Australian Agricultural Projects Ltd

ABN 19 104 555 455

FINANCIAL REPORT

for the year ended 30 June 2019

CORPORATE DIRECTORY

Directors

Mr Paul Robert Challis – Managing Director
Mr Anthony Ho – Non-Executive Director
Mr Daniel Stefanetti – 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

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MANAGING DIRECTOR'S REVIEW

25 September 2019

Dear Shareholders,

The Company was pleased with this year's harvest of 644,300 litres which was a strong result given that around only 60% of the orchard is fully productive with the rest being part of the replanting programme. The benefits of the harvest were offset by unexpectedly high water costs and the overall result for the year was a loss of $328,705 and after revaluation of olive trees, a comprehensive loss of $93,972.

Operating cash flows for year were weak as expected due to the poor harvest in the previous year and the additional outlay required to acquire water. The expectation is that the operating cashflows for the year will be improved with a stronger harvest result. The cost of water remains high although the Company continues to hold the view that this will decrease over the medium term.

The second tranche of the replanting programme was completed during the year. It is expected that the benefits of this project will begin to flow in 2021 with the initial harvest from the first tranche and the benefits will continue to grow until the replanted areas reach maturity. The final tranche of the replanting programme is targeted for 2021 although some preparatory work will be completed this year.

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

The Company is also reviewing its current funding structures with the objective of establishing more appropriate financing strategies having regard to its positive business outlook.

In addition to the immediate focus of the Company on the replanting of the orchard to improve shareholder value, the Company is continuing to review investment opportunities to diversify the operations of the business. The Company will focus its review in the agribusiness sector in which the Company's management has considerable experience.

The Company continues to rely on a small team who manage the orchard and produce cost effective results. The Directors wish to record their appreciation of their ongoing efforts.

Sadly, suddenly and unexpectedly, Non-Executive Director Phillip Grimsey recently passed away. We take this opportunity to recognise the contribution Phillip made to the Company's development and his support for the project structure which is at the core of the Company's operations. His focus on the long term benefits for investors in the Company and the projects we manage ensured the ongoing operation of the business through a period which had brought many challenges.

We welcome Mr Daniel Stefanetti to our Board and look forward to his contribution as a non-executive director.

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 2019 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 – Ceased 19 September 2019

Mr Grimsey passed away on 19 September 2019, having been a Director of the Company for more than 12 years.. He was 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 had been actively involved in the development, structuring and marketing of the financial services provided by Grimsey's and had a deep commercial understanding of the projects the Company operates.

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 the ASX.

Mr Daniel Stefanetti
Non-Executive Director – Appointed 26 September 2019

Mr Stefanetti graduated in 1998 with a Bachelor of Business from RMIT. He qualified as a Certified Financial Planner in 2006 and is a principal of Grimsey Wealth with over 20 years' experience in providing financial services and supervises their investment team. Daniel is a director of a number of unlisted public and proprietary companies. He is a significant shareholder.

COMPANY SECRETARY

Mr Kim Hogg
Company Secretary – Appointed 18 November 2003

Mr Hogg has worked in the private sector for more than 25 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
	Mustera Property Group Limited	2014	Present
Mr D Stefanetti	Nil	-	-

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
Mr P Challis	12,473,845
Mr A Ho	2,000,001
Mr D Stefanetti	12,274,867

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:

	Board Meetings		Nomination and Remuneration Committee Meetings		Audit and Risk Committee Meetings	
Director	Held	Attended	Held	Attended	Held	Attended
Mr P Challis	3	3	N/A	N/A	N/A	N/A
Mr P Grimsey	3	3	1	1	1	1
Mr A Ho	3	3	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 A Ho (Chairman)	Mr A Ho (Chairman)
Mr P Grimsey (ceased 19 September 2019)	Mr P Grimsey (ceased 19 September 2019)
Mr D Stefanetti (appointed 26 September 2019)	Mr D Stefanetti (appointed 26 September 2019)

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

Trading result

The Company advises that the trading result for the year ended 30 June 2019 was a loss of $328,705 and after revaluation of bearer plants (olive trees) a comprehensive loss of $93,972 (2018: loss of $778,704), a result which was in line with management's expectations having regard to the increased cost of water. The key components of this result are:

- A harvest of 644,300 litres (2018: 429,300 litres) from the orchards at Boort resulting in management and lease fees of $2,454,152 (2018: $1,654,827). This was a pleasing harvest result being around 50% greater than the previous year although we continue to note that total harvest continues to be below recent years due to the reduced productive area during the replanting programme.
- Total water costs amounted to $518,347 compared with $149,750 in the previous year reflecting the abnormally high cost of water over the past season;
- Total funding costs of $359,567, the slight increase reflecting the borrowings used to fund the replanting programme; and
- An upward revaluation of the orchard assets (trees) of $234,736.

Trading result (continued)

In the financial statements, we have separated the olive tree portion of the orchard asset (land and trees) from the land and now report on the two assets separately. The consequence of this change is that movements in the value of the olive trees now appear in the Statement of Profit and Loss as Other Comprehensive Income. In addition, the orchard asset is now separated into Bearer Plants (the biological asset or trees) and Investment Property (the land) on the balance sheet. There has been no change in the operation of the business.

To allow a comparison of the financial result with the annual harvest from recent years, we summarise the financial performance in the table below. The reducing harvest volumes over recent years caused by the deteriorating barnea trees and the correlation with EBITD clearly illustrates the rationale for the replanting programme which is now 75% complete.

	2019	2018	2017	2016	2015
Harvest volume	Litres	Litres	Litres	Litres	Litres
VOOP	320,500	252,400	409,600	493,400	505,800
VOOP II	155,200	96,300	160,700	210,700	208,000
Peppercorn	168,600	80,600	140,100	141,800	237,900
Total harvest (litres)	644,300	429,300	710,400	845,900	951,700
	$	$	$	$	$
EBITDA attributable to AAP	283,197	(160,226)	823,931	819,599	1,400,654
Depreciation	(252,338)	(286,908)	(284,315)	(275,096)	(283,940)
Interest	(359,567)	(331,570)	(313,050)	(352,864)	(386,501)
Revaluations/other add backs	234,736	(74,003)	216,075	189,318	(161,933)
Tax	-	-	-	-	-
Total Comprehensive (Loss) / Income to AAP	(93,972)	(852,707)	442,641	380,957	568,280

Cash flows

The Company's net cash flows from operations this year amounted to a deficit of $753,682 (2018: surplus $469,902) reflecting the impact of the poor 2018 harvest which had the effect of reducing cash receipts by $1,300,287 from the previous year. In addition, total water costs were $368,597 greater than the previous year although this cost was offset by savings of a similar amount in orchard operations.

Borrowings increased by a total of $1,874,161 which included the drawdown of the balance of the term loan facility with the Company's bankers to its limit of $3,600,000 along with a short term loan facility of $475,000 following the 2019 harvest.

The olive orchards

Operations

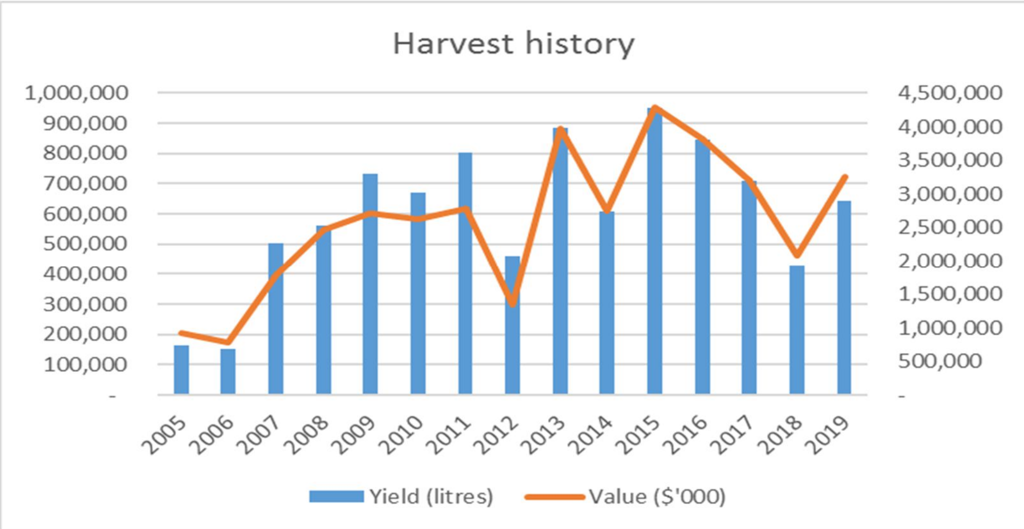
Orchard operations over the past twelve months were focused on the replanting of over 100,000 trees which is detailed below in the section titled *Replanting programme*. Separate to this, the balance of the orchard is in good health and the trees are recovering well from the harvest.

The aim of the management team at the orchard continues to be a low cost producer of quality extra virgin olive oil. This is achieved by performing as much of the orchard maintenance, harvesting and processing in house and not relying upon contractors unless specialist skills or equipment is required. Contract labour is used as necessary for the few labour intensive tasks at the orchard. This approach will ensure that as the newly planted trees commence yielding, the cost per litre of oil produced will again return to a level where the Company will generate meaningful gross profits.

Harvest

The Company completed the 2019 harvest and is pleased with the of 644,300 litres being at the high end of management's expectations. Despite the result reflecting an "on" year at the orchard, the total harvest was at historically low levels due to the large portion of the orchard currently being unproductive as a consequence of the deteriorating barnea trees and the replanting programme.

The following graph summarises the total harvests from the orchards since inception. The impact of the deterioration of the barnea trees which initiated the replanting programme is apparent from 2015 onwards.



Sampling of the 2019 oils produced confirm the oil is all of extra virgin quality and all of the oil produced will be offered to Boundary Bend Limited under the Olive Oil Supply Agreement in support of their retail brands in Australia.

Orchard management's outlook for the 2020 harvest is that it will be between the last two harvests (between 429,000 litres and 644,000 litres) reflecting the biennial nature of the crop. They note that this result will depend to some degree on general climatic and growing conditions. The Company will continue to report each significant event such as flowering and fruit set as well as indicators of oil accumulation.

Water

The price of irrigation water to the orchard during the year was much greater than expected and we incurred approximately $300,000 more cost than was budgeted. Despite there being a 100% water allocation in our region, spot water prices reached as high as $580 per ML with an average price over the season of $430. This compares with average prices of $114 in 2018 and $65 in 2017. Some of the factors that influenced this price increase were:

- The extended dry conditions in NSW put upward pressure on prices as water was moved from our GMW district to those in the Lower Murray;
- A change in the normal supply and demand conditions in the local market as large water speculators entered the market; and
- Long term forecasts of milder than average weather as a consequence of a likely *la Nina* event.

Management's long term view is that the spot price for water will continue to reduce over the medium term and return to levels close to long term averages. This view is supported in the current pricing of multi year leases assuming near full water allocations over the same period.

Furthermore, with the reduction in the number of mature trees at the orchard as a consequence of the replanting programme, management anticipates the demand for water on the property over the next few years will be less than in the past. Accordingly, in combination with a lower price, the Company does not consider access to water and total water expenditure to be a material longer term risk although it will be closely monitored in the shorter term as some volatility is expected.

Pricing

The Company continues with the strategy of supplying all of the oil it produces to Boundary Bend under the Olive Oil Supply Agreement in support of the Cobram Estate and Redisland brands; the two largest selling retail brands of Australian extra virgin olive oil. The 2019 year was the first year that the pricing of the oil sold was determined under the variable farm gate formula which saw an increase in the sale price this year of 12% over the previously fixed price.

The final price the Company receives is a percentage of Boundary Bend's farm gate price determined by a formula that takes into account packaging, marketing and selling expenses to Australian retailers. Consequently, the final price is subject to volatility in the retail space including competition from other brands, bulk prices of oil (both locally and globally), exchange rates and the marketing strategies of major retailers. The impact of the pricing mechanism is in effect a proxy for the Company operating its own brand.

For the volume of oil the Company has available to sell, management remains confident that this pricing mechanism is the best way of ensuring all of the oil is sold in a segment of the market that we consider offers the best return.

Replanting programme

As previously reported, the second tranche of the replanting programme was completed in March of this year. This saw a total of 104,000 arbequina and arbosana trees planted comprising 97,000 trees on the orchards owned by the Company and a further 7,000 on the orchard that the Company manages for a third party.

These trees were planted at a density of 1,000 trees per hectare on a 5 meter by 2 meter spacing; this compares with 333 trees per hectare on the original plantings. One benefit of this greater density is that the orchard is expected to be more productive in the earlier years and that maturity yields will be reached in 5 to 6 years rather than 8 years on the lower density format. This contention is supported by the first trees planted at this density in 2018 (shown in the accompanying picture) which have grown strongly and give every indication of producing commercial yields in 2021, three years after planting.

Preparations for the third and final tranche of 52 hectares has now commenced with the existing trees having been removed – unfortunately, these barnea trees had deteriorated to such an extent that it was expected that any future harvest would be less than the cost of management and harvest. Current plans have these trees being replaced in March 2021.

Looking forward

The expectation is that future harvest yields will continue to improve as the newly planted trees enter production with increased revenue without significant additional management costs.

In addition to the immediate focus of the Company on the replanting of the orchard to improve shareholder value, the Company is continuing to review investment opportunities to diversify the operations of the business. The Company will focus its review in the agribusiness sector in which the Company's management has considerable experience.

The Company is also reviewing its current funding structures with the objective of establishing more appropriate financing strategies having regard to its positive business outlook.

Appreciation

The Company continues to rely on a small team who manage the orchard and produce cost effective results. The Directors take this opportunity to record their appreciation of their ongoing efforts.

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 $328,708 (2018: $775,704) 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

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 as outlined 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 2019.

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 26th day of September 2019.

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 2019, 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, 26 September 2019

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 (ceased 19 September 2019)	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. No advice was sought in the past year.

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 are as follows:

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

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:

	2019	Restated 2018	Restated 2017	2016	2015
Comprehensive Profit/(loss) for the year	$(328,708)	$(778,704)	$226,566	$380,957	$568,280
Dividends paid	Nil	Nil	Nil	Nil	Nil
Change in share price	(1.0) cents	(0.9) cents	0.9 cents	1.4 cents	0.1 cents
Share price at beginning of the period	2.5 cents	3.4 cents	2.5 cents	1.1 cents	1.0 cents
Share price at end of the period	1.5 cents	2.5 cents	3.4 cents	2.5 cents	1.1 cents
Earnings per share	(0.22) cents	(0.51) cents	0.15 cents	0.25 cents	0.37 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 (2018: 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 2018 ANNUAL GENERAL MEETING

The Remuneration Report for the 2018 financial year received unanimous shareholder support at the 2018 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 that is performance related %
Directors									
Non-executive									
Mr P Grimsey	2019	-	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-	-
Mr A Ho	2019	12,000	-	-	-	-	12,000	-	-
	2018	12,000	-	-	-	-	12,000	-	-
Executive									
Mr P Challis	2019	140,000	-	4,114	13,300	-	157,414	-	-
	2018	140,000	-	2,741	13,300	-	156,041	-	-
Total, all directors	**2019**	**152,000**	**-**	**4,114**	**13,300**	**-**	**169,414**	**-**	**-**
	2018	**152,000**	**-**	**2,741**	**13,300**	**-**	**168,041**	**-**	**-**

		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 that is performance related %
Other key management personnel									
Consolidated									
Mr K Hogg	2019	-	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-	-
Total, all key management personnel	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total, all directors and key management personnel	**2019**	**152,000**	**-**	**4,114**	**13,300**	**-**	**169,414**	**-**	**-**
	2018	**152,000**	**-**	**2,741**	**13,300**	**-**	**168,041**	**-**	**-**

* Long term benefits relate to the change in annual leave and 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 (2018: also nil).

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

	Held at 1 July 2018	Purchases	Received on exercise of options	Other changes	Held at 30 June 2019
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 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

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:

	Transaction	Note	Transactions value year ended 30 June 2019 $	Transactions value year ended 30 June 2018 $	Balance outstanding as at 30 June 2019 $	Balance outstanding as at 30 June 2018 $
Directors						
Mr A Ho	Secretarial and accounting fees	(i)	-	-	(13,689)	(43,414)
Mr P Grimsey and Mr P Challis	Management fees	(ii)	434,037	197,775	-	-
	Shareholder Loans	(iii)	-	-	(1,466,000)	(1,466,000)
	Interest paid on loans	(iv)	112,280	112,280	(86,050)	(103,106)

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 2019.
(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 2019 (2018: 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 2019 (2018: nil).

At 30 June 2019 there were no options 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 2019

	Note	2019 $	Restated 2018 $
Revenue	3	2,454,152	1,654,827
Cost of sales		(1,863,632)	(1,548,538)
Gross profit		590,520	106,289
Other income	4	105	5,032
Corporate and administrative expenses		(307,428)	(271,547)
Depreciation and amortisation		(252,338)	(286,908)
Borrowing costs		(359,567)	(331,570)
Loss before income tax		**(328,708)**	**(778,704)**
Income tax expense	7	-	-
Loss after income tax		**(328,708)**	**(778,704)**
Other Comprehensive Income			
Revaluation of bearer plants	13	234,736	(74,003)
Total Comprehensive Income attributable to the members of Australian Agricultural Projects Limited		**(93,972)**	**(852,707)**
Basic earnings per share (cents)	22	(0.22)	(0.51)
Diluted earnings per share (cents)	22	(0.22)	(0.51)

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 2019

	Note	2019 $	Restated 2018 $	Restated 1 July 2017 $
CURRENT ASSETS				
Cash and cash equivalents	8	156,446	197,570	192,100
Trade and other receivables	9	2,290,915	1,660,462	2,641,856
Inventories	10	267,057	129,514	295,128
Prepayments	11	18,355	37,124	98,057
Total Current Assets		2,732,773	2,024,670	3,227,141
NON-CURRENT ASSETS				
Property, plant & equipment	12	1,194,481	1,317,602	1,188,314
Bearer plants	13	8,778,853	7,491,171	7,236,010
Investment property	14	1,553,550	1,553,550	1,553,550
Total Non-Current Assets		11,526,884	10,362,323	9,977,874
TOTAL ASSETS		14,259,657	12,386,993	13,205,015
CURRENT LIABILITIES				
Bank overdraft	8	495,300	474,740	492,874
Trade and other payables	15	2,214,867	2,164,918	2,390,653
Provisions	16	301,783	279,817	295,680
Loans and borrowings	17	1,596,952	1,042,899	996,566
Total Current Liabilities		4,608,902	3,962,374	4,175,773
NON-CURRENT LIABILITIES				
Loans and borrowings	17	4,714,138	3,394,030	3,145,946
Total Non-Current Liabilities		4,714,138	3,394,030	3,145,946
TOTAL LIABILITIES		9,323,040	7,356,404	7,321,719
NET ASSETS		**4,936,617**	**5,030,589**	**5,883,296**
EQUITY				
Issued capital	18	22,840,966	22,840,966	22,840,966
Reserves	19	636,592	401,856	475,859
Accumulated losses		(18,540,941)	(18,212,233)	(17,433,529)
TOTAL EQUITY		**4,936,617**	**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 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Cash receipts in the course of operations		2,204,478	3,504,765
Cash payments in the course of operations		(2,622,131)	(2,672,384)
Interest received		105	227
Interest paid		(336,134)	(362,707)
Net cash (used in) / provided by operating activities	26	(753,682)	469,901
Cash flows from investing activities			
Payments for property, plant and equipment		(129,217)	(416,196)
Improvements bearer plants		(1,052,946)	(329,164)
Proceeds from sale of property, plant and equipment		-	4,646
Net cash used in investing activities		(1,182,163)	(740,714)
Cash flows from financing activities			
Proceeds from loan facilities		1,870,000	-
Proceeds from hire purchase facilities		140,052	428,500
Repayment of hire purchase liabilities		(135,891)	(134,083)
Net cash provided by financing activities		1,874,161	294,417
Net (decrease) / increase in cash and cash equivalents		(61,684)	23,604
Cash and cash equivalents at the beginning of the year		(277,170)	(300,774)
Cash and cash equivalents at the end of the year	8	**(338,854)**	**(277,170)**

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 2019

	Issued capital $	Reserves $	Accumulated losses $	Total $
		(Note 19)		
Balance as at 1 July 2017	**22,840,966**	**259,784**	**(17,217,454)**	**5,883,296**
Restatement due to correction of error (Note 1)	-	216,075	(216,075)	-
Balance as at 1 July 2017 - restated	**22,840,966**	**475,859**	**(17,433,529)**	**5,883,296**
Loss for the year after income tax	-	-	(778,704)	(778,704)
Other comprehensive loss for the year	-	(74,003)	-	(74,003)
Total comprehensive loss for the year	-	(74,003)	(778,704)	(852,707)
Balance as at 30 June 2018	**22,840,966**	**401,856**	**(18,212,233)**	**5,030,589**
Balance as at 1 July 2018	**22,840,966**	**401,856**	**(18,212,233)**	**5,030,589**
Loss for the year after income tax	-	-	(328,708)	(328,708)
Other comprehensive income for the year	-	234,736	-	234,736
Total comprehensive loss for the year	-	234,736	(328,708)	(93,972)
Balance as at 30 June 2019	**22,840,966**	**636,592**	**(18,540,941)**	**4,936,617**

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 2019 was authorised for issue in accordance with a resolution of the directors on 26th September 2019.

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 27.

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.

Going Concern

The financial report has been prepared on the basis of a going concern as the Directors contemplate the consolidated entity will continue with normal business activities, the realisation of assets and liabilities in the normal course of business and 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 forecast profitability and cashflows of the consolidated entity are especially sensitive to many influences outside of its control such as the expected annual harvest, growing conditions, movements in the price and supply of water and the effective farm gate price of oil sold. This sensitivity has been intensified as a consequence of the increase in Company borrowings in order to fund the replanting programme. These conditions create a material uncertainty that may cast significant doubt upon the consolidated entity's profitability and cashflows during and beyond the twelve month forecast period and therefore its ability to continue as a going concern.

The Company's longer term projection of profitability and cashflows indicate that the sensitivity to these influences will be significantly reduced once the benefits of the replanting programme are confirmed by increased annual harvests

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 – Bearer Plants
(c) Note 14 – investment Property

Adoption of new and revised accounting standards

The consolidated entity has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The adoption of these standards has not had any financial impact.

Revised accounting policies in respect of financial instruments and revenue recognition are as follows:

- AASB 9 *Financial Instruments*, and
- AASB 15 *Revenue from Contracts with Customers*.

The adoption of these standards and the respective accounting policies are disclosed below:

- **AASB 9 Financial Instruments**

In the current year, the consolidated entity has applied AASB 9 *Financial* which has come into effect for the consolidated entity on 1 July 2018. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 resulted in the following amendment to the accounting policy for trade receivables

Trade and other receivables

Trade receivables are amounts due from customers for goods or services provided or lease fees earned in the ordinary course of business. They are generally due for settlement from the proceeds of sale of the olive oil produced during the period to which the services and lease fees relate and this date is generally within twelve months of balance date. They are therefore classified as current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using 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. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available which has been adopted with no impact.

Management has assessed the classification and valuation of existing financial assets and liabilities and concluded that the consolidated entity’s accounting treatment is in line with the requirements of AASB 9 and the amended accounting policy for Trade receivables.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised accounting standards (continued)

- **AASB 15 Revenue from Contracts with Customers**

In the current year, the consolidated entity has applied AASB 15 *Revenue from Contracts with Customers* which has come into effect for the consolidated entity from 1 July 2018. AASB 15 establishes a comprehensive framework determining the timing and quantum of when revenue is recognised. It replaces AASB 118 Revenue. The core principal of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer.

Previously, the consolidated entity recognised revenue from the sale of goods when the risks and rewards transfer to the customer and when the quantity and value of the goods was fixed and, generally, when title had passed. In comparison, under the new standard, revenue from the sale of goods is recognised when it is highly probable that a significant reversal of revenue will not occur.

The consolidated entity has amended its policy for the recognition of revenue from the sale of goods to:

Sale of goods

Revenue from the sale of goods is recognised on a one time basis when the control of the goods passes to the customer and the price can be reliably determined so that there will not be a significant reduction in the future.

Management has reviewed each of the consolidated entity's revenue streams and confirmed that the current method of recognising income, which includes a process for determining the volume and value of oil produced where the revenue stream is determined by the subsequent proceeds of the sale of that oil, meets the requirements of AASB15.

The Directors believe adopting AASB 15 has had no impact on the revenue recognised by the consolidated entity.

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.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 are amounts due from customers for goods or services provided or lease fees earned in the ordinary course of business. They are generally due for settlement from the proceeds of sale of the olive oil produced during the period to which the services and lease fees relate and this date is generally within twelve months of balance date. They are therefore classified as current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

Bearer Plants

Bearer plants comprising of mature and immature olive trees in the olive groves are measured initially at cost. Costs associated with young trees will be capitalised in two years following the planting of the tree. Subsequent to initial recognition, the bearer plants are recognised at fair value which is based on the discounted cash flows of expected future income streams, adjusted for any difference in the nature, location or condition of the specific asset at the reporting date.

Increases in the carrying amounts arising on revaluation of bearer plants are recognised in other comprehensive income and credited to other reserves in shareholders' equity. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to profit or loss.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, investment properties are stated at fair value, which is based on a valuation report received from an expert. 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.

Impairment

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

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 on a one time basis when the control of the goods passes to the customer and the price can be reliably determined so that there will not be a significant reduction in the future.

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. This information includes a calculation of the volume of oil available for sale after the harvest and an estimate of the weighted average per litre farm gate price expected over the next twelve months as advised by customer. Payment is received over the following ten months.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2019. 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 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AASB 16: Leases (continued)

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 $26,460 that relate to the lease of office premises, 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 2019 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.
Bearer plants

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

Investment Property

The fair value of the investment property is based on the directors assessment of the value of the property having reference to tri annual independent valuations of the investment property.

Prior period error

Management of Australian Agricultural Projects Limited, while preparing financial statements of the company for the period ended 30 June 2019, identified that their current accounting policy for investment property was not in compliance with AASB 140 Investments Properties due to Bearer Plant assets being included within the value of the investment property instead of being separately valued.

The Group holds land on which olive trees are grown. Olive trees are bearer plants and are specifically excluded from being recognised in investment property under AASB 140 Paragraph 2. Therefore, management has split out the bearer plants (the olive trees) from the land. The land and olive trees are leased to investors through managed investment schemes. These leases are both considered operating leases. The bearer plants have been separately recognised from the investment property and any gain or loss from fair value revaluations of this asset have been reclassified to the revaluation reserve. Refer to Bearer Plants later in this Note 1 for the entities accounting policy in regards to the measurement of the bearer plants. The land continues to be recognised as investment property at fair value.

The error in applying the policy in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements. Consequently, the Group has adjusted all comparative amounts presented in the current period's financial statements affected by the accounting error.

The changes in the comparative year are to split the value of the investment property by recognising a biological asset, restate the fair value of investment property to represent the land, recognise the revaluation to fair value of the bearer plants to other comprehensive income, recognise a revaluation reserve and adjust retained earnings.

Financial statement extracts of Australian Agricultural Projects Limited would appear as follows after the retrospective correction of the prior period accounting error.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior period error (continued)

EXTRACT OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 1 JULY 2017

	1 July 2017 $	Effect of restatement $	1 July 2017 Restated $
NON-CURRENT ASSETS			
Property, plant & equipment	1,188,314	-	1,188,314
Bearer plants	-	7,236,010	7,236,010
Investment property	8,789,560	(7,236,010)	1,553,550
Total Non-Current Assets	9,977,874	-	9,977,874
EQUITY			
Issued capital	22,840,966	-	22,840,966
Reserves	259,784	216,075	475,859
Accumulated losses	(17,217,454)	(216,075)	(17,433,529)
TOTAL EQUITY	**5,883,296**	**-**	**5,883,296**

EXTRACT OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	30 June 2018 $	Effect of restatement $	30 June 2018 Restated $
NON-CURRENT ASSETS			
Property, plant & equipment	1,317,602	-	1,317,602
Bearer plants	-	7,491,171	7,491,171
Investment property	9,044,721	(7,491,171)	1,553,550
Total Non-Current Assets	10,362,323	-	10,362,323
EQUITY			
Issued capital	22,840,966	-	22,840,966
Reserves	259,784	142,072	401,856
Accumulated losses	(18,070,161)	(142,072)	(18,212,233)
TOTAL EQUITY	**5,030,589**	**-**	**5,030,589**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior period error (continued)

EXTRACT OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	30 June 2018 $	Effect of restatement $	30 June 2018 Restated $
Revenue	1,654,827	-	1,654,827
Cost of sales	(1,548,538)	-	(1,548,538)
Gross profit	106,289	-	106,289
Other income	5,032	-	5,032
Corporate and administrative expenses	(271,547)	-	(271,547)
Depreciation and amortisation	(286,908)	-	(286,908)
Borrowing costs	(331,570)	-	(331,570)
Net fair value loss on investment property	(74,003)	74,003	-
Loss before income tax	**(852,707)**	**74,003**	**(778,704)**
Income tax expense	-	-	-
Loss after income tax	**(852,707)**	**74,003**	**(778,704)**
Other Comprehensive Income			
Revaluation of bearer plants	-	(74,003)	(74,003)
Total Comprehensive Income attributable to the members of Australian Agricultural Projects Limited	**(852,707)**	**-**	**(852,707)**

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.

2. FINANCIAL RISK MANAGEMENT (continued)

Overview (continued)

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.

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.

2. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

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.

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 2019 $	Consolidated 2018 $
3. REVENUE		
Revenue from contracts with customers		
Management fees	599,065	370,153
Production sharing	1,163,351	678,857
	1,762,416	1,049,010
Lease fees from investment property and bearer plants	691,736	605,817
	2,454,152	1,654,827

Production sharing revenue includes lease and management fees that are determined as a percentage of the total value of the annual harvest. The allocation of revenue between management fees and production sharing in the 2018 comparatives has been amended to reflect this allocation. This reallocation does not impact Gross Profit or Net Profit after Tax.

4. OTHER INCOME

	2019 $	2018 $
Interest received	105	227
Profit on sale of assets	-	4,646
Other income	-	159
	105	5,032

5. PERSONNEL EXPENSES

	2019 $	2018 $
Wages and salaries costs	551,225	536,157
Superannuation costs	63,087	72,459
Change in liability for annual and long service leave	21,966	(15,863)
Non-executive directors' fees	12,000	12,000
	648,278	604,753

In 2019, $560,137 (2018: $516,103) of personnel expenses were included in cost of sales and the balance, $88,650 (2018: $88,650) was included in corporate and administrative expenses.

6. AUDITOR'S REMUNERATION

Audit services

	2019 $	2018 $
Auditors of the Company (BDO East Coast Partnership)		
- audit and review of this financial report	43,000	42,000
- audit and review of other financial statements	53,700	52,700
	96,700	94,700

The auditors provided no other services.

	Consolidated 2019 $	Consolidated Restated 2018 $
7. INCOME TAX		
(a) Income tax		
The major components of income tax are:		
Income statement		
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		
Loss before income tax	(328,708)	(778,704)
Income tax benefit calculated at 27.5%	(90,395)	(214,143)
Tax effect on the following amounts:		
Depreciation entitlement attached to fixed assets	(79,371)	(77,053)
Net tax losses and temporary differences not brought to account	169,766	291,196
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:		
Tax losses - Revenue	2,644,770	2,486,341
Deductible temporary differences	666,301	654,964
Unrecognised deferred tax asset	3,311,071	3,141,305
Movement consists of:		
Opening balance	3,141,305	2,850,109
Current year tax losses and temporary differences not brought to account	169,766	291,196
Closing balance	3,311,071	3,141,305

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 2019 $	Consolidated 2018 $

8. CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash at bank and in deposits	156,446	197,570
Bank overdrafts	(495,300)	(474,740)
Cash and cash equivalents in the statement of cash flows	(338,854)	(277,170)

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

	2019 $	2018 $
Trade receivables	2,290,915	1,660,462
	2,290,915	1,660,462

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

	2019 $	2018 $
Finished goods at net realisable value	267,057	129,514
	267,057	129,514

11. Prepayments

	2019 $	2018 $
Prepayments	18,355	37,124
	18,355	37,124

12. PROPERTY, PLANT & EQUIPMENT

Consolidated

Year ended 30 June 2019	**Plant & equipment**	**Motor vehicles**	**Office furniture & equipment**	**Buildings**	**Total**
At 1 July 2018, net of accumulated depreciation	798,922	138,588	1,324	378,768	1,317,602
Additions	1,900	127,317	-	-	129,217
Disposals	-	-	-	-	-
Depreciation charge for the year	(155,055)	(63,960)	(921)	(32,402)	(252,338)
At 30 June 2019, net of accumulated depreciation	645,767	201,945	403	346,366	1,194,481
At 30 June 2019					
Cost	4,023,819	1,121,024	62,019	1,061,417	6,268,279
Accumulated depreciation	(3,378,052)	(919,079)	(61,616)	(715,051)	(5,073,798)
Net carrying amount	645,767	201,945	403	346,366	1,194,481
Year ended 30 June 2018					
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

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 $293,916 as at 30 June 2019 (2018: $380,153).

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 $206,274 as at 30 June 2019 (2018: $131,150).

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.

	Consolidated	
		Restated
	2019	2018
13. BEARER PLANTS	$	$
Olive trees	8,778,853	7,491,171
Movement consists of:		
Bearer plants opening balance	7,491,171	7,236,010
Capital improvements	1,052,946	329,164
Change in fair value of bearer plants	234,736	(74,003)
	8,778,853	7,491,171

The bearer plants are a level 3 asset for the purposes of determining fair value. The bearer plants comprise the trees on a 403 hectare olive orchard. They are leased in conjunction with the investment property (Note 14) to two managed investment schemes for an initial period to 2025 plus an option of another 25 years.

The value of the bearer plants was determined by the directors at 30 June 2019 by discounting the cash flows of expected future net income streams over the remaining useful life of the bearer plants based on the following key assumptions:

- Future cash inflows were estimated as the budgeted rental to be received from the bearer plants increased annually by CPI indexation commencing at a rate of 2.5 percent increasing to a long term average of 3 percent from 2022. 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.
- 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 7.6 tonnes of fruit per hectare per annum (which reflect the period until the replanted portions of the orchard reach maturity yields) increasing to a long term average of 10.5 tonnes per hectare per annum from 2025.
- The average price of water available to the orchard decreases from $330 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 $571,368 and will be completed by March 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%	647,219
	from 2022	if reduced to 2.5 %	(578,551)
2025 market rental	$4,000 per ha	If increased to $4,250	411,466
		If reduced to $3,750	(411,466)
Discount rate	11.5%	if increased to 12.5%	(1,302,010)
		if reduced to 10.5 %	1,579,178
Harvest yield	10.5 t per ha	if increased to 11.5 tonne per ha	227,420
	from 2025	if reduced to 9.5 tonne per ha	(227,420)
Price of water	$170 per ML	if increased to $190 per ML	(195,098)
	from 2023	if decreased to $150 per ML	195,098

14. INVESTMENT PROPERTY	Consolidated 2019 $	Restated 2018 $
Investment property	1,553,550	1,553,550

The investment property is a level 3 asset for the purposes of determining fair value. The investment property comprises land located at 1453 Wychitella Quambatook Road, Terrappee in Victoria totalling 517.85 hectares. The land has been planted with the olive trees (bearer plants) included in Note 13. The investment property in conjunction with the olive trees are 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 2019 with reference to an independent valuation dated 9 March 2018. The key assumption in the valuation was:

- A fair value for the land was $3,000 per hectare.

The sensitivity of this assumption is as follows:

Assumption	Assumed Value	Sensitivity	Change in Valuation
Fair value per hectare	$3,000	if increased 5% to 3,150 per hectare	77,678
		if reduced 5% to $2,850 per hectare	(77,678)

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

15. TRADE AND OTHER PAYABLES	Consolidated 2019 $	2018 $
Current		
Trade payables	1,621,781	1,588,645
Other payables and accruals	593,086	576,273
	2,214,867	2,164,918

16. PROVISIONS		
Liability for employee benefits	301,783	279,817
	301,783	279,817

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 $301,783 (2018: $279,817) 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 $39,132 (2018: $37,314).

17. 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 2019 $	Consolidated 2018 $
Current		
Hire purchase liabilities	201,952	122,899
Unsecured loan facilities	1,395,000	920,000
	1,596,952	1,042,899
Non-current		
Hire purchase liabilities	314,138	389,030
Secured bank facilities	3,600,000	2,205,000
Unsecured loan facilities	800,000	800,000
	4,714,138	3,394,030

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 2019	Interest 2019	Principal 2019	Minimum payments 2018	Interest 2018	Principal 2018
Less than one year	226,162	24,210	201,952	148,360	25,461	122,899
Between one and five years	338,902	24,764	314,138	423,613	34,583	389,030
Later than 5 years	-	-	-	-	-	-
	565,064	48,974	516,090	571,973	60,044	511,929

Terms of loans and borrowings

Secured loan facilities

The secured loan facilities bear an average weighted interest rate of 4.87% pa (2018: 5.83% pa). The above noted facilities comprise the following:

- Term loan facility of $3,600,000 (2018: $2,205,000), with a term to May 2021 with no principal reductions.

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%;
$ 720,000	the greater of 8% or the 30 day bank bill swap reference rate plus 5%; and
$ 475,000	10% per annum.

The current unsecured loan facilities include loans of $720,000 (2018: $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 2019 $	Consolidated 2018 $
18. ISSUED CAPITAL		
Issued capital		
152,358,384 (2018: 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 2019 (2018: nil).

19. RESERVES	Consolidated 2019 $	Consolidated Restated 2018 $
Foreign currency translation reserve	259,784	259,784
Revaluation surplus reserve	376,808	142,072
	636,592	401,856

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 (2018: nil).

Revaluation reserve

This reserve is used to recognise increments and decrements in the fair value of bearer plants.

Movement in reserves

Movements in each class of reserve during the current and previous year are set out below:

	Note	Foreign exchange translation $	Bearer plants revaluation $	Total $
Balance as at 1 July 2017		259,784	-	259,784
Restatement due to correction of error	1	-	216,075	216,075
Balance as at 1 July 2017 - restated		259,784	216,075	475,859
Revaluation of bearer plants	13	-	(74,003)	(74,003)
Balance as at 30 June 2018		259,784	142,072	401,856
Revaluation of bearer plants	13	-	234,736	234,736
Balance as at 30 June 2019		259,784	376,808	636,592

20. FINANCIAL INSTRUMENTS DISCLOSURE

Market risk

Exposure to foreign currency risk
The consolidated entity has no material exposure to foreign currency risk (2018: nil).

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

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			
	2019		**2018**	
	Interest rate p.a.	**$**	**Interest rate p.a.**	**$**
Fixed rate instruments				
Hire purchase liabilities	3.1% - 6.2%	516,090	3.1% - 5.8%	511,929
Unsecured loans	10.0%	475,000		-
		991,090		511,929
Variable rate instruments				
Secured bank loans	4.75%	3,600,000	5.95%	2,205,000
Unsecured loans	(i) 7.71%	1,720,000	(i) 7.71%	1,720,000
Bank overdraft	9.06%	495,300	9.31%	474,740
		5,815,300		4,399,740
Interest free instruments				
Trade and other payables		2,214,867		2,164,918
		9,021,257		7,076,587

(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 $5,815,300 (2018: $4,399,470) are interest only loans. Monthly cash outlays of approximately $29,040 are required to service the interest payments on these variable rate borrowings. An increase / decrease in interest rates of 50 (2018: 50) basis points would have an adverse / favourable effect on profit before tax of $29,076 (2018: $21,999) 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.

20. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Credit risk (continued)

	Consolidated Carrying Amount 2019 $	Consolidated Carrying Amount 2018 $
The financial assets are:		
Cash and cash equivalents	156,446	197,570
Trade receivables	2,290,915	1,660,462
	2,447,361	1,858,032

The consolidated entity has a credit risk exposure to the investors in the projects it manages who collectively, as at 30 June 2019, owed the consolidated entity $2,289,815 (99.9% of trade receivables) (2018: $1,658,262 (99.9% 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 2019. The consolidated entity expects to collect $2,166,039 (2018: $1,491,379) 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 $123,776 (2018: $166,883) will be collected by way of deduction from future harvest proceeds or by way of equity in the projects should they are restructured.

Management considers the following factors indicators of significant increase in credit risk:

- With regard to grower lease and management fees to be deducted from the proceeds of sale of the oil produced, when the proceeds due are more than 30 days past due from the terms set out in the olive oil supply agreement;
- For grower receivables that the Company holds security over through either future harvest proceeds or the growers lease, a shortfall in this security; and
- For all other amounts receivable, when the amount is more than 30 days past due

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:

	2019 Facility amount	2019 Unused portion	2018 Facility amount	2018 Unused portion
Bank overdraft	500,000	4,700	500,000	25,260
Secured bank loans	3,600,000	-	2,205,000	-
	4,100,000	4,700	2,705,000	25,260

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.

20. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Liquidity risk (continued)

30 June 2019	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Total contractual maturities
Non-interest bearing				
Trade and other payables	2,214,867	-	-	2,214,867
Interest bearing – fixed rate				
Hire purchase liabilities	226,162	217,895	121,007	565,064
Interest bearing – variable rate				
Secured loans	131,087	3,742,500	-	3,873,587
Unsecured loans	1,552,600	260,000	690,000	2,502,600
Bank overdraft	495,300	-	-	495,300
	4,620,016	4,220,395	811,007	9,651,418

30 June 2018				
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
	3,917,705	2,779,326	919,604	7,670,635

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.

21. COMMITMENTS

	2019 $	2018 $
Operating lease commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	26,460	25,690
Later than one year but not later than five years	-	25,690
More than five years	-	-
	26,460	51,380

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

21. COMMITTMENTS (continued)

Operating lease payments receivable

The consolidated entity also leases the bearer trees set out in note 13 and the investment property set out in note 14. 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 bearer plants as set out in note 13.

22. EARNINGS PER SHARE

	Consolidated	
	2019	Restated 2018
Earnings per share for profit after tax		
Net loss after tax	($328,708)	($778,704)
Number of shares on issue	152,358,384	152,358,384
Loss per share	(0.22) cents	(0.51) cents

There are no potentially dilutive shares.

23. 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 2019	Equity interest 2018
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 24.

24. RELATED PARTY DISCLOSURES (cont'd)

(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	2019 $	2018 $	2019 $	2018 $
Scheme						
Victorian Olive Oil Project	Lease fees	(i)	691,755	678,858	794,484	794,806
	Management fees	(ii)	853,239	446,494	576,997	351,728
Victorian Olive Oil Project II	Lease fees as part of production sharing	(i)	200,927	118,094	195,935	116,764
	Management fees as part of production sharing	(ii)	281,297	165,331	411,914	314,537
	Oil purchased	(iii)	-	-	(673,282)	(667,346)

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

24. 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 2019 $	Consolidated 2018 $
Short-term employee benefits	152,000	152,000
Post-employment benefits	13,300	13,300
Long term benefits	4,114	2,741
	169,414	168,041

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 24(e).

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

25. 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 did not generate any revenue by providing harvest and processing services to external parties during the year (2018: $6,480).

26. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

	2019 $	Restated 2018 $
Cash flows from operating activities		
Loss for the year	(328,708)	(778,704)
Adjustments for:		
Depreciation	252,338	286,908
Profit on sale of assets	-	(4,646)
Change in trade and other receivables	(630,453)	981,394
Change in inventories	(137,543)	165,614
Change in other assets	18,769	60,933
Change in provisions and employee benefits	21,966	(15,863)
Change in trade and other payables	49,949	(225,735)
Net cash (used in) / provided by operating activities	(753,682)	469,901

27. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Australian Agricultural Projects Limited as at 30 June 2019. The information presented has been prepared using accounting policies as disclosed in Note 1.

Statement of financial position

	Company	
	2019	**2018**
	$	**$**
Current Assets	1,042,207	971,929
Non Current Assets	7,025,459	6,528,544
TOTAL ASSETS	8,067,666	7,500,473
Current Liabilities	4,501,281	4,035,152
Non Current Liabilities	800,000	800,000
TOTAL LIABILITIES	5,301,281	4,835,152
NET ASSETS	**2,766,385**	**2,665,321**
EQUITY		
Contributed equity	22,840,966	22,840,966
Accumulated losses	(20,074,581)	(20,175,645)
TOTAL EQUITY	**2,766,385**	**2,665,321**
Comprehensive income of parent entity	101,064	(591,423)

28. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has given a bank guarantee as at 30 June 2019 of $60,000 (2018: $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 2020 has been budgeted at $90,000 but no contractual liability exists. The balance of the replanting costs post 30 June 2020 are estimated at $481,368. 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.

29. EVENTS SUBSEQUENT TO REPORTING DATE

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 49 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 2019 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 26th day of September 2019.

Paul Challis
Managing Director

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AUSTRALIA

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 2019, 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 2019 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Classification and Measurement of Bearer Plants

Key audit matter	*How the matter was addressed in our audit*
As disclosed in note 13 the Group's assets include bearer plants at fair value with a carrying value of $8.78m. This asset consists of olive trees currently leased to investors via managed investment schemes. Fair value is determined using a value in use model which estimates the cash flows to be earned from the asset over the remaining 31-year term of the leases. In the prior year's financial statements the value of bearer plants was included in Investment Properties. This disclosure is not allowed under AASB 141 *Investment Properties* This was corrected in the current financial year and a prior period error was recognised which is disclosed in note 1.	Our procedures, amongst others, included: • Ensuring management had correctly classified the asset in line with the requirements of AASB 116 *Property Plant and Equipment*. • Challenging management's assumptions and estimates used in the model used to determine the fair value of the bearer plants, 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. • Ensuring the changes in classification from the prior period were correctly disclosed as a prior period error in line with the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

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 2019, 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 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 2019.

In our opinion, the Remuneration Report of Australian Agricultural Projects Limited, for the year ended 30 June 2019, 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, 26 September 2019

SHAREHOLDER INFORMATION

Details of shares as at 17 September 2019:

Top holders

The 20 largest holders of each class of quoted security as at 17 September 2019 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>	12,274,867	8.06
Caroline House Superannuation Fund Pty Ltd <The Caroline House S/F A/C>	7,543,166	4.95
Petto Holdings Pty Ltd	6,236,923	4.09
Ms Linlin Li	5,601,214	3.68
Woodduck Pty Limited	4,300,000	2.82
Mr Robert Brydon Rudd	4,002,515	2.63
Mrs Serng Yee Liew	3,805,000	2.50
Ms Maria Liouros + Ms Franca Bortolotti + Mr Con Panayotopoulos <Super Fund A/C>	3,549,933	2.33
Citicorp Nominees Pty Limited	3,355,690	2.20
Mrs Peta Stefanetti	3,333,333	2.19
Petto Holdings Pty Ltd <The Pettofrezza Family A/C>	3,295,745	2.16
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
Bluedale Pty Ltd <Comb Super Fund A/C>	1,500,000	0.98
Mr Christopher Manning Beattie	1,359,868	0.89
	125,350,707,	82.28

Distribution schedule

A distribution schedule of each class of equity security as at 17 September 2019:

Fully paid ordinary shares

Range	Holders	Units	%
1 - 1,000	15	2,934	0.00
1,001 - 5,000	44	136,394	0.09
5,001 - 10,000	100	963,247	0.63
10,001 - 100,000	131	6,073,381	3.99
100,001 - Over	79	145,182,428	95.29
Total	369	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
Anthony George Madden & Karen Madden <On The Beach SMSF>	12,473,845
Patrac Holdings Pty Ltd <The Challis Family A/C>	12,473,845
Bliss on Banksia Hairdressing Pty Ltd	12,274,867

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 33,334 as at 17 September 2019):

Holders	Units
217	2,337,486

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.