policies as disclosed in Note 1.

Statement of financial position

	Company 2018 $	Company 2017 $
Current Assets	971,929	922,127
Non Current Assets	6,528,543	7,219,492
TOTAL ASSETS	7,500,742	8,141,619
Current Liabilities	4,035,152	4,084,875
Non Current Liabilities	800,000	800,000
TOTAL LIABILITIES	4,835,152	4,884,875
NET ASSETS	**2,665,321**	**3,256,744**
EQUITY		
Contributed equity	22,840,966	22,840,966
Accumulated losses	(20,175,645)	(19,584,222)
TOTAL EQUITY	**2,665,321**	**3,256,744**
Comprehensive income of parent entity	(591,423)	272,177

26. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has given a bank guarantee as at 30 June 2018 of $60,000 (2017: $60,000) in support of lease obligations.

The Company has undertaken a commitment to replant a portion of the olive trees on the investment property. The commitment for the twelve months to 30 June 2019 has been budgeted at $1,189,630. The balance of the replanting costs post 30 June 2019 are estimated at $672,000. These amounts have been incorporated in the determination of the investment property value as set out in note 13: Investment property.

Other than the above, the Company does not have any capital commitments or contingent liabilities at balance and reporting dates.

27. EVENTS SUBSEQUENT TO REPORTING DATE

On 9 July 2018 Company settled new finance facilities with its bank, the details of which are:

Term loan facility

Purpose:	Redevelopment of olive trees
Limit:	$3,600,000
Term:	3 years from the date of funding
Interest Rate:	5% (indicative at time of settlement)
Repayment arrangements:	Interest only payments for three years, residual balance $3,600,000

Conditions post funding:

- Funds to be released against expenditure on replanting trees
- The banks prior written consent is required prior to any payment or provisioning of dividends
- Net sum of directors, shareholders and related party loans will not be less than $1,466,000
- The Company to provide a compliance certificate within 35 days of each twelve month period ending 30 June year
- The Company will obtain a valuation of the property on those occasions when the bank considers that the circumstances render it reasonable to do so.

Overdraft facility

Purpose:	To support operating cashflow
Limit:	$500,000
Interest Rate:	9.31%

Conditions post funding

- The banks prior written consent is required prior to any payment or provisioning of dividends
- Net sum of directors, shareholders and related party loans will not be less than $1,466,000
- The Company to provide a compliance certificate within 35 days of each twelve month period ending 30 June year
- The Company will obtain a valuation of the property on those occasions when the bank considers that the circumstances render it reasonable to do so.

Other than the above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' DECLARATION

The directors of the Company declare that:

- the attached financial statements and notes as set out on pages 17 to 47 comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Dated at Melbourne, Victoria this 25th day of September 2018.

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Paul Challis
Managing Director

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INDEPENDENT AUDITOR'S REPORT

To the members of Australian Agricultural Projects Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Agricultural Projects Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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.

Investment Property

Key audit matter	*How the matter was addressed in our audit*
Accounting for investment property Refer note 13 At 30 June 2018 the Group held investment property valued at $9.045m. It consists of land, trees and orchard assets held to earn lease fees. Fair value is determined by discounting the cash flows of expected future net income streams over the remaining 32-year term of the lease (including lease term extension option).	Our procedures, amongst others, included: • Challenging management's assumptions and estimates used to determine the value of the investment property, including those relating to forecast revenue, costs, capital expenditure and discount rate and corroborating the key market related assumptions to external data. • Assessing the fair value against valuation reports prepared for the bank in respect of new bank facilities. • Checking the mathematical accuracy of the cash flow model and agreeing relevant data to the latest budgets. • Assessing the historical accuracy of managements forecasting. • Performing a sensitivity analysis on the key financial assumptions, being revenue forecasts, the price of water and the discount rate applied. • Assessing the adequacy of the disclosures in the financial statements in respect of the key assumptions adopted in the model.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Australian Agricultural Projects Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

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

BDO East Coast Partnership

BDO

Richard Dean
Partner

Melbourne, 25 September 2018

SHAREHOLDER INFORMATION

Details of shares as at 17 September 2018:

Top holders

The 20 largest holders of each class of quoted security as at 17 September 2018 were:

Fully paid ordinary shares

Name	No. of Shares	%
Grimfam Holdings Pty Ltd <Grimsey Family A/C>	16,785,243	11.02
Mr Phillip John Grimsey & Mrs Deborah Faye Grimsey <The Grimsey Super Fund A/C>	16,478,342	10.82
Bond Street Custodians Limited <GFSOFF – D42134 A/C)	12,473,845	8.19
Patrac Holdings Pty Ltd <The Challis Family A/C>	12,473,845	8.19
Bliss on Banksia Hairdressing Pty Ltd <The Stefanest Egg Super Fund A/C>	11,770,358	7.73
Citicorp Nominees Pty Limited	6,568,710	4.31
Petto Holdings Pty Ltd	6,236,923	4.09
Caroline House Superannuation Fund Pty Ltd <The Caroline House S/F A/C>	5,743,166	3.77
Ms Linlin Li	5,601,214	3.68
Mr Robert Brydon Rudd	4,002,515	2.63
Mrs Serng Yee Liew	3,805,000	2.50
Petto Holdings Pty Ltd <The Pettofrezza Family A/C>	3,295,745	2.16
Beaver Super Pty Ltd <The Beaver S/F A/C>	3,225,413	2.12
Woodduck Pty Limited	3,000,000	1.97
Mr Paul Pettofrezza + Mrs Carmela Pettofrezza <Pettofrezza Ret Fund A/C>	2,941,177	1.93
Mr Patrick Joseph Frayne	2,040,000	1.34
Mr Anthony Ho	2,000,001	1.31
Ms Maria Liouros + Ms Franca Bortolotti + Mr Con Panayotopoulos <Super Fund A/C>	1,900,000	1.05
Est Mr Trevor Neil Hay	1,772,500	1.16
Bluedale Pty Ltd <Comb Super Fund A/C>	1,500,000	0.98
	117,649,113	77.22

Distribution schedule

A distribution schedule of each class of equity security as at 17 September 2018:

Fully paid ordinary shares

Range	Holders	Units	%
1 - 1,000	15	2,934	0.00
1,001 - 5,000	46	142,327	0.09
5,001 - 10,000	101	970,230	0.64
10,001 - 100,000	131	5,954,811	3.91
100,001 - Over	82	145,288,082	95.36
Total	375	152,358,384	100.00

SHAREHOLDER INFORMATION

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial shareholder	Number of Shares
Grimsey Group	33,263,585
Bond Street Custodians Limited <GFSOFF – D42134 A/C>	12,473,845
Patrac Holdings Pty Ltd <The Challis Family A/C>	12,473,845
Bliss on Banksia Hairdressing Pty Ltd	11,770,358

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 20,000 as at 17 September 2018):

Holders	Units
182	1,426,830

Voting Rights

The voting rights attaching to ordinary shares are:

- On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.