Australian Agricultural Projects Ltd

A B N 19 104 555 455

(formerly known as Redisland Australia Ltd)

ANNUAL REPORT

for the year ended 30 June 2013

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

ABN 19 104 555 455

CORPORATE DIRECTORY

Directors

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

Bankers

Commonwealth Bank of Australia
Suite 1a, 530 - 540 Swift Street
Albury, New South Wales, 2640

Company Secretary

Mr Kimberley Arnold Hogg

Solicitor

Steinepreis Paganin
Level 4
16 Milligan Street
Perth, Western Australia, 6000

Principal Place of Business

31 Lakewood Boulevard
Braeside, Victoria, 3185

Telephone: (61-3) 8587 1400
Facsimile: (61-3) 8587 1444

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia, 6000

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

Registered Office

79 Broadway
Nedlands, Western Australia, 6009

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

Stock Exchange

ASX Limited
Exchange Plaza
2 The Esplanade
Perth, Western Australia, 6000

ASX Code: AAP

Auditor

BDO East Coast Partnership
Level 14, 140 William Street
Melbourne, Victoria, 3001

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Australian Agricultural Projects Ltd
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MANAGING DIRECTOR'S REVIEW

30 September 2013

Dear Shareholders,

The past year has seen your Company reposition itself within the Australian olive industry by selling its branded and retail operations to Boundary Bend Ltd in November 2012 and entering into a long term olive oil supply agreement where the pricing is linked to a retail price index after an initial fixed period.

The record harvest at the orchard this year is consistent with improving conditions across the industry in the past year which has seen:

- Improved growing conditions across the country resulting in increased national yield;
- Continued penetration of the Australian retail market by the key Australian brands; and
- An improvement in bulk olive oil prices due to supply issues arising from the key producing countries supported by an easing in the Australian dollar.

This position will allow the Company to consolidate its current orchard operations and continue to strengthen its financial position by addressing it finance structure to create a more stable platform from which the Company can operate. The profit this year of $1,924,789 arising largely from the sale of the Redisland brand represents the start of this process.

The operating and financial reviews on pages 3 to 5 detail the performance for the year.

The Company appreciates the ongoing patience and support of its stakeholders during this volatile time.

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 (formerly Redisland Australia Ltd) "the Company" and its subsidiaries, for the financial year ended 30 June 2013 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 is a director of the Australian olive industry's peak body – the Australian Olive Association and has been instrumental in driving its renewed strategy for growth. As part of his role as Managing Director, Mr Challis will continue to oversee grove operations as new projects develop.

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

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

Mr Grimsey will be retiring by rotation and seeking re-election by shareholders at the 2013 Annual General Meeting.

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 public practice specialising in providing corporate and financial services to companies listed on the ASX. He is currently a director of a number of companies listed on ASX.

COMPANY SECRETARY

Mr Kim Hogg
Company Secretary – Appointed 18 November 2003

Mr Hogg has worked in the private sector for the past 15 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:

		Period of directorship	
Director	**Company**	**From**	**To**
Mr P Challis	Nil	-	-
Mr P Grimsey	Nil	-	-
Mr A Ho	Alchemy Resources Limited	2011	Present
	Audalia Resources Limited	2010	17 August 2011
	Brumby Resources Limited	2006	22 March 2011
	Dragon Energy Limited	2008	13 June 2012
	Newfield Resources Limited	2011	Present
	Siburan Resources Limited	2009	Present

DIRECTORS' INTERESTS

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

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

DIRECTORS' MEETINGS

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

	Board Meetings		Nomination and Remuneration Committee Meetings		Audit and Risk Committee Meetings	
Director	Held	Attended	Held	Attended	Held	Attended
Mr P Challis	4	4	N/A	N/A	N/A	N/A
Mr P Grimsey	4	4	-	-	1	1
Mr A Ho	4	3	-	-	1	1

Committee membership

As at the date of the report, the Company had a Nomination and Remuneration Committee and an Audit and Risk Committee of the Board of Directors.

Members acting on the committees of the Board during the financial year were:

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

PRINCIPAL ACTIVITY

Following the sale of the retail olive oil business in November 2012 the Company's principal activity is now the operation of the olive orchard located at Boort, Victoria and the operation of managed investment schemes.

OPERATING AND FINANCIAL REVIEW

Financial Review

Financial result

The Company is pleased to advise an annual profit of $1,924,789 (2012: loss of $5,636,661). The key components of this result are:

- The profit from the sale of the olive oil retailing business which amounted to $3,504,582. The total profit contribution from discontinued operations amounted to $2,845,457 (2012: $280,733).
- The record harvest at the orchard resulted in revenue from continuing operations increasing 86% to $3,269,740 (2012: $1,756,402). This flowed through to a $1,589,139 increase in operating gross profit over the previous year.
- One off expenses of $114,132 relating to the loss on sale of permanent water rights and $320,357 being a provision for the impact of the restructure of the projects the Company manages.
- The write back of deferred tax assets of $638,057.

OPERATING AND FINANCIAL REVIEW (cont'd)

The sale of the retail olive oil business, which is covered in more detail below, represents a significant shift in the Company's focus towards the operation of the orchard business and the management of the agricultural asset.

The Company's financial position was significantly improved over the year with a 58% increase in net assets to $4,951,425 which represents 3.25 cents per share. The principal asset within the Statement of Financial Position remains the orchard at a value of $8,322,785 which is unchanged from the prior year.

The Company experienced negative operating cashflows during the year as cash was realised from the poor 2012 harvest. The improved harvest in 2013 will result in stronger cashflows during the 2014 financial year. The cashflows also include the impact of the cost of closing the business operations at Braeside of $596,244 including redundancy and termination costs. The Company reduced its structured debt by $4,028,846 (2012: increase of $94,171) during the year primarily from the proceeds of the sale of the brand.

Operating Review

Sale of business

As previously reported in November 2012, the Company sold its olive oil retailing business (including the Redisland brand) as well as most of the equipment associated with the olive oil bottling lines for a consideration of $4,000,000 cash and the surrender of shares held in the Company with a value of $108,434. In addition the purchaser agreed to purchase inventory of $644,785. While the gross revenues from these business units had increased significantly up until the date of sale, gross margins continued to be under pressure in an environment with volatile supply arrangements and exposure to imported competition. Accordingly, with the negotiation of the oil supply agreement in conjunction with the asset sale agreement, the Directors decided to dispose of these business units.

In conjunction with this sale, the US operations are in the process of being closed.

The implications of the sale are:

- The Company's financial position is significantly improved with reduced gearing levels and a more appropriate level of debt. Core bank facilities have been reduced to $2.7million with access to a harvest facility.
- The profitability of the Company is expected to improve with a greater level of certainty, especially in the next four to five year period due primarily to the fixed price arrangement under the supply agreement; and
- Future cashflow will not be absorbed into working capital and debt reduction requirements, improving the possibility for future distribution to shareholders.

Subsequent to the date of the sale, the Company continued the olive oil retailing operations until 12 February 2013 to meet outstanding export orders and production commitments.

Industry

The Australian olive industry undertook a resurgence in the late 1990's with many orchards being planted under the MIS regime and as a consequence has seen the production of extra virgin olive oil in Australia grow from practically a nil base to an estimated 20 million litres in the 2013 year.

Over the same time, Australian consumption of olive oil has also increased by 50% from around 30 million litres to 45 million litres and much of this increase has been driven by the increased market share of Australian produced olive oils. The expectation is that this market share will continue to grow.

Having said that, Australian production is less than 1% and consumption of olive oil is less than 2% of total world volumes. Accordingly, the Australian industry remains exposed to movements in the wider international market.

Few new orchards have been planted in Australia since 2007 due principally to the sever reduction in the international bulk oil price at that time combined with a strong Australian dollar. This resulted in the value of projected yields falling by more than 50%. It is our view that this level of prices is not sustainable in the long term and only recently have we seen some improvement in pricing.

Australia remains one of the lowest cost producers of olive oil in the world due primarily to the predominance of large irrigated orchards and the high level of mechanisation. This is allowing key Australian producers to compete with European growers who are reliant upon a cheap supply of labour and continued government support.

OPERATING AND FINANCIAL REVIEW (cont'd)

A key requirement of the Australian industry is for the volume of oil sold through the retail channels to continue to grow. Boundary Bend Limited who now operates the two principal Australian brands, Redisland and Cobram Estate, is ideally positioned to ensure that this occurs in a sustained manner.

Orchard

The orchard produced a record yield this season of 884,200 litres of extra virgin olive oil. This was a pleasing result especially after the difficult growing conditions experienced over recent years.

The focus at the orchard over the foreseeable future is to return the trees to a consistent and sustainable management regime which should lead to increases in average yields over the long term. This program includes pruning and fertigation plans particular to each variety.

We are confident that we have established harvest and processing procedures which will allow the focus to be on low cost operation while ensuring efficient fruit removal and oil extraction. Central to this process is our own dedicated processing plant along with our purpose build harvesters which remove much of the operational risk experienced at harvest. We will always be subject to weather events at the time of harvest and the goal is to be in a position where these risks can best be mitigated by flexible operating procedures.

The orchard continues to draw irrigation water from the Waranga Western channel which is supplied from Lake Eildon. As you would be aware, the supply and pricing of water over the past five to six years has been extremely volatile. At present the dams supplying our system are all full and we are expecting prices to be more consistent over the foreseeable future.

We will continue to comment on the activity at the orchard in our quarterly announcements.

Looking forward

The future performance of the Company will be dependent upon yields at the orchard and the value of the annual crop. This variable income is compared with a relatively fixed cost base and hence our ongoing focus on being a low cost producer of quality extra virgin olive oils.

The immediate corporate objectives will all focus on simplifying the business operations and strengthening the balance sheet of the Company and these will include:

- A restructuring of the projects the Company manages which will go some way to simplifying the compliance operations of the Company and removing a layer of cost and risk;
- Finding either a replacement tenant for the premises the Company occupied at Braeside in order to remove the current lease obligations;
- Restructuring the Company's banking facilities to be consistent with operations of the business and the long term nature of the assets; and
- Re-negotiating shareholder loans.

Appreciation

This year has been marked by two significant events being the sale of the brand and the record harvest. As always, these events only occur as the result of incredible effort from a number of people and the Directors take this opportunity to record their appreciation.

Impact of legislation and other external requirements

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

RESULTS

The consolidated entity reported a profit of $1,924,789 (2012: loss of $5,636,661) 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

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

LIKELY DEVELOPMENTS

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

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have not been included in this report because disclosure of such information would likely result in unreasonable prejudice to the consolidated entity.

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.

Lapse of options

During or since the end of the financial year, the following options lapsed:

Class of Option	Expiry Date	Exercise Price	Number of Options
Lender Options	31 October 2012	2.25 cents	32,000,000

None of these options were exercised during the year and up to the date of this report. These options did not entitle the holder to participate in any share issue of the Company or any other entity.

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

The following non-audit services were provided by the consolidated entity's auditor, BDO East Coast Partnership. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and does not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditors own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

BDO East Coast Partnership received or are due to receive the following amounts for the provision of non-audit services:

	Consolidated	
	2013	**2012**
	$	**$**
Taxation compliance services	2,500	19,100

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 15 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 30th day of September 2013.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director

DECLARATION OF INDEPENDENCE BY ALEX SWANSSON TO THE DIRECTORS OF AUSTRALIAN AGRICULTURAL PROJECTS LIMITED

As lead auditor of Australian Agricultural Projects Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- 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.

Alex Swansson
Partner

BDO East Coast Partnership

Melbourne, 30 September 2013

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the consolidated entity in accordance with the requirements of the *Corporations Act 2001* (the **ACT**) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

KEY MANAGEMENT PERSONNEL

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

Directors

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

Executives

Name	Position held	Ceased employment
Mr Michael Konowalous	General Manager	30 November 2012
Mr R Turner	National Business Manager	30 November 2012
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.

Further information on the Nomination and Remuneration Committee's role, responsibilities and membership is set out in the section entitled Corporate Governance Statement in this Financial Report.

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.

REMUNERATION STRUCTURE (cont'd)

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. Level of non-executive directors' fees as at the reporting date is as follows:

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

Executive remuneration

Remuneration for executives is set out in employment agreements.

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

Fixed remuneration

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

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

Other benefits

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

Long-term incentives

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

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

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

REMUNERATION STRUCTURE (cont'd)

Consequences of performance on shareholder wealth

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

	2013	2012	2011	2010	2009
Profit/(loss) for the year	$1,924,789	($5,636,661)	$102,418	$609,611	$63,425
Dividends paid	Nil	Nil	Nil	Nil	Nil
Change in share price	-	-	(1.0 cents)	0.5 cents	(1.4 cents)
Share price at beginning of the period	1.0 cents	1.0 cents	2.0 cents	1.5 cents	2.9 cents
Share price at end of the period	1.0 cents	1.0 cents	1.0 cents	2.0 cents	1.5 cents
Earnings/(loss) per share	1.20	(3.45 cents)	0.06 cents	0.37 cents	0.04 cents

The overall level of key management personnel's compensation takes into account the performance of the consolidated entity since the Company's incorporation on 30 April 2003. 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. Furthermore, total remuneration for all non-executive directors has remained unchanged since May 2003.

There were no performance related remuneration transactions during the financial year (2012: 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 2012 ANNUAL GENERAL MEETING

The Remuneration Report for the 2012 financial year received positive shareholder support at the 2012 AGM with a vote of more than 95% in favour. 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 key 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.

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.

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.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

		SHORT TERM		LONG TERM	POST-EMPLOYMENT	SHARE-BASED PAYMENTS			
		Salary & fees $	Other benefits $	Long term benefits** $	Superannuation benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors									
Non-executive									
Mr P Grimsey	2013	-	-	-	-	-	-	-	-
	2012	-	-	-	-	-	-	-	-
Mr A Ho*	2013	12,000	-	-	-	-	12,000	-	-
	2012	12,000	-	-	-	-	12,000	-	-
Executive									
Mr P Challis	2013	120,000	-	2,350	10,800	-	133,150	-	-
	2012	120,000	-	2,350	10,800	-	133,150	-	-
Total, all directors	**2013**	**132,000**	**-**	**2,350**	**10,800**	**-**	**145,150**	**-**	**-**
	2012	**132,000**	**-**	**2,350**	**10,800**	**-**	**145,150**	**-**	**-**

REMUNERATION REPORT (cont'd)

		SHORT TERM		LONG TERM	POST-EMPLOYMENT	SHARE-BASED PAYMENTS	TERMINATION PAYMENTS			
		Salary & fees $	Other benefits $	Long term benefits** $	Superannuation benefits $	Options $	Redundancy and termination payments	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Executives										
Consolidated										
Mr M Konowalous	2013	50,000	-	-	5,538	-	110,570	166,108	-	-
	2012	120,000	-	2,350	10,800	-		133,150	-	-
Mr R Turner	2013	45,833	-	-	5,076	-	86,600	137,509	-	-
	2012	110,000	-	2,175	9,900	-		122,075	-	-
Mr K Hogg*	2013	-	-	-	-	-		-	-	-
	2012	-	-	-	-	-		-	-	-
Total, all executives	**2013**	**95,833**	**-**	**-**	**10,614**		**197,170**	**303,617**	**-**	**-**
	2012	**230,000**	**-**	**4,525**	**20,700**	**-**	**-**	**255,225**	**-**	**-**
Total, all directors and executives	**2013**	**227,833**	**-**	**2,350**	**21,414**		**197,170**	**448,767**	**-**	**-**
	2012	**362,000**	**-**	**6,875**	**31,500**	**-**	**-**	**400,375**	**-**	**-**

* In addition to the remuneration as disclosed above, a total of $36,054 (2012: $36,386) was paid to Anthony Ho and Associates for secretarial and accounting services provided by Kim Hogg to the Company.

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

SHARE-BASED COMPENSATION

All options refer to options over ordinary shares of Australian Agricultural Projects Ltd, which are exercisable on a one-for-one basis under the Australian Agricultural Projects Limited Employee Option Scheme (**EOS**).

Options over equity instruments granted as compensation

There were no options granted as compensation to key management personnel during or since the end of the financial year (2012: Nil).

Options that had previously been granted as compensation to each key management personnel during previous reporting have all lapsed and no options have been exercised.

Further details, including grant dates regarding options granted to executives under the EOS are included in Note 19 to the financial statements.

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.

CORPORATE GOVERNANCE STATEMENT

The Board and management of Australian Agricultural Projects Ltd (formerly known as Redisland Australia Ltd) "**AAP** or the **Company**" recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a proper system of corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

The Company acknowledges the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations with 2010 Amendments* (2nd Edition) (the **Recommendations**). This Corporate Governance Statement provides details of the Company's compliance with those Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation.

The Company's corporate governance policies are available from the Company upon request.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation	Requirement	Comply Yes/ No
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes

Commentary

The Board Charter sets out the functions and responsibilities of the Board of AAP, and is available on the Company's website.

The performance of senior executives is evaluated in accordance with the Performance Evaluation Process (available on the Company's website). A performance evaluation for senior executives will take place subsequent to the end of the reporting period and will be carried out in accordance with the process disclosed.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation	Requirement	Comply Yes/ No
Rec 2.1	A majority of the board should be independent directors.	No
Rec 2.2	The chair should be an independent director.	No
Rec 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
Rec 2.4	The board should establish a nomination committee.	No
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes

Commentary

The Board consists of the Managing Director and two non-executive directors. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of board meetings and the attendance of the directors are set out in the Directors' Report.

The Company has yet to appoint a chair of the Board and is therefore at variance with Recommendation 2.2 in that the Board does not have an independent chair. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an additional director to perform the function of an independent chair.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (cont'd)

The Board has assessed the independence of the non-executive directors using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1. Although Mr Ho holds 2,000,001 fully paid ordinary shares in the Company, the Board considers his shareholdings immaterial. Mr Ho is regarded as independent as he is not a substantial shareholder as defined by the *Corporations Act.* Mr Grimsey does not satisfy the tests of independence as detailed in the Recommendations.

Consequently, the Company is at variance with Recommendation 2.1 in that the majority of directors are not independent. The directors have determined that the current composition of the Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.1, all directors bring an independent judgment to bear on Board decisions.

Although the Board has established a Nomination and Remuneration Committee, the Company is at variance with Recommendation 2.4 in that the Committee only has two members and is chaired by a non-independent director, Mr Grimsey. The Board considers that this composition is appropriate given the current size of the Company.

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Process. Performance evaluations of the Board, the Nomination and Remuneration Committee, the Audit and Risk Committee and individual directors will take place subsequent to the end of the reporting period and will be carried out in accordance with the Performance Evaluation Process.

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties.

The Nomination and Remuneration Committee Charter and the policy for Appointment and Selection of New Directors are available from the Company upon request.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation	Requirement	Comply Yes/ No
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: ▪ the practices necessary to maintain confidence in the company's integrity; ▪ the practices necessary to take account of their legal obligations and the reasonable expectations of their stakeholders; and ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	No
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING (cont'd)

Commentary

The Company's Code of Conduct is available from the Company upon request.

The Company has adopted a diversity policy which can be viewed on its website. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity. However, the policy does not include requirements for the Board to establish measurable objectives for achieving gender diversity. Given the Company's size and stage of development, the Board does not think it is yet appropriate to include measurable objectives in relation to gender. The Company will regularly review the policy and amend as appropriate.

There are currently no female employees in the Company.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation	**Requirement**	**Comply Yes/ No**
Rec 4.1	The board should establish an audit committee.	Yes
Rec 4.2	The audit committee should be structured so that it: ▪ consists only of non-executive directors; ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair, who is not the chair of the board; and ▪ has at least three members.	No
Rec 4.3	The audit committee should have a formal charter.	Yes
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes

Commentary

The Audit and Risk Committee Charter is available from the Company upon request. The Charter reflects the matters set out in the commentary and guidance for Recommendation 4.3.

The Audit and Risk Committee consists of two members and is chaired by Mr Ho. The Company is at variance with Recommendation 4.2 in that the Committee does not consist of a majority of independent directors and does not have three members. However, the Board considers that this composition is appropriate given the current size of the Company.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation	**Requirement**	**Comply Yes/ No**
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes

Commentary

The Company's Continuous Disclosure Policy is available from the Company upon request. The Continuous Disclosure Policy sets out the key obligations of directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation	Requirement	Comply Yes/ No
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
Rec 6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes

Commentary

The Company's Shareholder Communications Policy is available on from the Company upon request. The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation	Requirement	Comply Yes/ No
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes

Commentary

The Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control. The Risk Management Policy is available from the Company upon request.

AAP's risk management framework is supported by the Board of Directors, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company'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 also has delegated responsibilities in relation to risk management and the financial reporting process as set out in the Audit and Risk Committee Charter.

When considering the Audit and Risk Committee's review of financial reports, the Board receives a statement declaration in accordance with section 295A of the *Corporations Act*, signed by the Managing Director and Chief Financial Officer (or equivalents), that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the Managing Director (or equivalent) and the Chairman of the Audit and Risk Committee also confirm to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation	Requirement	Comply Yes/ No
Rec 8.1	The board should establish a remuneration committee.	Yes
Rec 8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members.	No
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

Commentary

The Nomination and Remuneration Committee Charter is available from the Company upon request. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1.

The Nomination and Remuneration Committee consists of two members and is chaired by Mr Grimsey. The Company is therefore at variance with Recommendation 8.2 in that the Committee does not consist of a majority of independent directors, is not chaired by an independent chair, and does not have three members. However, the Board considers the present composition is appropriate given the current size and structure of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2013

	Note	2013 $	2012 $
Revenue from continuing operations	3	3,269,740	1,756,402
Cost of sales		(1,507,750)	(1,583,551)
Gross profit		1,761,990	172,851
Other income	4	34,936	43,125
Corporate and administrative expenses		(473,759)	(435,534)
Occupancy costs		(135,616)	(1,200)
Depreciation and amortisation		(423,580)	(513,971)
Borrowing costs		(636,530)	(1,088,960)
Impairment of goodwill	16	-	(3,019,189)
Net fair value loss on investment property	15	-	(947,846)
Impairment of water rights	16	-	(120,000)
Loss on sale of assets		(114,132)	-
Restructuring costs		(320,357)	-
Other expenses		-	(6,670)
Loss before income tax from continuing operations		**(307,048)**	**(5,917,394)**
Income tax expense	8	(613,620)	-
Loss after income tax from continuing operations		**(920,668)**	**(5,917,394)**
Profit after income tax from discontinued operations	31	2,845,457	280,733
Profit/(loss) after income tax		**1,924,789**	**(5,636,661)**
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Movement in foreign exchange reserve		40	6,203
Total Other Comprehensive Income		40	6,203
Total Comprehensive Income/(Loss)		**1,924,829**	**(5,630,458)**
Earnings per share – Continuing operations			
Basic (loss) per share (cents)	26	(0.57)	(3.63)
Diluted (loss) per share (cents)	26	(0.57)	(3.63)
Earnings per share – Overall			
Basic profit/(loss) per share (cents)	26	1.20	(3.45)
Diluted profit/(loss) per share (cents)	26	1.20	(3.45)

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 2013

	Note	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	9	139,915	79,885
Trade and other receivables	10	3,234,215	3,120,961
Inventories	11	408,227	2,019,403
Other	12	84,500	342,504
		3,866,857	5,562,753
Non-current assets classified as held for sale	13	-	600,000
Total Current Assets		3,866,857	6,162,753
NON-CURRENT ASSETS			
Property, plant & equipment	14	1,981,712	2,704,669
Investment property	15	8,322,785	8,322,785
Intangible assets	16	-	337,922
Deferred tax assets	8(b)	-	638,057
Total Non-Current Assets		10,304,497	12,003,433
TOTAL ASSETS		14,171,354	18,166,186
CURRENT LIABILITIES			
Bank overdraft	9	670,504	221,174
Trade and other payables	17	3,041,892	5,166,309
Provisions	18	391,363	306,124
Loans and borrowings	20	1,534,284	5,341,756
Deferred income	21	-	153,933
Current tax liability	22	-	13,926
Total Current Liabilities		5,638,043	11,203,222
NON-CURRENT LIABILITIES			
Loans and borrowings	20	3,581,031	3,802,405
Provisions	18	855	25,529
Total Non-Current Liabilities		3,581,886	3,827,934
TOTAL LIABILITIES		9,219,929	15,031,156
NET ASSETS		**4,951,425**	**3,135,030**
EQUITY			
Issued capital	23	22,840,966	22,949,400
Reserves	23	259,828	295,788
Accumulated losses		(18,149,369)	(20,110,158)
TOTAL EQUITY		**4,951,425**	**3,135,030**

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 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Cash receipts in the course of operations		9,719,875	11,594,754
Cash payments in the course of operations		(9,976,986)	(10,608,125)
Interest paid		(623,185)	(785,340)
Tax paid		-	(14,663)
Net cash (used in)/provided by operating activities	30	(880,296)	186,626
Cash flows from investing activities			
Contracted payments for acquisition of minority interest		-	(30,000)
Payments for property, plant and equipment		(17,870)	(81,327)
Proceeds from sale of business	31	4,000,000	-
Proceeds from sale of water rights	13	470,172	-
Proceeds from sale of plant and equipment		67,500	3,500
Net cash provided by /(used in) investing activities		4,519,802	(107,827)
Cash flows from financing activities			
Proceeds from bank facilities		-	931,961
Repayment of secured bank facilities		(3,610,305)	(590,000)
Repayment of hire purchase liabilities		(418,541)	(377,608)
Net cash used in financing activities		(4,028,846)	(35,647)
Net (decrease)/increase in cash and cash equivalents		(389,340)	43,152
Cash and cash equivalents at the beginning of the year		(141,289)	(190,644)
Effect of exchange rate fluctuations		40	6,203
Cash and cash equivalents at the end of the year	9	**(530,589)**	**(141,289)**

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 2013

	Issued capital $	Reserves $	Accumulated losses $	Total $
Balance as at 1 July 2011	**22,949,400**	**442,915**	**(14,626,827)**	**8,765,488**
Loss for the year after income tax	-	-	(5,636,661)	(5,636,661)
Other comprehensive income for the year	-	6,203	-	6,203
Total comprehensive income for the year	-	6,203	(5,636,661)	(5,630,458)
Transfer of lapsed options	-	(153,330)	153,330	-
Balance as at 30 June 2012	**22,949,400**	**295,788**	**(20,110,158)**	**3,135,030**
Balance as at 1 July 2012	**22,949,400**	**295,788**	**(20,110,158)**	**3,135,030**
Profit for the year after income tax	-	-	1,924,789	1,924,789
Other comprehensive income for the year	-	40	-	40
Total comprehensive income for the year	-	40	1,924,789	1,924,829
Surrender of shares	(108,434)	-	-	(108,434)
Transfer of lapsed options	-	(36,000)	36,000	-
Balance as at 30 June 2013	**22,840,966**	**259,828**	**(18,149,369)**	**4,951,425**

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 (formally Redisland Australia Ltd) for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 30th September 2013.

Australian Agricultural Projects Ltd (the **Company**) is a company limited by shares incorporated in Australia whose shares are quoted on the Australian Securities Exchange.

Separate financial statements for Australian Agricultural Projects Ltd as an individual entity are no longer presented as consequence of a change to the Corporation Act 2001, however limited financial information for Australian Agricultural Projects Limited as an individual entity is included in Note 32.

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 other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) as appropriate for profit oriented entities. The consolidated financial report of the consolidated entity also complies with the International Financial Reporting Standards (**IFRSs**) as issued by the International Accounting Standards Board.

Basis of measurement

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

Significant accounting policies

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

Going Concern

The consolidated entity's current liabilities exceeded its current assets by $1,771,186 (30 June 2012: deficit of $5,040,468). The consolidated entity also had cash outflows from operating activities of $880,296 (30 June 2012: inflow of $186,626).

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

During the year, the Company sold its olive oil retailing business and used proceeds to reduce structured debt by $4,028,846. The olive oil harvest, completed in June 2013, was a record harvest for the Company in both volume and value. As a consequence of this change in the affairs of the company, the future operations of the consolidated entity are much improved.

Current liabilities have exceeded the current assets of the consolidated entity at 30 June of each financial year since the merger with Australian Agricultural Investments Limited in September 2007. Current liabilities continue to include a large portion of the structured debt facilities of the consolidated entity. This year these include the current portion of the long term debt facility of $375,000 (2012: $2,500,000) as well shareholder loan amounts of $920,000 (2012: $920,000) and the current portion of hire purchase liabilities of $239,284 (2012: $436,451). Current liabilities also include provisions for employee entitlements of $209,148 (2012: $306,124) as well as other provisions and accruals.

The repayment structure of the consolidated entities bank facilities is due to be renegotiated in November this year. The consolidated entity has had initial discussions with the financiers and the directors are confident of being able to obtain the financing required for the business to continue as a going concern. Furthermore, the shareholders who have provided loans to the consolidated entity have provided letters to the consolidated entity indicating that they are willing to allow the loans to continue on a month to month basis until more formal arrangements are made.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Going Concern (cont'd)

The consolidated entity manages two Managed Investment Schemes (MIS) that incurs a large amount of compliance costs. The company is planning to restructure these schemes out of the MIS regime which will result in future cost savings and financing options.

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

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The cashflow forecasts prepared by the directors demonstrate that the consolidated entity has sufficient cash flows to meet its operating commitments for the next twelve months period, although, this is dependent upon the size of future harvests. On this basis the financial report has been prepared on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business and at amounts stated in the financial statements.

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.

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 8 - Recognition of Deferred Tax Assets
(b) Note 15 - Investment Property

Summary of Significant Accounting Policies

Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. Control exists when the consolidated entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

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

Transactions eliminated on consolidation

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

Foreign currency

Functional and presentation currency

Both the functional and presentation currency of the company and its Australian subsidiaries is Australian dollars ($). The United States subsidiaries' functional currency is United States Dollars which is translated to presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group companies functional currency to presentation currency

The results of the United States subsidiaries are translated into Australian Dollars using average exchange rates which approximate the rates applicable to the transactions. Assets and liabilities are translated at exchange rates prevailing at reporting date.

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

Financial instruments

Non-derivative financial instruments

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

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

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

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

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

Derivative financial instruments

The consolidated entity may hold derivative financial instruments to hedge its foreign currency exposure. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

<u>Cash flow hedges</u>
Changes in the fair value of the derivative hedging instruments designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Financial instruments (cont'd)

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

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. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. 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
Leasehold improvements	5 to 14 years
Buildings	10 to 25 years

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

Non-current assets classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of a non-current asset and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current asset classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Investment property

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

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

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries or other business combinations. Goodwill represents the excess of the cost of the acquisition over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of the goodwill is included in the carrying amount of the investment.

Permanent water rights

Permanent water rights are measured at cost, including transaction costs. The carrying value is reviewed annually for any impairment indicators.

Permanent water rights have an indefinite life term and they are not amortised.

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

Financial assets

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

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

Non-financial assets

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

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

Impairment (cont'd)

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

Inventories

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

Provisions

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

Employee Benefits

Wages and salaries, annual leave, sick leave and long service leave

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and sick leave expected to be settled within 12 months are measured at their nominal values based on expected rates of pay. The provision for long service leave is measured at the present value of the estimated future cash out flows.

Share-based payments

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

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

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

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

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

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

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

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

Employee Benefits (cont'd)

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

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

Revenue

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

Sale of goods

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

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 begining 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 of the Company's share of the value of the oil.

Interest Revenue

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

Rental Revenue

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

Lease payments

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

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

Income tax

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

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

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

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

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 have agreed to form a tax-consolidated group on 1 July 2007. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Agricultural Projects Limited.

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

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

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

Tax funding agreement

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

Goods and Services Tax

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

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

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

Goods and Services Tax (cont'd)

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

a) *New, revised or amending accounting standards and Interpretations adopted*

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income
The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

b) *New accounting standards for application in future periods*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2013. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Group will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the Group.

New accounting standards and interpretations (cont'd)

AASB 10 Consolidated Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The Group will not only have 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 adoption of this standard from 1 July 2013 may have an impact where the Group has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity. The adoption of this standard from 1 July 2013 will not have a material impact on the Group.

AASB 11 Joint Arrangements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the Group.

AASB 12 Disclosure of Interests in Other Entities
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirements associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will increase the amount of disclosures required to be given by the Group such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the Group from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)
These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the Group.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 will not have a material impact on the Group.

New accounting standards and interpretations (cont'd)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the Group.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the Group.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the Group.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the Group.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the Group.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039
This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the Group.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments
These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the Group.

Determination of fair values

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

Investment Property

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

Property, plant and equipment

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

Intangible assets

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

Inventory

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

Trade and other receivables

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

Share-based payment transactions

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

2. FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the consolidated entity's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included in Note 24.

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

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

Financial risk management objectives

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

Credit risk

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

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

Trade and other receivables

The consolidated entity's exposure to credit risk changed as a consequence of the sale of the olive oil retail business. It is now 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.

Foreign currency risk

The consolidated entity is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the consolidated entities, primarily the Australian dollar (AUD), but also the United States Dollar (USD). The currencies in which these transactions primarily are denominated are AUD and USD.

In respect of monetary assets and liabilities denominated in foreign currencies, the consolidated entity ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short-term imbalances.

The investment in subsidiaries is not hedged as that currency position is considered to be long-term in nature.

The Board believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

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 that have not already lapsed

The capital structure of the Group consists of net debt (borrowings as detailed in Note 20, offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings).

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels. This position has not changed from the previous year. The consolidated entity had loans and borrowings (including overdraft) totaling $5,785,819 at 30 June 2013 (2012: $9,365,335).

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 2013 $	Consolidated 2012 $
3. REVENUE		
Sales of bulk oil	175,423	381,621
Management fees	1,261,928	443,630
Lease fees from the investment property	616,138	608,826
Production sharing	1,216,251	322,325
	3,269,740	1,756,402
4. OTHER INCOME		
Insurance claims	34,936	-
Realised foreign currency gain	-	34,791
Other	-	8,334
	34,936	43,125
5. OTHER EXPENSES		
Other	-	6,670
	-	6,670
6. PERSONNEL EXPENSES		
Wages and salaries costs	1,547,036	1,787,400
Superannuation costs	107,670	150,753
Change in liability for annual and long service leave	(114,460)	51,428
Non-executive directors' fees	12,000	12,000
	1,552,246	2,001,581
7. AUDITOR'S REMUNERATION		
Audit services		
Auditors of the Company (BDO East Coast Partnership)		
- audit and review of the financial report	81,000	77,500
- audit and review of other financial statements	38,000	38,000
	119,000	115,500
Other services		
Auditors of the Company (BDO East Coast Partnership)		
- taxation compliance services	2,500	19,100

8. INCOME TAX

(a) Income tax

The major components of income tax are:

	Consolidated 2013 $	Consolidated 2012 $
Income statement		
Current income tax charge	(93,178)	-
Deferred tax - origination and reversal of timing differences	720,724	-
Adjustment recognised for prior period	(13,926)	
Aggregate income tax expense	613,620	-
Income tax expense is attributable to:		
Loss from continuing operations	613,620	-
Profit from discontinued operations	-	-
Aggregate income tax expense	613,620	-

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

	2013 $	2012 $
Loss from continuing operations	(307,048)	(5,917,394)
Profit from discontinued operations	2,845,457	280,733
Profit/(Loss) before income tax	2,538,409	(5,636,661)
Income tax expense calculated at 30%	761,523	(1,690,998)
Tax effect on the following amounts:		
Capital raising costs	-	(3,966)
Depreciation entitlement attached to fixed assets	(80,413)	(32,542)
Cost base adjustments from CGT reset assets	(648,580)	-
Current year tax (benefit) / losses not recognised from jurisdiction outside Australia	(125,709)	69,011
Other	(10,510)	-
Goodwill impairment	-	905,757
Fair value on investment property	-	284,354
Water rights impairment	-	36,000
Current year temporary differences not recognised	-	432,384
Deferred tax written back	638,057	-
Tax loss not brought to account	93,178	-
Over provision in prior year	(13,926)	-
Income tax credit reported in the statement of comprehensive income	613,620	-

(c) Unrecognised deferred tax assets

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

	2013 $	2012 $
Tax losses - Revenue	1,922,387	1,838,920
Deductible temporary differences	989,940	729,787
Recognised deferred tax asset	-	(638,057)
Unrecognised deferred tax asset	2,912,327	1,930,650

8. INCOME TAX (Cont'd)

(c) Unrecognised deferred tax assets (Cont'd)

The consolidated entity has written back deferred tax assets of $638,057 given the change in the nature of the consolidated entity's business following the sale of the olive oil retail brand in November 2012. 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	
	2013	**2012**
	$	**$**
9. CASH AND CASH EQUIVALENTS		
Cash at bank and in deposits	139,915	79,885
Bank overdrafts	(670,504)	(221,174)
Cash and cash equivalents in the statement of cash flows	(530,589)	(141,289)

The consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 24.

10. TRADE AND OTHER RECEIVABLES

Current

Trade receivables	3,980,074	3,547,287
Less: Allowance for doubtful debts	(746,683)	(426,326)
	3,233,391	3,120,961
Other receivables	824	-
	3,234,215	3,120,961

The consolidated entity's exposure to credit and currency risks and impairment losses related to trade and receivables are disclosed in Note 24.

11. INVENTORIES

Finished goods at cost	408,227	503,582
Finished goods at net realisable value	-	22,529
Raw materials at cost	-	1,493,292
	408,227	2,019,403

12. OTHER CURRENT ASSETS

Receivable from production sharing arrangements	-	211,593
Prepayments	84,500	130,911
	84,500	342,504

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Permanent water rights at fair value	-	600,000
	-	600,000

The permanent water rights owned by the Company via water shares on the Goulburn Murray water system were sold during the financial period realising $470,172 in cash proceeds.

14. PROPERTY, PLANT & EQUIPMENT

	Consolidated					
Year ended 30 June 2013	**Plant & equipment**	**Motor vehicles**	**Office furniture & equipment**	**Leasehold improvements**	**Buildings**	**Total**
At 1 July 2012, net of accumulated depreciation	1,803,286	235,133	44,267	-	621,983	2,704,669
Additions	17,870	-	-	-	-	17,870
Disposals	(229,524)	(14,159)	(31,248)	-	-	(274,931)
Depreciation charge for the year	(332,530)	(75,559)	(7,742)	-	(50,065)	(465,896)
At 30 June 2013, net of accumulated depreciation	1,259,102	145,415	5,277	-	571,918	1,981,712
At 30 June 2013						
Cost	3,560,649	845,401	47,035	19,417	1,061,417	5,533,919
Accumulated depreciation	(2,301,547)	(699,986)	(41,758)	(19,417)	(489,499)	(3,552,207)
Net carrying amount	1,259,102	145,415	5,277	-	571,918	1,981,712
Year ended 30 June 2011						
At 1 July 2011, net of accumulated depreciation	2,187,527	146,160	44,101	-	677,126	3,054,914
Additions	65,639	163,320	12,188	-	-	241,147
Disposals	-	(3,500)	-	-	-	(3,500)
Depreciation charge for the year	(449,880)	(70,847)	(12,022)	-	(55,143)	(587,892)
At 30 June 2012, net of accumulated depreciation	1,803,286	235,133	44,267	-	621,983	2,704,669
At 30 June 2012						
Cost	3,906,356	642,348	292,993	19,417	886,365	5,747,479
Accumulated depreciation	(2,103,070)	(407,215)	(248,726)	(19,417)	(264,382)	(3,042,810)
Net carrying amount	1,803,286	235,133	44,267	-	621,983	2,704,669

15. INVESTMENT PROPERTY

	Consolidated	
	2013 $	**2012 $**
Land, trees and orchard assets held to earn lease fees	8,322,785	8,322,785
Movement consists of:		
Investment property opening balance	8,322,785	9,270,631
Impairment write down	-	(947,846)
	8,322,785	8,322,785

The value of the investment property was determined at 30 June 2013 by discounting the cash flows of expected future income streams generated by the investment property based on the following key assumptions:

- Future cash flows were estimated as the budgeted rental to be received from the investment property increased by CPI indexation of 3 percent per annum;
- Cash flows were projected over a 37 year period, being the term of the lease, with no terminal value;
- Pre tax discount rate of 12.5 percent was applied to future cash flows, which is based on group cost of funding plus risk premium.

Any change to the above assumptions would result in a change of the carrying value of the investment property. The most sensitive assumption is a discount rate applied to the future cash flows, a 0.5% increase in the rate will result in a $389,265 reduction in the carrying value and a 0.5% decrease in the rate will result in a $421,894 increase in the carrying value.

	Consolidated 2013 $	Consolidated 2012 $
16. INTANGIBLE ASSETS		
Goodwill	-	337,922
Movement in Goodwill consisted of:		
Opening balance of Goodwill	337,922	3,357,111
Goodwill disposed (Note 31)	(337,922)	-
Impairment write down	-	(3,019,189)
	-	337,922
Movement in Permanent water rights consisted of:		
Opening balance	-	720,000
Impairment write down	-	(120,000)
	-	600,000
Reclassification to Non-current assets held for sale	-	(600,000)
	-	-

17. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Current		
Trade payables	2,841,556	4,875,888
Other payables and accruals	200,336	290,421
	3,041,892	5,166,309

18. PROVISIONS

	2013 $	2012 $
Current		
Liability for employee benefits (i)	209,148	306,124
Provision for onerous contract	182,215	-
	391,363	306,124
Non-Current		
Liability for employee benefits	855	25,529

(i) 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 $209,148 (2012: $306,124) 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 pas 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 after 12 months is $135,825 (2012: $209,575).

19. SHARE BASED PAYMENTS

Equity based payments

There were no equity based payments during the year ended 20 June 2013 (2012: Nil).

In the year ended 30 June 2009 the Company issued 32,000,000 lender options in satisfaction of establishment fees of $36,000 payable to lenders for the provision of loan funds to the Company, as approved at a general meeting held on 22 May 2009. Each lender option was convertible to one ordinary share. The exercise price of the lenders option was 2.25 cents, exercisable on or before 31 October 2012. There are no voting or dividend rights attached to the options.

During the year to 30 June 2013 there were no lender options exercised (2012: Nil) and they have now expired.

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.

At 30 June 2013 all options issued under this scheme had either been forfeited or unexercised. There are no voting or dividend rights attaching to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights would have been attached to the unissued ordinary shares if the options had been exercised.

The fair value of the options was calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. All options were fully vested on 17 August 2008.

The number and weighted average exercise prices (**WAEP**) of options are as follows:

	2013 Number	**2013 WAEP**	**2012 Number**	**2012 WAEP**
Outstanding at the beginning of the year	-	-	750,000	$0.56
Forfeited during the year	-	-	(750,000)	-
Exercised during the year	-	-	-	-
Granted during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

The options expired unexercised on 17 August 2011.

20. 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 24.

	Consolidated	
	2013 $	2012 $
Current		
Hire purchase liabilities	239,284	436,451
Secured bank facilities	375,000	2,500,000
Other secured facilities (Receivables finance)	-	1,485,305
Unsecured loan facilities	920,000	920,000
	1,534,284	5,341,756
Non-current		
Hire purchase liabilities	451,031	672,405
Secured bank facilities	2,330,000	2,330,000
Unsecured loan facilities	800,000	800,000
	3,581,031	3,802,405

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.

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

	Consolidated			Consolidated		
	Minimum payments 2013	Interest 2013	Principal 2013	Minimum payments 2012	Interest 2012	Principal 2012
Less than one year	287,274	47,990	239,284	506,458	70,007	436,451
Between one and five years	508,673	57,642	451,031	780,905	108,500	672,405
	795,947	105,632	690,315	1,287,363	178,507	1,108,856

Terms of loans and borrowings

Secured loan facilities

The secured loan facilities bear an average weighted interest rate of 7.55% pa (2012: 9.03% pa). The above noted facilities comprise the following:

- Commercial bill of $2,705,000 (2012: $2,830,000), with the principal repayment of $125,000 per quarter from November 2013.

Unsecured loan facilities

The unsecured loan facilities bear interest rates the greater of 8% or the 30 day bill rate plus 5%.

The current unsecured loan facilities include loans of $720,000 (2012: $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;
- a first registered charge over the assets of all Australian subsidiaries.

	Consolidated 2013 $	Consolidated 2012 $
21. DEFERRED INCOME		
Prepaid export orders	-	153,933

	Consolidated 2013 $	Consolidated 2012 $
22. CURRENT TAX LIABILITY		
Provision for tax	-	13,926
	-	13,926

23. ISSUED CAPITAL AND RESERVES

Issued capital

	2013 $	2012 $
152,358,384 (2012: 163,201,788) fully paid ordinary shares	22,840,966	22,949,400

Movements in ordinary share capital

	Date	No of Shares	$
Opening balance	1 July 2012	163,201,788	22,949,400
Surrender of shares as part of sale of business	3 April 2013	(10,843,404)	(108,434)
Closing balance	30 June 2013	152,358,384	22,840,966

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 2013.

Lapse of options

32,000,000 options exercisable at 2.25 cents each on or before 31 October 2012 ("Lender Options") lapsed during the financial year.

Reserves	Consolidated 2013 $	Consolidated 2012 $
Share based payments reserve		
Balance at the beginning of the year	36,000	189,330
Lapsed options transferred to accumulated losses	(36,000)	(153,330)
Balance at the end of the year	-	36,000
Foreign currency translation reserve		
Balance at the beginning of the year	259,788	253,585
Currency translation differences	40	6,203
Balance at the end of the year	259,828	259,788
Reserves	259,828	295,788

23. ISSUED CAPITAL AND RESERVES (cont'd)

Share based payments reserve

This reserve is used to record the value of share based payments provided to employees and directors as part of their remuneration and other equity based payments. Refer to Note 19 for further details of share based payments.

Foreign currency translation reserve

This reserve is used to record the value of exchange differences arising on translation of the foreign controlled entities.

24. FINANCIAL INSTRUMENTS DISCLOSURE

Credit risk

Exposure to credit risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at the reporting date was:

	Consolidated Carrying Amount 2013 $	Consolidated Carrying Amount 2012 $
Cash and cash equivalents	139,915	79,885
Trade receivables	3,234,215	3,120,961
	3,374,130	3,200,846

The consolidated entity's maximum exposure to credit risk for trade receivables at reporting date by geographic region was:

	Carrying Amount 2013 $	Carrying Amount 2012 $
Australia	3,234,215	3,109,109
USA	-	11,852
	3,234,215	3,120,961

The aging of the consolidated entity's trade receivables at reporting date was:

	Gross 2013 $	Impairment 2013 $	Gross 2012 $	Impairment 2012 $
Not past due	2,698,296	-	2,214,994	-
Past due 0-30 days	-	-	106,403	-
Past due 31-120 days	-	-	101,476	-
Past due 121 days +	1,282,602	746,683	1,124,414	426,326
	3,980,898	746,683	3,547,287	426,326

24. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Credit risk (cont'd)

Receivables past due for more than 30 days are amounts that relate to management and lease fees, due from Victorian Olive Oil Project growers, which have resulted from insufficient project returns to enable growers to offset oil proceeds against the fees.

Management anticipates that these projects will be restructured, which will result in a portion of the receivables being collected by way of deduction from future harvest proceeds or by way of equity in the restructured project. The impairment charge is management's best estimation of the portion which will not be recovered through this process.

The movement in the amount allowed for impairment in respect of trade receivables during the year was as follows:

	2013 $	2012 $
Balance at 1 July	426,326	426,326
Impairment loss recognised	320,357	-
Balance at 30 June	746,683	426,326

Liquidity risk

The following are the contractual maturities of financial liabilities:

Consolidated

30 June 2013	Carrying amount	1 year	2-5 years	More than 5 years
Secured bank loans	2,705,000	375,000	2,330,000	-
Hire purchase liabilities	690,315	239,284	451,031	-
Unsecured loans	1,720,000	920,000	800,000	-
Trade and other payables	3,041,892	3,041,892	-	-
Bank overdraft	670,504	670,504	-	-
	8,827,711	5,246,680	3,581,031	-

30 June 2012	Carrying amount	1 year	2-5 years	More than 5 years
Secured bank loans	6,315,305	3,985,305	2,330,000	-
Hire purchase liabilities	1,108,856	436,451	672,405	-
Unsecured loans	1,720,000	920,000	800,000	-
Trade and other payables	5,166,309	5,166,309	-	-
Bank overdraft	221,174	221,174	-	-
	14,531,644	10,729,239	3,802,405	-

24. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Credit risk (cont'd)

Foreign currency risk

Exposure to foreign currency risk

The consolidated entity's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	Consolidated	
30 June 2013	**AUD**	**USD**
Trade and other receivables	-	-
Trade and other payables	-	-
Gross statement of financial position exposure	-	-

	Consolidated	
30 June 2012	**AUD**	**USD**
Trade and other receivables	11,852	12,078
Trade and other payables	(9,227)	(9,403)
Gross statement of financial position exposure	2,625	2,675

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
USD	1.0271	1.0319	0.9275	1.0191

Sensitivity analysis

At reporting date the Company held no longer held material assets in the United States. Any change in the USD exchange rate would not have a significant impact on the profit of the Company or on its financial position.

24. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Interest rate risk

Profile

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

	Consolidated Carrying Amount			
	2013 Interest rate p.a.	2013 $	2012 Interest rate p.a.	2012 $
Fixed rate instruments				
Hire purchase liabilities	6.7% - 12.4%	690,315	7.3%-11.7%	1,108,856
		690,315		1,108,856
Variable rate instruments				
Secured bank loans	WA7.6% (i)	2,705,000	WA9.0% (i)	6,315,305
Unsecured loans	WA8.2% (i)	1,720,000	WA9.5% (i)	1,720,000
Bank overdraft	WA10.5% (i)	670,504	WA11.1% (i)	221,174
		5,095,504		8,256,479
Interest free instruments				
Trade and other payables	-	3,041,892	-	5,166,309
		8,827,711		14,531,644

(i) Weighted Average

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at reporting date of 100 basis points, an amount management considers possible over the next 12 months, would have (decreased)/increased equity and profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit after tax		Equity	
30 June 2013	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments	(56,717)	56,717	(56,717)	56,717

	Profit after tax		Equity	
30 June 2012	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments	(84,079)	84,079	(84,079)	84,079

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.

25. COMMITMENTS

Operating lease commitments

	Consolidated 2013 $	Consolidated 2012 $
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	234,763	234,154
Later than one year but not later than five years	757,963	1,098,157
More than five years	-	-
	992,762	1,332,311

The consolidated entity leases property under an operating lease. The lease runs until 2017, with an option to renew after that date.

26. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders of $1,924,789 (2012: loss of $5,636,661) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2013 of 160,587,451 (2012: 163,201,788) calculated as follows:

Profit attributable to ordinary shareholders	2013 $	2012 $
Net profit/(loss)for the year	1,924,789	(5,636,661)

	Number 2013	Number 2012
Weighted average number of ordinary shares at 30 June	160,587,451	163,201,788

Diluted earnings per share

The calculation of basic earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders of $1,924,789 (2012: loss of $5,636,661) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2013 of 160,587,451 (2012: 163,201,788) calculated as follows:

Profit attributable to ordinary shareholders	2013 $	2012 $
Net profit/(loss)for the year	1,924,789	(5,636,661)

	Number 2013	Number 2012
Weighted average number of ordinary shares at 30 June	160,587,451	163,201,788

27. RELATED PARTY DISCLOSURES

(a) Controlled entities

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

	Country of Incorporation	Equity interest 2013	Equity interest 2012
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 (formally Redisland Marketing Pty Ltd)	Australia	100%	100%
Finest Food Import Corporation	USA	100%	100%
EVOO Export pty Ltd (formally Njoi Australian Food 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 (formally Redisland Australia 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 28.

(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.

27. RELATED PARTY DISCLOSURES (cont'd)

	Transaction	Note	Transactions value year ended 30 June 2013 $	Transactions value year ended 30 June 2012 $	Balance outstanding as at 30 June 2013 $	Balance outstanding as at 30 June 2012 $
Scheme						
Victorian Olive Oil Project	Lease fees	(i)	616,138	608,826	240,822	240,822
	Management fees	(ii)	1,261,928	179,604	873,740	873,741
	Oil purchased	(iii)	-	680,320	(45,450)	(45,450)
Victorian Olive Oil Project II	Lease fees as part of production sharing	(i)	167,512	80,149	167,512	-
	Management fees as part of production sharing	(ii)	234,517	112,209	507,036	282,256
	Oil purchased	(iii)	-	199,938	723,831	715,191

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. Provision for doubtful debt in respect of management fees receivable from growers of the Victorian Olive Oil Project amounted to $746,683 (2012: $426,326).

(iii) The consolidated entity purchased oil from the investors in the managed investment schemes in accordance with the oil take off agreement which formed part of the acquisition of the AAI group of companies. This arrangement did not exist for the 2013 harvest due to the sale of the olive oil marketing business

(e) Loans to related parties

Loans are made by the Company to its wholly owned subsidiary for capital purchases and working capital purposes. The loans outstanding between the Company and its subsidiaries have no fixed date of repayment and is non-interest bearing.

Aggregate amounts receivable from the subsidiaries are as follows:

	Company 2013 $	Company 2012 $
Non-current		
Unsecured loans to/(from) controlled entities		
EVOO Marketing Pty Ltd	11,758,046	11,309,465
Oilpack Australia Pty Ltd	(368,072)	(14,160)
Popeye Holdings Pty Ltd	(1,559,891)	(1,124,901)
Australian Agricultural Investments Ltd	(3,317)	(1,044)
AOX Pty Ltd	1,399	1,572
Lanyons Paddock Pty Ltd	539,272	237,298
Njoi Australian Food Pty Ltd	(549)	(289)
Terrapee Contractors Pty Ltd	398,056	715,875
Victorian Olive Oil Project limited	147,696	59,091
Victorian Olive Processors Pty Ltd	88,024	183,367
Allowance for impairment loss	(11,759,441)	(12,500,805)
	(758,777)	(1,134,531)

No dividends were received from the subsidiaries in the 2013 or 2012 financial years.

28. 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 M Konowalous (General Manager) – redundant 30 November 2012
- Mr R Turner (National Business Manager) – redundant 30 November 2012
- Mr K Hogg (Company Secretary)

Key management personnel compensation

	Consolidated	
	2013	**2012**
	$	**$**
Short-term employee benefits (including redundancy payments)	425,003	362,000
Post-employment benefits	21,414	31,500
Long term benefits	2,350	6,875
	448,767	400,375

Detailed remuneration disclosures are provided in the Remuneration Report on pages 10 to 15.

Option holdings of key management personnel

	Held at 1 July 2012	Granted	Exercised	Other changes	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
Directors							
Mr P Challis	5,644,500	-	-	(5,644,500)	-	-	-
Mr P Grimsey	15,066,500	-	-	(15,066,500)	-	-	-

	Held at 1 July 2011	Granted	Exercised	Other changes	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Directors							
Mr P Challis	5,644,500	-	-	-	5,644,500	-	5,644,500
Mr P Grimsey	15,066,500	-	-	-	15,066,500	-	15,066,500
Executives							
Mr M Konowalous	450,000	-	-	(450,000)	-	-	-
Mr R Turner	350,000	-	-	(350,000)	-	-	-

No options held by key management personnel are vested but not exercisable at 30 June 2013 or 2012.

28. KEY MANAGEMENT PERSONNEL (cont'd)

Shareholdings of key management personnel

	Held at 1 July 2012	Held at date of appointment	Purchases	Received on exercise of options	Other changes	Held at date of resignation	Held at 30 June 2013
Directors							
Mr P Challis	12,473,845	N/A	-	-	-	N/A	12,473,845
Mr P Grimsey	33,263,585	N/A	-	-	-	N/A	33,263,585
Mr A Ho	2,000,001	N/A	-	-	-	N/A	2,000,001

	Held at 1 July 2011	Held at date of appointment	Purchases	Received on exercise of options	Other changes	Held at date of resignation	Held at 30 June 2012
Directors							
Mr P Challis	12,473,845	N/A	-	-	-	N/A	12,473,845
Mr P Grimsey	33,263,585	N/A	-	-	-	N/A	33,263,585
Mr A Ho	2,000,001	N/A	-	-	-	N/A	2,000,001
Executives							
Mr M Konowalous	115,000	N/A	-	-	(115,000)	N/A	-
Mr R Turner	-	N/A	-	-	-	N/A	-

No shares were granted to key management personnel during the reporting year as compensation in 2013 or 2012.

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 2013 $	Transactions value year ended 30 June 2012 $	Balance outstanding as at 30 June 2013 $	Balance outstanding as at 30 June 2012 $
Directors						
Mr A Ho	Secretarial and accounting fees	(i)	36,054	36,386	(168,935)	(139,445)
Mr P Grimsey and Mr P Challis	Management fees	(ii)	417,375	99,977	-	-
	Oil sales	(iii)	-	-	-	2,290
	Shareholder Loans	(iv)	-	-	(1,466,000)	(1,466,000)
	Interest paid on loans	(v)	119,689	139,167	(171,064)	(131,470)
Mr M Konowalous	Purchase of olive oil	(vi)	-	-	(31,860)	(101,377)

28. KEY MANAGEMENT PERSONNEL (cont'd)

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. Terms for such services are based on market rates, and amounts are payable on a monthly basis.

(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 paid 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 sold oil to a company of which Mr P Challis is a director and in which Mr P Grimsey and Mr P Challis both retain a beneficial shareholding. The arrangement for sale was made prior to the acquisition of the AAI group by the Company with sales transacted post settlement. All sales have been at or above market prices.

(iv) The consolidated entity has entered into shareholder loan agreement with entities associated with Mr P Grimsey ($339,000) and Mr P Challis ($127,000) for which these entities received lender options (15,066,500 and 5,644,500 respectively) in satisfaction of payment for a loan establishment fees of $16,950 and $6,350 respectively. 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 2013.

(v) The consolidated entity pays interest in relation to unsecured shareholder loan agreements stated in note (iv). Average interest rate for the year was 8.23%

(vi) During the 2011 financial year the consolidated entity purchased oil from a company of which Mr M Konowalous is a shareholder. The price paid was determined on an arm lengths basis and was compatible to bulk oil prices the company was paying to third parties at the time.

29. SEGMENT INFORMATION

Business segments

Identification of reportable operating segments

The Company sold its olive oil sales business in November 2012 and as a consequence now only operates in one segment, being the operation of an olive grove located in Boort, Victoria.

	Consolidated	
30. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	**2013 $**	**2012 $**
Cash flows from operating activities		
Profit/(Loss) for the year	1,924,789	(5,636,661)
Adjustments for:		
Profit on sale of business	(3,609,517)	-
Loss on sale of assets	114,132	-
Write off assets on closure of business	62,132	-
Impairment of Goodwill	-	3,019,189
Impairment of water rights	-	120,000
Revaluation of investment property	-	947,846
Depreciation	465,896	587,892
Change in trade and other receivables	(113,254)	(660,290)
Change in inventories	1,611,176	627,793
Change in other assets	258,004	215,523
Change in provisions and employee benefits	60,565	58,618
Change in provision for income tax and deferred tax liability	(13,926)	(14,663)
Change in deferred tax asset	638,057	-
Change in trade and other payables	(2,124,417)	767,446
Change in deferred income	(153,933)	153,933
Net cash provided by operating activities	(880,296)	186,626

31.DISCONTINUED OPERATIONS

Details of discontinued operations

On 29 November 2012, the Company sold its olive oil retailing business (including the Redisland brand) as well as most of the equipment associated with the olive oil bottling lines for a consideration of $4,000,000 cash and the surrender of shares held in the Company with a value of $108,434. In addition the purchaser agreed to purchase inventory of $644,785. While the gross revenues from these business units had increased significantly up until the date of sale, gross margins continued to be under pressure in an environment with volatile supply arrangements and exposure to imported competition. Accordingly, with the negotiation of the oil supply agreement in conjunction with the asset sale agreement, the Directors decided to dispose of these business units. In conjunction with this sale, the US operations are in the process of being closed.

Subsequent to the date of the sale, the Company continued operations until 12 February 2013 to meet outstanding export orders and production commitments.

31.DISCONTINUED OPERATIONS (CONTINUED)

Financial performance of the discontinued operations

	2013 $	2012 $
Sale of goods	7,518,552	15,136,988
Cost of sales	(5,812,020)	(11,251,225)
	1,706,532	3,885,763
Other income	2,687	831
Logistic and marketing expenses	(1,525,647)	(3,109,470)
Corporate and administration	(92,530)	(167,336)
Occupancy expenses	(111,607)	(255,134)
Depreciation and amortisation	(42,316)	(73,921)
Write off of assets on closure	(62,132)	-
Business closure costs	(534,112)	-
(Loss)/Profit before income tax	(659,125)	280,733
Income tax expense	-	-
(Loss)/Profit after income tax	(659,125)	280,733
Profit on disposal of assets	3,504,582	-
Income tax expense	-	-
Profit on disposal after income tax expense	3,504,582	-
Profit after income tax from discontinued operations	2,845,457	280,733
Earnings per share from discontinued operations		
Basic earnings per share (cents)	1.77	0.17
Diluted earnings per share (cents)	1.77	0.17

Cash flows from discontinued operations

	2013 $	2012 $
Net cash provided by operating activities	673,966	2,779,937
Net cash provided by/(used in) investing activities	2,334,551	(3,157,761)
Net cash (used in)/provided by financing activities	(3,481,228)	373,614
Net decrease in cash and cash equivalents from discontinued operations	(472,711)	(4,210)

Carrying amount of net assets disposed

	2013 $	2012 $
Inventories	644,785	-
Property, plant and equipment	160,995	-
Intangibles	337,922	-
Net assets disposed	1,143,702	-

31.DISCONTINUED OPERATIONS (CONTINUED)

Details of the sale

Total sale consideration	4,753,219	-
Carrying amount of assets sold	(498,917)	-
Carrying amount of inventory sold	(644,785)	
Disposal costs	(104,935)	-
Profit on sale	3,504,582	-
Income tax expense	-	-
Profit on disposal after income tax	3,504,582	-

32. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Australian Agricultural Projects Limited as at 30 June 2013. The information presented has been prepared using accounting policies as disclosed in Note 1.

Statement of financial position

	Company 2013 $	Company 2012 $
Current Assets	13,587	42,733
Non Current Assets	7,016,254	5,723,717
TOTAL ASSETS	7,029,841	5,766,450
Current Liabilities	2,593,433	2,512,763
Non Current Liabilities	800,000	800,000
TOTAL LIABILITIES	3,393,433	3,312,763
NET ASSETS	**3,636,408**	**2,453,687**
EQUITY		
Contributed equity	22,840,966	22,949,400
Reserves	-	36,000
Accumulated losses	(19,204,558)	(20,531,713)
TOTAL EQUITY	**3,636,408**	**2,453,687**
Comprehensive profit/(loss) of parent entity	1,291,155	(5,938,872)

33. COMMITMENTS AND CONTINGIENT LIABILITIES

The Company does not have any commitments or contingent liabilities at balance and reporting dates.

34. 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

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the 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 2013 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 30th day of September 2013.

Paul Challis
Managing Director

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INDEPENDENT AUDITOR'S REPORT

To the members of Australian Agricultural Projects Ltd

Report on the Financial Report

We have audited the accompanying financial report of Australian Agricultural Projects Ltd, which comprises the consolidated statement of financial position as at 30 June 2013, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Australian Agricultural Projects Ltd is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity's current liabilities exceeded its current assets by $1,771,186 . The consolidated entity also had cash outflows from operating activities of $880,296. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2013. 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.

Opinion

In our opinion, the Remuneration Report of Australian Agricultural Projects Ltd for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Alex Swansson
Partner

Melbourne, 30 September 2013

SHAREHOLDER INFORMATION

Details of shares and options as at 24 September 2013:

Top holders

The 20 largest holders of each class of quoted security as at 24 September 2013 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1.	Grimfam Holdings Pty Ltd <Grimsey Family A/C>	26,323,153	17.28
2.	Madfam Holdings Pty Ltd <The Madden Family A/C>	12,473,845	8.19
3.	Patrac Holdings Pty Ltd <The Challis Family A/C>	12,473,845	8.19
4.	Penswood Holdings Pty Ltd <The Pettofrezza Family A/C>	8,268,500	5.43
5.	Ms Carolina Del Guidice	6,236,923	4.09
6.	Petto Holdings Pty Ltd <The Pettofrezza Family A/C>	6,236,922	4.09
7.	Saracen Properties Pty Ltd <L & MA Saraceni S/F A/C>	4,000,000	2.63
8.	HSBC Custody Nominees (Australia) Limited	3,506,650	2.30
9.	Mr Phillip John & Mrs Deborah Faye Grimsey	3,500,000	2.30
10.	Mr Phillip John & Mrs Deborah Faye Grimsey <The Grimsey S/F A/C>	3,440,432	2.26
11.	Beaver Super Pty Ltd <The Beaver S/F A/C>	3,225,413	2.12
12.	Joefield Company Limited	2,755,000	1.81
13.	Mr Robert Brydon Rudd	2,236,800	1.47
14.	Mr Anthony Ho	2,000,001	1.31
15.	Mr Andrew Konowalous	1,672,210	1.10
16.	Ms Maria Liouros & Ms Franca Bortolotti & Mr Con Panayotopoulos <S/F A/C>	1,600,000	1.05
17.	Mr Trevor Neil Hay	1,562,500	1.03
18.	Dasi Investments Pty Ltd	1,550,000	1.02
19.	Bluedale Pty Ltd <Comb Super Fund A/C>	1,500,000	0.97
20.	Saracen Properties Pty Ltd <L & MA Saraceni S/F A/C>	1,500,000	0.97
		106,062,194	69.61

Distribution schedules

A distribution of each class of equity security as at 24 September 2013:

Fully paid ordinary shares

Range			Holders	Units	%
1	-	1,000	8	221	0.00
1,001	-	5,000	44	137,394	0.09
5,001	-	10,000	107	1,028,730	0.68
10,001	-	100,000	137	6,650,551	4.36
100,001	-	Over	112	144,541,488	94.87
Total			408	152,358,384	100.00

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
Grimfam Holdings Pty Ltd <Grimsey Family A/C>	33,263,585
Madfam Holdings Pty Ltd <The Madden Family A/C>	12,473,845
Patrac Holdings Pty Ltd <The Challis Family A/C>	12,473,845

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 41,667 as at 24 September 2013):

Holders	Units
221	2,673,234

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.