Australian Agricultural Projects Limited
ABN: 19 104 555 455

FINANCIAL REPORT

for the year ended 30 June 2020

Australian Agricultural Projects Limited
ABN: 19 104 555 455

CORPORATE DIRECTORY

Directors

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

Company Secretary

Mr Kimberley Arnold Hogg

Principal Place of Business

Suite 14, 456 St Kilda Road
Melbourne VIC 3004

Registered Office

15 McCabe Street
North Fremantle, Western Australia, 6159

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

Auditor

BDO Audit Pty Ltd
Collins Square, Tower 4
Level 18, 727 Collins Street
Melbourne Victoria 3000

Bankers

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

Solicitor

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

Share Registry

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

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

Stock Exchange

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

ASX Code: AAP

Corporate Governance Statement

www.voopl.com.au/aap-shareholders

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MANAGING DIRECTOR'S REVIEW

30 September 2020

Dear Shareholders,

Your Company experienced a lower than expected harvest this season which coincided with the replanting programme where the orchard has the least number of productive trees. This resulted in an operating loss for the Company of $1,668,144 although the operating cashflows for the financial year were only a small deficit of $117,650. Management expects a better performance for the 2020 season as the first tranche of the replanting programme enters commercial production combined with an "on" year in the biennial cycle of the orchard.

There remains just 52 hectares to be replanted as part of the programme to completely replace the deteriorating barnea trees. The Company is confident that this replanting programme will improve the value of the orchard asset and the future returns of the Company over the medium term as the newly planted areas continue to mature and annual harvest increases.

The Company also recognises the support of its shareholders during the year reflected in the acceptances received for the share entitlement issue in March 2020. The funds raised have placed the Company in an improved cash position at the start of the new financial year in which cashflows will be constrained as a consequence of the 2020 harvest.

The Company has taken a careful approach to the issues presented by COVID-19 and your Directors do not believe the pandemic will have a significant impact on the business.

The operating and financial reviews on pages 3 to 6 provide further details of the Company's operations for the year.

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

Yours faithfully

PAUL CHALLIS
Managing Director

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity, being Australian Agricultural Projects Limited "the Company" and its subsidiaries, for the financial year ended 30 June 2020 and the auditor's report thereon.

DIRECTORS

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

Mr Paul Challis
Managing Director – Appointed 12 September 2007

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

Mr Phillip Grimsey
Non-Executive Director – Appointed 12 September 2007 – Ceased 19 September 2019

Mr Grimsey passed away on 19 September 2019, having been a Director of the Company for more than 12 years. He was the founding partner of Grimsey Pty Ltd, a CPA practice specialising in the provision of an integrated financial services package to its predominantly professional client base. He had been actively involved in the development, structuring and marketing of the financial services provided by Grimsey's and had a deep commercial understanding of the projects the Company operates.

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

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

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

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

COMPANY SECRETARY

Mr Kim Hogg
Company Secretary – Appointed 18 November 2003

Mr Hogg has worked in the private sector for more than 25 years, predominantly in the coordination and documentation of capital raisings and as company secretary for both listed and unlisted companies. Mr Hogg is currently the secretary of a number of companies listed on the ASX.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

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

Director	Company	Period of directorship From	To
Mr P Challis	Nil	-	-
Mr A Ho	Alchemy Resources Limited	2011	Present
	Newfield Resources Limited	2011	Present
	Mustera Property Group Limited	2014	Present
Mr D Stefanetti	Nil	-	-

DIRECTORS' INTERESTS

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

Director	Ordinary Shares
Mr P Challis	24,947,690
Mr A Ho	4,000,002
Mr D Stefanetti	33,216,400

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	6	6	N/A	N/A	N/A	N/A
Mr P Grimsey	-	-	-	-	-	-
Mr A Ho	6	6	1	1	1	1
Mr D Stefanetti	6	6	1	1	1	1

Committee membership

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

Nomination and Remuneration Committee	Audit and Risk Committee
Mr A Ho (Chairman)	Mr A Ho (Chairman)
Mr P Grimsey (ceased 19 September 2019)	Mr P Grimsey (ceased 19 September 2019)
Mr D Stefanetti (appointed 26 September 2019)	Mr D Stefanetti (appointed 26 September 2019)

PRINCIPAL ACTIVITY

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

OPERATING AND FINANCIAL REVIEW

Financial result

Trading result

The Company advises that the trading result for the year ended 30 June 2020 was a loss of $1,668,144 (2019: loss of $496,004), a result which was below managements initial expectations principally due to the low harvest volumes reported in July 2020. The key components of this result are:

- The 2020 harvest completed in June 2020 yielded a total of 241,700 litres which compares with 644,300 litres in 2019. This result was below management expectations and, while disappointing, initial enquiries have confirmed that our experience is consistent with the general industry result which has seen low oil production across all parts of Australia. The reduced harvest resulted in total revenues being reduced to $1,124,177 compared with $2,454,152 in the previous year.
- Total water costs amounted to $363,577. The cost of water remained consistently high during the year and while the cost was well above expectations, the final expense reflects reduced water usage largely as a consequence of the replanting programme (refer comments below);
- Total funding costs of $380,809 were 6% greater than the previous year principally as a consequence of the bank facilities being fully drawn for the whole of the year; and

Trading result (continued)

- Depreciation expense of $432,917. As explained in the financial statements, this item now incorporates the depreciation of the olive trees at the orchard assuming a productive life of 25 years.

In addition to the trading result summarised above the Company also recorded an upward revaluation of the olive trees of $684,819 based upon the anticipated discounted net cash flows expected to be generated from the lease of the orchard assets to the projects the Company manages. The Directors obtain an independent valuation of these assets and the underlying land once every three years.

Cash flows

The Company's net cash flows from operations this year amounted to a deficit of $117,650 (2019: deficit of $753,682) reflecting the impact of the improved 2019 harvest which had the effect of increasing 2020 cash receipts by $1,130,997 from the previous year. This benefit was partially offset by ongoing higher than expected water costs as well as the crystallisation of expenses accrued from prior years. The direct costs associated with the operation of the orchard, excluding water, were slightly lower than the previous year reflecting the smaller harvest.

The Company conducted a share entitlement issue in March 2020 (detailed below) and combined with the placement of the unsubscribed shares, raised a total of $1,495,888 net of costs. This amount was applied to the reduction of shareholder loans ($254,000), the recoupment of the funds used to repay the 2019 short term financing facility ($475,000) and augmenting working capital. This capital raising has placed the Company in an improved cash position at the start of the new financial year where forecast operating cashflows will be constrained as a consequence of the poor 2020 harvest.

The olive orchards

COVID-19

The Company has taken a careful approach to the issues presented by the COVID-19 pandemic.

The management team have implemented procedures at the orchard and office locations consistent with the advice provided by the State authorities. The largest risks identified involve the management of staff and contractors during the period of harvest as well as when labour teams are contracted for specific tasks. To date, we are pleased to report that we have not had any direct occurrence of the virus and the amended procedures do not significantly impact operations.

Initial reports indicate that the impact of the restrictions placed on the broader population have caused a surge in demand for olive oil sales in the packaged retail market. The Cobram Estate and Redisland brands have been beneficiaries of this surge with strong sales being experienced since March 2020. It is uncertain if this will convert into a long term change in consumer behaviour although it is reasonable to say that the COVID-19 situation has put upward pressure on this segment of the market which may flow through to price and volume benefits.

Operations

The orchard is in good health and the newly replanted portions of the orchard are growing as expected.

The aim of the management team at the orchard remains to be a low cost producer of quality extra virgin olive oil. This is achieved by performing as much of the orchard maintenance, harvesting and processing in house and not relying on contractors unless specialist skills or equipment is required. Contract labour is used as necessary for the few labour intensive tasks at the orchard.

The current focus of operations is to ensure that the sections of the orchard replanted in 2018 and 2019 come into commercial production 3 years after planting. To this end, the expectation is that those trees planted in 2018 will produce a crop this year which will provide further production guidance for those trees planted in 2019.

Operations (continued)

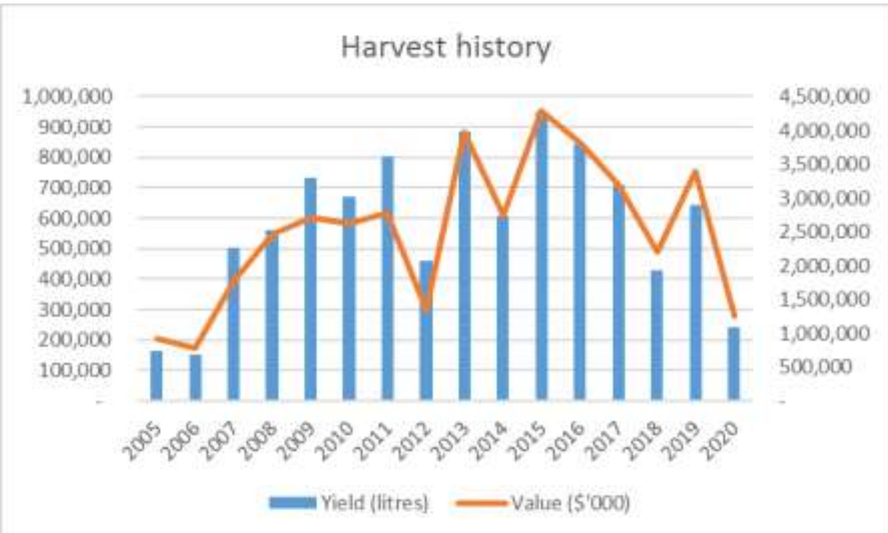
A portion of the 2018 plantings

Harvest

The Company completed the 2020 harvest and the result of 241,700 litres (2019: 644,300 litres) was at the very low end of management's expectations. This year's orchard result was largely driven by three factors:

- this being the point in the replanting programme where the orchard has the lowest number of productive trees;
- the poor fruit set, especially in the picual variety, after what was a lengthy flowering; and
- it being an "off" year in the biennial cycle of orchard production.

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



Orchard management's outlook for the 2021 harvest is that it may be in the region of the 2019 harvest, that is around 650,000 litres which will reflect the orchard being in an "on" year and the inclusion of the first harvest from the 2018 replanting. As always, this result will depend on general climatic and growing conditions during the season. The Company will continue to report each significant event such as flowering and fruit set as well as indicators of oil accumulation through its quarterly reports.

Water

The price of irrigation water to the orchard during the year remained stubbornly high with spot prices peaking at $700 per megalitre (2019: $580) although the Company managed to average $552 during the year (2019: $430). The principal reasons for these high prices remain the same as last year, being:

- The extended dry conditions resulting in low allocations combined with water being moved from our irrigation district to those in the Lower Murray put upward pressure on prices; and
- A change in the normal supply and demand conditions in the local market as large water speculators remained in the market.

Pleasingly, the end of the season saw significant rainfall across the catchments and significant improvements in dam storage levels. The current outlook is that water allocations in our region will reach 100% with a long term (3 month) forecast of above medium rainfall across all of the Murray Darling basin. This has had the effect of reducing spot water prices early in the current season to around $200 on very low volumes of water being traded. Management's long term view remains unchanged in that the spot price for water will continue to reduce over the medium term and return to levels close to long term averages.

Management's plan to acquiring water for the orchard remains the same, that is it utilises a combination of strategies including carry over from the previous year, short and medium term water leases and acquisition on the spot market.

Replanting programme

As previously reported, no trees were planted in the past year as part of the replanting programme although preparations were made for the third tranche of 52 hectares with the existing trees and drip line having been removed. Despite the initial plan being for this final tranche to be planted in March 2021, management are now considering the option of deferring this to either spring 2021 or autumn 2022 to provide greater flexibility with regard to the business cashflows. A final decision with regard to this replanting will be made in October 2020.

Those trees planted in March 2018 (two years old) were harvested this year as they carried a small, uncommercial crop which needed to be removed so as to promote as much new growth and fruit set for the coming 2021 season.

Funding

During the year, the Company restructured its capital and debt profile by undertaking the following steps:

- Completing a share entitlement issue at 1 cent per share on a 1 for 1 basis with 1 free attaching option for every two shares issued. This issue, along with the subsequent placement of the unsubscribed shares, raised $1,495,888 net of costs on the issue of 152,358,384 shares.
- Loans of $729,000 were repaid during the year, partially from the proceeds of the funds raised from the share issue.
- The remaining $1,466,000 of shareholder loans were extended to October 2023 on an interest only basis.

The principal banking facilities available to the Company are through the Commonwealth Bank and comprise:

- $3,600,000 loan through to July 2021. The Company will look to extend the term of this facility; and
- $500,000 overdraft facility.

Looking forward

The immediate goal of the Company is to return future harvest yields to more normal levels and continue to improve them as the newly planted trees enter production with increased revenue without significant additional management costs.

The Company will continue to review opportunities in the agribusiness sector in which either the Company's management has considerable experience or where immediate cash flows can be created.

Appreciation

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

Impact of legislation and other external requirements

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

RESULTS

The consolidated entity reported a loss of $1,668,144 (2019: $496,004) 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

The Company has considered the impact of the COVID-19 virus on the business and has implemented procedures consistent with the directions given by the authorities. These procedures have had little or no impact upon the operations of the business although management continue to monitor the situation.

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

LIKELY DEVELOPMENTS

The consolidated entity will continue to operate the olive grove at Boort as outlined in the Operating and Financial Review.

OPTIONS

Options granted during the year

The Company issued 76,179,185 free attaching options during the year as part of the Share Entitlement Issue. The options have the following terms:

- Exercise price 0.015 cents
- Expiry date 22 December 2022

These options are not listed on the ASX.

There were no options on issue at 30 June 2019.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

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

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

Insurance Premiums

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

INDEMNIFICATION AND INSURANCE OF AUDITORS

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

No non-audit services were provided by the consolidated entity's auditor, BDO Audit Pty Ltd.

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF BDO AUDIT PTY LTD

There are no officers of the Company who are former audit directors of BDO Audit Pty Ltd.

REMUNERATION REPORT

The remuneration report is set out on pages 10 to 17 and forms part of the Directors' Report.

ROUNDING OF AMOUNTS

In accordance with ASIC Legislative Instrument 2016/191, amounts shown in the Directors' report and the financial report have been rounded off to the nearest dollar.

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 2020.

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

Paul Challis
Managing Director

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Level 18, 727 Collins Street
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GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF AUSTRALIAN AGRICULTURAL PROJECTS LIMITED

As lead auditor of Australian Agricultural Projects Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

Wai Aw
Director

BDO Audit Pty Ltd

Melbourne, 30 September 2020

REMUNERATION REPORT (AUDITED)

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

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

KEY MANAGEMENT PERSONNEL

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

Directors

Name	Position held
Mr P Challis	Managing Director
Mr P Grimsey (ceased 19 September 2019)	Non-Executive Director
Mr A Ho	Non-Executive Director
Mr D Stefanetti (appointed 26 September 2019)	Non-Executive Director

Other Key Management Personnel

Name	Position held
Mr K Hogg	Company Secretary

REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration policies for the directors and executives. If necessary, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the consolidated entity. No advice was sought in the past year.

PRINCIPLES OF REMUNERATION

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

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

REMUNERATION STRUCTURE

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

Non-executive director remuneration

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

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

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

Executive remuneration

Remuneration for executives is set out in employment agreements.

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

Fixed remuneration

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

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

Other benefits

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

Long-term incentives

Long-term incentives (LTI) may be provided to key management personnel via the Australian Agricultural Projects Limited 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:

	2020	Restated 2019	Restated 2018	2017	2016
Profit/(loss) for the year	$(1,668,144)	$(496,004)	$(979,807)	$226,566	$380,957
Dividends paid	Nil	Nil	Nil	Nil	Nil
Change in share price	(0.5) cents	(1.0) cents	(0.9) cents	0.9 cents	1.4 cents
Share price at beginning of the year	1.5 cents	2.5 cents	3.4 cents	2.5 cents	1.1 cents
Share price at end of the year	1.0 cents	1.5 cents	2.5 cents	3.4 cents	2.5 cents
Earnings per share	(0.88) cents	(0.33) cents	(0.64) cents	0.15 cents	0.25 cents

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

There were no performance related remuneration transactions during the financial year (2019: 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 2019 ANNUAL GENERAL MEETING

The Remuneration Report for the 2019 financial year received unanimous shareholder support at the 2019 AGM. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

EMPLOYMENT AGREEMENTS

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

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

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

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

		SHORT TERM		LONG TERM	POST-EMPLOYMENT	SHARE-BASED PAYMENTS			
		Salary & fees $	Other benefits $	Long term benefits* $	Superannuation benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration that is performance related %
Directors									
Non-executive									
Mr P Grimsey	2020	-	-	-	-	-	-	-	-
(ceased 19 September 2019)	2019	-	-	-	-	-	-	-	-
Mr A Ho	2020	12,000	-	-	-	-	12,000	-	-
	2019	12,000	-	-	-	-	12,000	-	-
Mr D Stefanetti	2020	-	-	-	-	-	-	-	-
(appointed 26 September 2019)	2019	-	-	-	-	-	-	-	-
Executive									
Mr P Challis	2020	140,000	-	7,587	13,300	-	160,887	-	-
	2019	140,000	-	4,114	13,300	-	157,414	-	-
Total, all directors	**2020**	**152,000**	**-**	**7,587**	**13,300**	**-**	**172,887**	**-**	**-**
	2019	**152,000**	**-**	**4,114**	**13,300**	**-**	**169,414**	**-**	**-**

		SHORT TERM		LONG TERM	POST-EMPLOYMENT	SHARE-BASED PAYMENTS			
		Salary & fees $	Other benefits $	Long term benefits* $	Superannuation benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration that is performance related %
Other key management personnel									
Mr K Hogg	2020	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-
Total, all other key management personnel	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total, all directors and other key management personnel	**2020**	**152,000**	**-**	**7,587**	**13,300**	**-**	**172,887**	**-**	**-**
	2019	**152,000**	**-**	**4,114**	**13,300**	**-**	**169,414**	**-**	**-**

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

OPTION HOLDINGS BY KEY MANAGEMENT PERSONNEL

All directors acquired options during the year as a result of accepting their allocation in the share entitlement issue in March 2020. The number of options are summarised as follows:

	Held at 1 July 2019	Purchases	Received on participation in entitlement issue	Held at 30 June 2020
Directors				
Mr P Challis	-	-	6,236,922	6,236,922
Mr D Stefanetti	-	-	7,804,100	7,804,100
Mr A Ho	-	-	1,000,000	1,000,000

There are no options held by key management personnel, nor were there any movements during the previous year ended 30 June 2019.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

	Held at 1 July 2019 or on appointment	Purchases	Received on exercise of options	Other changes	Held at 30 June 2020
Directors					
Mr P Challis	12,473,845	12,473,845	-	-	24,947,690
Mr P Grimsey (ceased 19 September 2019)	33,263,585	-	-	(33,263,585)*	-
Mr A Ho	2,000,001	2,000,001	-	-	4,000,002
Mr D Stefanetti (appointed 26 September 2019)	15,608,200	17,608,200	-	-	33,216,400

*Mr Grimsey ceased to be a Director of the Company on 19 September 2019 and as a consequence, he no longer had a shareholding held while being a Director of the Company as at 30 June 2020. As at 30 June 2020, these shares were still owned by entities associated with Mr Grimsey.

	Held at 1 July 2018	Purchases	Received on exercise of options	Other changes	Held at 30 June 2019
Directors					
Mr P Challis	12,473,845	-	-	-	12,473,845
Mr P Grimsey	33,263,585	-	-	-	33,263,585
Mr A Ho	2,000,001	-	-	-	2,000,001

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.

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

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 2020 $	Transactions value year ended 30 June 2019 $	Balance outstanding as at 30 June 2020 $	Balance outstanding as at 30 June 2019 $
Directors						
Mr A Ho	Secretarial and accounting fees	(i)	-	-	-	13,689
Mr P Grimsey, Mr D Stefanetti and Mr P Challis	Management fees	(ii)	162,108	434,037	682,213	492,966
Mr P Challis	Shareholder Loans	(iii)	-	-	(1,127,000)	(1,127,000)
	Interest paid on loans	(iv)	85,160	85,160	(82,943)	(89,193)
Mr P Grimsey	Shareholder Loans	(iii)	-	-	(339,000)	(339,000)
	Interest paid on loans	(iv)	27,120	27,120	(6,780)	(4,520)

Notes in relation to the table of related party transactions

(i) A company associated with Mr Ho, provides company secretarial services in connection with the operations of the consolidated entity. No secretarial service fees were charged in the year.

(ii) The consolidated entity manages an olive orchard for a company in which Mr P Challis and Mr P Grimsey are both beneficially entitled to minority shareholdings (approx 1.3% each). Mr D Stefanetti is a director of the company. The management fees for this project had been calculated in accordance with production sharing agreement. The fees charged for this project are of a similar amount and nature as the fees charged for management of other projects managed by the consolidated entity.

(iii) The consolidated entity entered into shareholder loan agreements with entities associated with Mr P Grimsey ($339,000) and Mr P Challis ($127,000). These loans were extended to October 2023. 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 2020 and is repayable in October 2023.

(iv) The consolidated entity pays interest in relation to the unsecured shareholder loan agreements referred to in note (iii). Average interest rate for the year was 7.56%

SHARE-BASED COMPENSATION

Equity based payments

There were no equity based payments during the year ended 30 June 2020 (2019: Nil).

Employee option scheme

The Company operates an incentive scheme known as the Australian Agricultural Projects Limited 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.

Equity based payments(continued)

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

There were no options issued under the employee share scheme during the year ended 30 June 2020 (2019: nil).

At 30 June 2020 there were no options on issue under this scheme.

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2020

	Note	2020 $	Restated 2019 $
Revenue	3	1,124,177	2,454,152
Cost of sales		(1,696,250)	(1,863,632)
Gross (loss)/profit		(572,073)	590,520
Other income	4	50,007	105
Corporate and administrative expenses		(332,352)	(307,428)
Depreciation and amortisation		(432,917)	(419,634)
Borrowing costs		(380,809)	(359,567)
Loss before income tax		**(1,668,144)**	**(496,004)**
Income tax expense	7	-	-
Loss after income tax		**(1,668,144)**	**(496,004)**
Other Comprehensive Income Items that will not be reclassified subsequently to profit or loss - Revaluation of bearer plants net of tax	13	684,819	402,032
Total Comprehensive Income attributable to the members of Australian Agricultural Projects Limited		**(983,325)**	**(93,972)**
Basic earnings per share (cents)	22	(0.88)	(0.33)
Diluted earnings per share (cents)	22	(0.88)	(0.33)

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

Australian Agricultural Projects Limited
ABN: 19 104 555 455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

	Note	2020 $	Restated 2019 $	Restated 1 July 2018 $
CURRENT ASSETS				
Cash and cash equivalents	8	101,286	156,446	197,570
Trade and other receivables	9	1,120,154	2,290,915	1,660,462
Inventories	10	84,056	267,057	129,514
Other	11	114,389	18,355	37,124
Total Current Assets		1,419,885	2,732,773	2,024,670
NON-CURRENT ASSETS				
Property, plant & equipment	12	1,039,201	1,194,481	1,317.602
Bearer plants	13	9,423,565	8,778,853	7,491,171
Investment property	14	1,553,550	1,553,550	1,553,550
Total Non-Current Assets		12,016,316	11,526,884	10,362,323
TOTAL ASSETS		13,436,201	14,259,657	12,386,993
CURRENT LIABILITIES				
Bank overdraft	8	21,606	495,300	474,740
Trade and other payables	15	2,061,244	2,214,867	2,164,918
Provisions	16	315,255	301,783	279,817
Loans and borrowings	17	130,554	1,596,952	1,042,899
Total Current Liabilities		2,528,659	4,608,902	3,962,374
NON-CURRENT LIABILITIES				
Loans and borrowings	17	5,458,362	4,714,138	3,394,030
Total Non-Current Liabilities		5,458,362	4,714,138	3,394,030
TOTAL LIABILITIES		7,987,021	9,323,040	7,356,404
NET ASSETS		**5,449,180**	**4,936,617**	**5,030,589**
EQUITY				
Issued capital	18	24,336,854	22,840,966	22,840,966
Reserves	19	1,689,807	1,004,988	602,956
Accumulated losses		(20,577,481)	(18,909,337)	(18,413,333)
TOTAL EQUITY		**5,449,180**	**4,936,617**	**5,030,589**

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 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Cash receipts in the course of operations		3,335,475	2,204,478
Cash payments in the course of operations		(3,113,401)	(2,622,131)
Interest received		7	105
Interest paid		(389,731)	(336,134)
Other receipts		50,000	-
Net cash used in operating activities	26	(117,650)	(753,682)
Cash flows from investing activities			
Payments for bearer plants		(155,947)	(1,052,946)
Payments for property, plant and equipment		(81,583)	(129,217)
Net cash used in investing activities		(237,530)	(1,182,163)
Cash flows from financing activities			
Proceeds from issue of securities (net of costs)		1,495,888	-
Proceeds from loan facilities		44,634	1,870,000
Repayment of loan facilities		(729,000)	-
Proceeds from hire purchase facilities		71,002	140,052
Repayment of hire purchase liabilities		(108,810)	(135,891)
Net cash provided by financing activities		773,714	1,874,161
Net increase / (decrease) in cash and cash equivalents		418,534	(61,684)
Cash and cash equivalents at the beginning of the year		(338,854)	(277,170)
Cash and cash equivalents at the end of the year	8	**79,680**	**(338,854)**

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 2020

	Issued capital $	Reserves $ (Note 19)	Accumulated losses $	Total $
Balance as at 1 July 2018	**22,840,966**	**401,856**	**(18,212,233)**	**5,030,589**
Restatement due to correction of error (Note 1)	-	201,100	(201,100)	-
Balance as at 1 July 2018 - restated	**22,840,966**	**602,956**	**(18,413,333)**	**5,030,589**
Loss for the year after income tax	-	-	(496,004)	(496,004)
Other comprehensive income for the year	-	402,032	-	402,032
Total comprehensive income for the year	-	402,032	(496,004)	(93,972)
Balance as at 30 June 2019 - restated	**22,840,966**	**1,004,988**	**(18,909,337)**	**4,936,617**
Balance as at 1 July 2019 - restated	**22,840,966**	**1,004,988**	**(18,909,337)**	**4,936,617**
Loss for the year after income tax	-	-	(1,668,144)	(1,668,144)
Other comprehensive income for the year	-	684,819	-	684,819
Total comprehensive income for the year	-	684,819	(1,668,144)	(983,325)
Contributions to equity (net of costs)	1,495,888	-	-	1,495,888
Balance as at 30 June 2020	**24,336,854**	**1,689,807**	**(20,577,481)**	**5,449,180**

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 Limited for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 30th September 2020.

Australian Agricultural Projects Limited (the **Company**) is a company limited by shares incorporated in Australia whose shares are quoted on the Australian Securities Exchange. The registered office for the Company is 15 McCabe Street, North Fremantle, Western Australia, 6159 and the principal place of business is Suite 14, 456 St Kilda Road, Melbourne VIC 3000.

Separate financial statements for Australian Agricultural Projects Limited as an individual entity have not been presented within this financial report as permitted by the Corporations Act 2001, however limited financial information for Australian Agricultural Projects Limited as an individual entity is included in Note 27.

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

Basis of preparation

Statement of compliance

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

Basis of measurement

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

Going Concern

For the year ended 30 June 2020, the consolidated entity made a loss after tax of $1,668,144 (2019: $496,004) and had net cash outflows from operating and investing activities of $355,180 (2019: $1,935,845). As at 30 June 2020, the consolidated entity had a net current liabilities position of $1,108,774 (2019: $1,876,129). Notwithstanding the financial report has been prepared on the basis of a going concern as the Directors contemplate the consolidated entity will continue with normal business activities, the realisation of assets and liabilities in the normal course of business and to be in a position to pay its debts as and when they become due for a period of twelve months from the date of approving this financial report.

The forecast operating results and cashflows of the consolidated entity are especially sensitive to many influences outside of its control such as the expected annual harvest, growing conditions, movements in the price and supply of water and the effective farm gate price of oil sold. This sensitivity has been intensified as a consequence of the value of the 2020 harvest being below expectations, the Company still to complete the final tranche of the replanting programme and the Company having significant creditors and borrowings including a bank facility that matures in July 2021. These conditions create a material uncertainty that may cast significant doubt upon the consolidated entity's operating results and cashflows during and beyond the twelve month forecast period and therefore its ability to continue as a going concern.

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

Separate to the continuation of normal operations, the consolidated entity has continued to be supported by lenders and the Directors are confident bank facilities will be renegotiated prior to maturity. In addition, the consolidated entity has the ability to restructure its existing finance facilities or to raise funds from additional capital raising from existing shareholders or make a placement of shares to institutional or sophisticated investors.

The Company has considered the impact of COVID-19 and, in particular, the restrictions placed on Victorian businesses has had on the operations of the Company and concluded that there is no significant impact on the going concern conclusion.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements, estimates and assumptions

Going concern (continued)

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 7 - Recognition of Deferred Tax Assets
(b) Note 13 – Bearer Plants
(c) Note 14 – Investment Property

Adoption of new and revised accounting standards

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

Revised accounting policies are as follows:

- AASB 16: *Leases*,
- Interpretation 23: *Uncertainty over income tax treatments*

The Company has had to change its accounting policies as a result of adopting AASB 16 *Leases* although these changes have no impact in the current financial period or prior periods. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to affect the current or future periods.

- **AASB 16: *Leases***

In the current year, the consolidated entity has applied AASB 16 *Leases* for the first time. This standard replaces the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard include:

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised accounting standards (continued)

- **AASB 16: *Leases* (continued)**

The standard will affect primarily the accounting for the consolidated entity's operating leases. As at the reporting date, the consolidated entity has non-cancellable operating lease commitments of $18,000 that relate to the lease of office premises, see note 21. In accordance with the standard, this liability will not be reflected on the balance sheet in conjunction with a right to use asset. The adoption of this standard from 1 July 2019 has not had a material impact on the consolidated entity's balance sheet or operating result.

The consolidated entity has only one operating lease which relates to office premises. It expires on 30 June 2021 and the consolidated entity is unlikely to take up the option to extend the lease beyond this date. The consolidated entity has elected to apply the short term exemption to this lease and as such the adoption of AASB 16 has no financial impact in the current accounting period.

- **AASB Interpretation 23: *Uncertainty over income tax treatments (IFRIC 23)***

IFRIC 23 clarifies the application of recognition and measurement requirements of AASB 112: Income Taxes where there is uncertainty over income tax treatments. The interpretation specifically addresses:

- Whether an entity considers uncertain tax treatments separately;
- That the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- That the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- That the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method best predicts the resolution of the uncertainty; and
- That the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The consolidated entity has assessed the impact of IFRIC 23 on the financial statements. The assessment concluded that the Interpretation did not have any material impact on the consolidated entity's financial statements. Consequently, no retrospective adjustment is required.

Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the consolidated entity.

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

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

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

Transactions eliminated on consolidation

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

Rounding of amounts

In accordance with ASIC Legislative Instrument 2016/191, amounts shown in the Directors' report and the financial report have been rounded off to the nearest dollar.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

Functional and presentation currency

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

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

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

Segment reporting

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

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

Cash and cash equivalents

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

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

Trade and other receivables

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

Financial instruments

Non-derivative financial instruments

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

Issued capital

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

Property, plant and equipment

Recognition and measurement

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

Subsequent costs

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

Depreciation

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

The estimated useful lives are as follows:

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

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

Bearer Plants

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

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

Depreciation of bearer plants is recognised in profit or loss on a straight-line basis over the estimated useful lives of those bearer plants. The estimated useful life of bearer plants is 25 years.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Property

Investment properties are measured initially at cost including transaction costs. Investment properties are subsequently stated at fair value which is based on an independent expert valuation report which is no more than three years old. 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.

Right of use assets

Right of use assets are recognised at the commencement date of a lease and comprise the initial measurement of the corresponding lease liability less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are depreciated on a straight line basis over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the consolidated entity expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The consolidated entity has elected not to recognise a right to use asset and corresponding lease liability for short-term leases with terms of 12 months or less. Lease payments on these assets are expensed to the profit and loss as incurred.

Impairment

Non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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

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

Inventories

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

Provisions

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Lease liability

Lease liabilities are recognised at the commencement date of a lease and are initially measured at the present value of the lease payments discounted by the rate implicit in the lease. If this rate cannot be readily determined, the consolidated entity uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability include:
- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate;
- Any amount expected to be payable by the lease under residual value guarantees;
- The exercise price of purchase options if the lessee is reasonably certain to exercise the option; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate a lease.

The lease liability is subsequently measured at amortised cost by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Revenue

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

Sale of goods

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

Rendering of services

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued))

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.

Production sharing revenue

Revenue from the production sharing arrangement is earned under lease and management agreements whereby the Company is entitled to an agreed percentage of the crops proceeds. Revenue is recognised once the Company has sufficient information to enable determination with reasonable certainty the value of the Company's share of the oil. This information includes a calculation of the volume of oil available for sale after the harvest and an estimate of the weighted average per litre farm gate price expected over the next twelve months as advised by customer. Payment is received over the following ten months.

Interest Revenue

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

Income tax

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

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

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

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

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

Tax consolidation

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Tax funding agreement

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

Goods and Services Tax

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

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

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

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

Loans and borrowings

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

Payables

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

Earnings per share

Basic earnings per share
Basic earnings per share 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.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.
Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

Determination of fair values

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

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

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

Prior period error

Management of Australian Agricultural Projects Limited, while preparing financial statements of the Company for the year ended 30 June 2020, identified that, having classified the bearer plants as a separate asset on the statement of financial position in 2019, they omitted to depreciate this asset in accordance with AASB 116 Property, Plant and Equipment. Furthermore, as the Company revalues the bearer plant assets annually to fair value, this omission had an equal and opposite impact upon the gain or loss from revaluation of bearer plants included in other comprehensive income.

The consolidated entity holds land on which olive trees are grown. Olive trees are bearer plants which are required to be depreciated under AASB 116. Therefore, management has depreciated the bearer plants (the olive trees) accordingly. The land and olive trees are leased to investors through managed investment schemes. These leases are both considered operating leases. Any gain or loss from fair value revaluations of bearer plants is classified to the revaluation reserve (refer to the Company's accounting policy in regards to the measurement of the bearer plants). The depreciation of bearer plants impacted the calculation of this revaluation to fair value.

The error in applying the policy in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. Consequently, the consolidated entity has adjusted all comparative amounts presented in the current period's financial statements affected by the accounting error.

The changes in the comparative year are to include the depreciation of bearer plants as an expense and to correct the gain or loss on revaluing the bearer plants to fair value amending other comprehensive income, the revaluation reserve and accumulated losses.

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior period error (continued)

EXTRACT OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 1 JULY 2018

	1 July 2018 $	Effect of restatement $	1 July 2018 Restated $
EQUITY			
Issued capital	22,840,966	-	22,840,966
Reserves	401,856	201,100	602,956
Accumulated losses	(18,212,233)	(201,100)	(18,413,333)
TOTAL EQUITY	**5,030,589**	**-**	**5,030,589**

EXTRACT OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	30 June 2019 $	Effect of restatement $	30 June 2019 Restated $
EQUITY			
Issued capital	22,840,966	-	22,840,966
Reserves	636,592	368,396	1,004,988
Accumulated losses	(18,540,941)	(368,396)	(18,909,337)
TOTAL EQUITY	**4,936,617**	**-**	**4,936,617**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior period error (continued)

EXTRACT OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	30 June 2019 $	Effect of restatement $	30 June 2019 Restated $
Revenue	2,454,152	-	2,454,152
Cost of sales	(1,863,632)	-	(1,863,632)
Gross profit	590,520	-	590,520
Other income	105	-	105
Corporate and administrative expenses	(307,428)	-	(307,428)
Depreciation and amortisation	(252,338)	(167,296)	(419,634)
Borrowing costs	(359,567)	-	(359,567)
Loss before income tax	**(328,708)**	**(167,296)**	**(496,004)**
Income tax expense	-	-	-
Loss after income tax	**(328,708)**	**(167,296)**	**(496,004)**
Other Comprehensive Income			
Revaluation of bearer plants	234,736	167,296	402,032
Total Comprehensive Income attributable to the members of Australian Agricultural Projects Limited	**(93,972)**	**-**	**(93,972)**

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 20.

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.

2. FINANCIAL RISK MANAGEMENT (continued)

Financial risk management objectives

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

Credit risk

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

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

Trade and other receivables

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

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

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

Liquidity risk

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

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

Market risk

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

Price risk

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

Foreign currency risk

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

Interest rate risk

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

2. FINANCIAL RISK MANAGEMENT (continued)

Capital management

When managing capital, the Board's objective is to ensure the consolidated 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 consolidated 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, directors' may issue new shares, sell assets to reduce debt or consider deferment of payment of dividends to shareholders.

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

The capital structure of the consolidated entity consists of net debt (borrowings as detailed in Note 17, offset by cash and cash equivalents) and equity of the consolidated entity (comprising issued capital, reserves and retained earnings).

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels. This position has not changed from the previous year.

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

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

3. REVENUE

	2020 $	2019 $
Revenue from contracts with customers		
Management fees	472,962	599,065
Production sharing	244,579	1,163,351
	717,541	1,762,416
Lease fees from investment property and bearer plants	406,636	691,736
	1,124,177	2,454,152

Production sharing revenue includes lease and management fees that are determined as a percentage of the total value of the annual harvest.

4. OTHER INCOME

	2020 $	2019 $
Interest received	7	105
Other income – government grant COVID-19 cash boost	50,000	-
	50,007	105

5. PERSONNEL EXPENSES

	2020 $	2019 $
Wages and salaries costs	591,269	551,225
Superannuation costs	57,629	63,087
Change in liability for annual and long service leave	13,472	21,966
Non-executive directors' fees	12,000	12,000
	674,370	648,278

In 2020, $578,070 (2019: $559,628) of personnel expenses were included in cost of sales and the balance, $96,300 (2019: $88,650) was included in corporate and administrative expenses.

6. AUDITOR'S REMUNERATION

Audit services	2020 $	2019 $
Auditors* of the Company (BDO Audit Pty Ltd)		
- audit and review of this financial report	48,000	43,000
- audit and review of other financial statements	59,835	53,700
	107,835	96,700

* The BDO entity performing the audit of the Group/consolidated entity transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd during the current financial year. The disclosures include amounts received or due and receivable by BDO East Coast Partnership and BDO Audit Pty Ltd.

The auditors provided no other services.

7. INCOME TAX

(a) Income tax

The major components of income tax are:

	2020 $	Restated 2019 $
Income statement		
Current income tax charge	-	-
Deferred tax - origination and reversal of timing differences	-	-
Adjustment recognised for prior period	-	-
Aggregate income tax expense	-	-

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

	2020 $	Restated 2019 $
Loss before income tax	(1,668,144)	(496,004)
Income tax benefit calculated at 27.5%	(458,740)	(136,401)
Tax effect on the following amounts:		
Depreciation entitlement attached to fixed assets	(22,442)	(33,365)
Capital raising costs	(515)	-
Net tax losses and temporary differences not brought to account	481,697	169,766
Income tax credit reported in the statement of comprehensive income	-	-

(c) Unrecognised deferred tax assets

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

	2020 $	Restated 2019 $
Tax losses - Revenue	3,124,639	2,644,770
Deductible temporary differences	668,129	666,301
Unrecognised deferred tax asset	3,792,768	3,311,071
Movement consists of:		
Opening balance	3,311,071	3,141,305
Current year tax losses and temporary differences not brought to account	481,697	169,766
Closing balance	3,792,768	3,311,071

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.

	2020 $	2019 $

8. CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash at bank and in deposits	101,286	156,446
Bank overdrafts	(21,606)	(495,300)
Cash and cash equivalents in the statement of cash flows	79,680	(338,854)

The consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 20.

9. TRADE AND OTHER RECEIVABLES

Current

	2020 $	2019 $
Trade receivables	1,120,154	2,290,915
	1,120,154	2,290,915

The consolidated entity's exposure to credit and currency risks and impairment losses related to trade and receivables are disclosed in Note 20.

10. INVENTORIES

	2020 $	2019 $
Finished goods	84,056	267,057
	84,056	267,057

11. Other current assets

	2020 $	2019 $
Prepayments	46,739	18,355
Deposits	67,650	-
	114,389	18,355

12. PROPERTY, PLANT & EQUIPMENT

Year ended 30 June 2020	**Plant & equipment**	**Motor vehicles**	**Office furniture & equipment**	**Buildings**	**Total**
At 1 July 2019, net of accumulated depreciation	645,767	201,945	403	346,366	1,194,481
Additions	78,448	-	3,135	-	81,583
Depreciation charge for the year	(129,090)	(74,969)	(402)	(32,402)	(236,863)
At 30 June 2020, net of accumulated depreciation	595,125	126,976	3,136	313,964	1,039,201
At 30 June 2020					
Cost	4,102,267	1,121,024	65,154	1,061,417	6,349,862
Accumulated depreciation	(3,507,142)	(994,048)	(62,018)	(747,453)	(5,310,661)
Net carrying amount	595,125	126,976	3,136	313,964	1,039,201

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

Restrictions on property plant and equipment

Where plant and equipment was purchased using hire purchase finance, then the financier has a charge over that equipment until such time as the finance is repaid. This amounts to $297,358 as at 30 June 2020 (2019: $293,916).

Where motor vehicles were purchased using hire purchase finance, then the financier has a charge over that vehicle until such time as the finance is repaid. This amounts to $181,192 as at 30 June 2020 (2019: $206,274).

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

13. BEARER PLANTS	2020 $	Restated 2019 $
Olive trees	9,423,565	8,778,853
Movement consists of:		
Bearer plants opening balance	8,778,853	7,491,171
Depreciation	(196,054)	(167,296)
Capital improvements	155,947	1,052,946
Change in fair value of bearer plants	684,819	402,032
	9,423,565	8,778,853

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

The estimated useful life of the bearer plants is 25 years from the date which they commence commercial production.

The value of the bearer plants was determined by the directors at 30 June 2020 by discounting the cash flows of expected future net income streams over the remaining useful life of the bearer plants based on the following key assumptions:

- Future cash inflows were estimated as the budgeted rental to be received from the bearer plants increased annually by CPI indexation commencing at a rate of 2.75 percent, and reducing to 1.5% before increasing to a long term average of 3 percent from 2025. Where the rental forms a percentage of the proceeds from the sale of the produce from the property, the long term average value of the production was assumed to increase by 3 percent per annum.
- Where a lease is required to be renewed at a market rental at the end of the first term in 2025, the market rental at that time is assumed to be $4,000.
- Pre tax discount rate of 11.5 percent was applied to future cash flows, which is based on group cost of funding plus risk premium.
- The orchard has a short term yield averaging 7.6 tonnes of fruit per hectare per annum (which reflect the period until the replanted portions of the orchard reach maturity yields) increasing to a long term average of 10.5 tonnes per hectare per annum from 2025.
- The average price of water available to the orchard decreases from $220 per ML in the current year to a long term average of $170 per ML from 2023.

The sensitivity of these long term assumptions are as follows:

Assumption	Assumed Value	Sensitivity	Change in Valuation
CPI	3.0%	if increased to 3.5%	660,688
	from 2025	if reduced to 2.5 %	(589,403)
2025 market rental	$4,000 per ha	If increased to $4,250	458,784
		If reduced to $3,750	(458,784)
Discount rate	11.5%	if increased to 12.5%	(1,339,213)
		if reduced to 10.5 %	1,617,525
Harvest yield	10.5 t per ha	if increased to 11.5 tonne per ha	252,214
	from 2025	if reduced to 9.5 tonne per ha	(252,214)
Price of water	$170 per ML	if increased to $190 per ML	(193,703)
	from 2025	if decreased to $150 per ML	193,703

14. INVESTMENT PROPERTY	2020 $	2019 $
Investment property	1,553,550	1,553,550

The investment property is a level 3 asset for the purposes of determining fair value. The investment property comprises land located at 1453 Wychitella Quambatook Road, Terrappee in Victoria totalling 517.85 hectares. The land has been planted with the olive trees (bearer plants) included in Note 13. The investment property in conjunction with the olive trees are leased to two managed investment schemes for an initial period to 2025 plus an option of another 25 years. The majority of the expenses of the Group are incurred to maintain the investment property and the bearer plants as a combined asset, and as such a reasonable split of the expenses between the investment property and the bearer plants cannot be made.

The value of the investment property was determined by the directors at 30 June 2020 with reference to a valuation dated 14 March 2018 prepared by a recognised and relevantly qualified, independent professional who has relevant experience in the region and the industry. The key assumption in the valuation was:

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

The sensitivity of this assumption is as follows:

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

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

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

15. TRADE AND OTHER PAYABLES	2020 $	2019 $
Current		
Trade payables	1,661,991	1,621,781
Other payables and accruals	399,253	593,086
	2,061,244	2,214,867

16. PROVISIONS		
Liability for employee benefits	315,255	301,783
	315,255	301,783

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 $315,255 (2019: $301,783) is presented as current since the consolidated entity does not have an unconditional right to defer settlement for any of these obligations. However, based upon past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The current leave obligations expected to be settled within the next 12 months is $77,215 (2019: $39,132).

17. LOANS AND BORROWINGS

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate risk, see Note 20.

	2020 $	2019 $
Current		
Hire purchase liabilities	130,554	201,952
Unsecured loan facilities	-	1,395,000
	130,554	1,596,952
Non-current		
Hire purchase liabilities	347,728	314,138
Secured bank facilities	3,644,634	3,600,000
Unsecured loan facilities	1,466,000	800,000
	5,458,362	4,714,138

Hire purchase facilities

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

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

	Minimum payments 2020	Interest 2020	Principal 2020	Minimum payments 2019	Interest 2019	Principal 2019
Less than one year	148,484	17,930	130,554	226,162	24,210	201,952
Between one and five years	364,412	16,684	347,728	338,902	24,764	314,138
Later than 5 years	-	-	-	-	-	-
	512,896	34,614	478,282	565,064	48,974	516,090

Terms of loans and borrowings

Secured loan facilities

The secured loan facilities bear an interest rate of 3.37% pa (2019: 4.87% pa). The above noted facilities comprise the following:

- Term loan facility of $3,644,634 (2019: $3,600,000), with a term to July 2021 with no principal reductions.

Unsecured loan facilities

The unsecured loan facilities bear the following interest rates:

$1,000,000	the greater of 7.5% or the 30 day bank bill swap reference rate plus 5%; and
$ 466,000	the greater of 8% or the 30 day bank bill swap reference rate plus 5%.

All unsecured loans are from shareholders or parties associated from shareholders. These loans were renegotiated in June 2020 to be on an interest only basis with a term until October 2023.

Assets pledged as security

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

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

	2020 $	2019 $
18. ISSUED CAPITAL		
Issued capital		
304,716,768 (2019: 152,358,384) fully paid ordinary shares	24,336,854	22,840,966

Movements in ordinary share capital

	Date	No of shares	Issue price	$
Balance	1 July 2018	152,358,384		22,840,966
Balance	30 June 2019	152,358,384		22,840,966
Shares subscribed under the Share Entitlement Issue	16 Mar 2020	116,595,566	0.01	1,165,956
Share issue transaction costs	16 Mar 2020	-	0.00	(27,696)
Issue of shares arising from placement of shortfall shares from Share Entitlement Issue	15 May 2020	35,762,818	0.01	357,628
Balance	30 June 2020	304,716,768		24,336,854

Options

Options granted during the year

The Company issued 76,179,185 free attaching options during the year as part of the Share Entitlement Issue. The options have the following terms:

- Exercise price 0.015 cents
- Expiry date 22 December 2022

These options are not listed on the ASX.

The Company had no options on issue as at 30 June 2019.

19. RESERVES	2020 $	Restated 2019 $
Foreign currency translation reserve	259,784	259,784
Revaluation surplus reserve	1,430,023	745,204
	1,689,807	1,004,988

Foreign currency translation reserve

This reserve is used to record the value of exchange differences arising on translation of the foreign controlled entities. There were no movements in the reserve during the year (2019: nil).

Revaluation reserve

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

19 RESERVES (continued)

Movement in reserves

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

	Note	Foreign exchange translation $	Bearer plants revaluation $	Total $
Balance as at 1 July 2018		259,784	142,072	401,856
Restatement due to correction of error	1	-	201,100	201,100
Balance as at 1 July 2018 - restated		259,784	343,172	602,956
Revaluation of bearer plants	13	-	402,032	402,032
Balance as at 30 June 2019 - restated		259,784	745,204	1,004,988
Revaluation of bearer plants	13	-	684,819	684,819
Balance as at 30 June 2020		259,784	1,430,023	1,689,807

20. FINANCIAL INSTRUMENTS DISCLOSURE

Market risk

Exposure to foreign currency risk
The consolidated entity has no material exposure to foreign currency risk (2019: nil).

Price risk
The consolidated entity is not exposed to any significant price risk (2019: nil).

Interest rate risk

(a) Profile

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

	Carrying Amount			
	2020 Interest rate p.a.	2020 $	2019 Interest rate p.a.	2019 $
Fixed rate instruments				
Hire purchase liabilities	3.1% - 6.2%	478,282	3.1% - 6.2%	516,090
Unsecured loans		-		475,000
		478,282		991,090
Variable rate instruments				
Secured bank loans	3.37%	3,644,634	4.75%	3,600,000
Unsecured loans	(i) 7.66%	1,466,000	(i) 7.71%	1,720,000
Bank overdraft	7.68%	21,606	9.06%	495,300
		5,132,240		5,815,300
Interest free instruments				
Trade and other payables		2,061,244		2,214,867
		7,671,766		9,021,257

(i) Weighted Average

20. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Market risk (continued)

(b) Cash flow sensitivity for variable rate instruments

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

The consolidated entity's variable rate borrowings at reporting date amounted to $5,132,240 (2019 : $5,815,300) are interest only loans. Monthly cash outlays of approximately $19,730 (2019:$29,040) are required to service the interest payments on these variable rate borrowings. An increase / decrease in interest rates of 50 (2019: 50) basis points would have an adverse / favourable effect on profit after tax of $25,661 (2019: $29,079) per annum and an adverse / favourable impact on total equity of $25,661, (2019: $29,079) The percentage change is based on the expected maximum change in interest rates over the next twelve months using market data and analysts forecasts.

Credit risk

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

	Carrying Amount	
	2020 $	2019 $
The financial assets are:		
Cash and cash equivalents	101,286	156,446
Trade receivables	1,120,154	2,290,915
	1,221,440	2,447,361

The consolidated entity has a credit risk exposure to the investors in the projects it manages who collectively, as at 30 June 2020, owed the consolidated entity $1,103,319 (98.5% of trade receivables) (2019: $2,289,815 (99.9% of trade receivables)). These receivables arise from the management of the investors projects and lease fees for the orchard assets and primarily relate to the year ended 30 June 2020. The consolidated entity expects to collect $986,582 (2019: $2,166,039) of this amount by way of a deduction from the proceeds of the sale of the investors oil over the next twelve months. The balance of $116,747 (2019: $123,776) will be collected by way of deduction from future harvest proceeds or by way of equity in the projects should they are restructured.

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

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

20. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Liquidity risk

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

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

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

	2020		2019	
	Facility amount	**Unused portion**	**Facility amount**	**Unused portion**
Bank overdraft	500,000	478,394	500,000	4,700
Secured bank loans	3,644,634	-	3,600,000	-
	4,144,634	478,394	4,100,000	4,700

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

30 June 2020	**1 year or less**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total contractual maturities**
Non-interest bearing				
Trade and other payables	2,061,244	-	-	2,061,244
Interest bearing – fixed rate				
Hire purchase liabilities	148,484	176,018	188,394	512,896
Interest bearing – variable rate				
Secured loans	92,118	3,678,368	-	3,770,486
Unsecured loans	112,280	112,280	1,503,427	1,727,987
Bank overdraft	21,606	-	-	21,606
	2,435,732	3,966,666	1,691,821	8,094,219

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

20. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Fair value of financial instruments

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

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

Fair value measurement

Details regarding fair value measurement of bearer plants are disclosed in Note 13 and for investment property are disclosed in Note 14.

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

21 COMMITMENTS

	2020 $	2019 $
Lease commitments		
Future lease rentals not provided for in the financial statements and payable:		
Not later than one year	18,000	26,460
Later than one year but not later than five years	-	-
More than five years	-	-
	18,000	26,460

The consolidated entity leases office premises that has been classified as a short term lease. The lease has an initial term until June 2021 and it is uncertain if an option for a further term will be taken up.

The consolidated entity leases the bearer trees set out in note 13 and the investment property set out in note 14. A significant portion of the lease payments from this property are directly linked to the value of the agricultural production each year and as a consequence, the directors cannot measure the future receivables with reliable certainty.

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

22. EARNINGS PER SHARE

	2020	Restated 2019
Loss per share	(0.88) cents	(0.33) cents

Basic earnings per share

The calculation of basic earnings per share at 30 June 2020 was based on the loss attributable to ordinary shareholders of $1,668,144 (2019: loss of $496,004) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2020 of 190,087,229 (2019: 152,358,384).

Diluted earnings per share

On the basis of the consolidated entity's losses, the outstanding options as at 30 June 2020 are considered to be anti-dilutive and therefore were excluded from the diluted weighted average number of ordinary shares calculation.

23. RELATED PARTY DISCLOSURES

(a) Controlled entities

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

	Country of Incorporation	Equity interest 2020	Equity interest 2019
AOX Pty Ltd	Australia	100%	100%
Australian Agricultural Investments Ltd	Australia	100%	100%
Victorian Olive Oil Project Limited	Australia	100%	100%
Popeye Holdings Pty Ltd	Australia	100%	100%
Lanyons Paddock Pty Ltd	Australia	100%	100%
Terrapee Contractors Pty Ltd	Australia	100%	100%
Victorian Olive Processors Pty Ltd	Australia	100%	100%
EVOO Marketing Pty Ltd	Australia	100%	100%
Finest Food Import Corporation	USA	100%	100%
AAP Export Pty Ltd	Australia	100%	100%
Oilpack Australia Pty Ltd	Australia	100%	100%
Red Island Australian Food Corporation	USA	100%	100%

Investments in controlled entities are measured at cost.

(b) Ultimate parent

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

(c) Key management personnel

Details relating to key management personnel, including remuneration paid and related party transactions are included in Note 24.

(d) Key transactions with related parties

A member of the consolidated entity, Victorian Olive Oil Project Limited, 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 Limited.

	Transaction	Note	Transactions value year ended 30 June 2020 $	Transactions value year ended 30 June 2019 $	Balance outstanding as at 30 June 2020 $	Balance outstanding as at 30 June 2019 $
Scheme						
Victorian Olive Oil Project	Lease fees	(i)	406,637	691,755	483,403	794,484
	Management fees	(ii)	368,434	853,239	305,893	576,997
Victorian Olive Oil Project II	Lease fees as part of production sharing	(i)	65,669	200,927	65,663	195,935
	Management fees as part of production sharing	(ii)	90,382	281,297	217,321	411,914
	Oil purchased	(iii)	-	-	(819,839)	(673,282)

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

23. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Key transactions with related parties (continued)

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

(e) Loans from director related parties

The Company has entered into shareholder loan agreements with entities associated with Mr P Grimsey ($339,000) and Mr P Challis ($1,127,000), the terms of which were renegotiated in June 2020. These loans are unsecured. The interest rate for the $1,000,000 loan with Mr Challis is the greater of 7.5% or the 30 day bank bill swap reference rate plus 5%. The remaining loans have an interest rate being the greater of 8% or the 30 day bank bill swap reference rate plus 5%. The maturity profile of these loans is as follows:

	Carrying amount	At call	1 year or less	2-5 years
Mr P Grimsey (ceased 19 September 2019)	339,000	-	-	339,000
Mr P Challis	1,127,000	-	-	1,127,000
	1,466,000	-	-	1,466,000

24. KEY MANAGEMENT PERSONNEL

Details of key management personnel

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

- Mr P Challis (Managing Director)
- Mr P Grimsey (Non-Executive Director) – ceased 19 September 2019
- Mr A Ho (Non-Executive Director)
- Mr D Stefanetti (Non-Executive Director) – appointed 26 September 2019
- Mr K Hogg (Company Secretary)

Key management personnel compensation

	Consolidated	
	2020	2019
	$	$
Short-term employee benefits	152,000	152,000
Post-employment benefits	13,300	13,300
Long term benefits	7,587	4,114
	172,887	169,414

The Company has entered into loan agreements with entities related to Mr P Challis. Details of these loans are set out in Note 23(e).

Detailed remuneration disclosures are provided in the Remuneration Report on pages 10 to 17.

25. SEGMENT INFORMATION

Business segments

Identification of reportable operating segments

The Company only operates in one segment, being the management of olive groves located in Boort, Victoria, including those managed investment schemes that lease the orchard assets from the consolidated entity. The Company utilised its assets to provide contracting services to external parties during the year deriving $10,538 (2019: $nil) of revenue.

25. SEGMENT INFORMATION (continued)

Major Customers

The Company currently generates its management and lease fee revenue from two managed investment schemes, Victorian Olive Oil Project (ASRN 096 091 511) and Victorian Olive Oil Project II (ASRN 106 286 560). In managing these schemes, the Company is responsible for the sale of the olive oil produced and these sales are exclusively with Boundary Bend Limited through an Olive Oil Supply Agreement which has a term until 30 June 2025.

26. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

	2020 $	Restated 2019 $
Cash flows from operating activities		
Loss for the year	(1,663,144)	(496,004)
Adjustments for:		
Depreciation	432,917	419,634
Change in trade and other receivables	1,170,761	(630,453)
Change in inventories	183,001	(137,543)
Change in other assets	(96,034)	18,769
Change in provisions and employee benefits	13,472	21,966
Change in trade and other payables	(153,623)	49,949
Net cash (used in) by operating activities	(117,650)	(753,682)

27. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Australian Agricultural Projects Limited as at 30 June 2020. The information presented has been prepared using accounting policies as disclosed in Note 1.

Statement of financial position

	Company	
	2020 $	2019 $
Current Assets	1,049,082	1,042,207
Non Current Assets	6,168,109	7,025,459
TOTAL ASSETS	7,217,191	8,067,666
Current Liabilities	2,924,015	4,501,281
Non Current Liabilities	1,466,000	800,000
TOTAL LIABILITIES	4,390,015	5,301,281
NET ASSETS	**2,827,176**	**2,766,385**
EQUITY		
Contributed equity	24,336,854	22,840,966
Accumulated losses	(21,509,678)	(20,074,581)
TOTAL EQUITY	**2,827,176**	**2,766,385**
Comprehensive income of parent entity	1,435,097	101,064

28. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has given a bank guarantee as at 30 June 2020 of $60,000 (2019: $60,000) in support of lease obligations.

The Company has undertaken a commitment to replant a portion of the bearer trees. The commitment for the twelve months to 30 June 2021 has been budgeted at $481,368 but no contractual liability exists.

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

29. EVENTS SUBSEQUENT TO REPORTING DATE

The Company has considered the impact of the COVID-19 virus on the business and has implemented procedures consistent with the directions given by the authorities. These procedures have had little or no impact upon the operations of the business although management continue to monitor the situation.

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

DIRECTORS' DECLARATION

The directors of the Company declare that:

- the attached financial statements and notes as set out on pages 18 to 50 comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2020 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 2020.

Paul Challis
Managing Director

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Australian Agricultural Projects Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Agricultural Projects Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material uncertainty related to going concern

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of Bearer Plants

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 13 to the financial statements the Group's assets include bearer plants at fair value with a carrying value of $9.42m. This asset consists of olive trees currently leased to investors via managed investment schemes. Fair value is determined using a value-in-use model which estimates the cash flows to be earned from the asset over the remaining 30-year term of the leases. Key judgements and estimates which are complex and subjective are incorporated into the valuation of the bearer plants and hence we deemed the valuation of bearer plants as a key audit matter. In addition, based on the results of our audit procedures, we have also identified that depreciation charges should be recognised on the bearer plants in line with the requirements of AASB 116 *Property, Plant and Equipment* which was not accounted for in the prior financial years. This was corrected in the current financial year and a prior period error was recognised which is disclosed in Note 1 to the financial statements.	Our procedures, amongst others, included: • Ensuring management had correctly classified the bearer plants to be in line with the requirements of AASB 116. • Challenging management's key assumptions and estimates used in the value-in-use model to determine the fair value of the bearer plants, including those relating to forecast revenue, costs, and discount rate, and corroborating the key market related assumptions to relevant and appropriate external data. • Assessing the ongoing appropriateness of the fair value and key estimates used by reference to an external valuation report which was commissioned for the bank in 2018. Management commission an independent valuation report once every 3 years. • Checking the mathematical accuracy of the value-in-use model and agreeing relevant data to the latest budgets. • Assessing the historical accuracy and reliability of management's forecasts. • Performing a sensitivity analysis on the key financial assumptions being CPI, market rental, discount rate, harvest yield and the price of water. • Assessing the adequacy of the disclosures in the financial statements in respect of the key assumptions adopted in the value-in-use model. • Assessing the calculation and recognition of the depreciation charges for the current year for compliance with the requirements of AASB 116. • Ensuring the recognition of the depreciation charges for the prior period were correctly accounted for and disclosed as a prior period error in line with the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 17 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Australian Agricultural Projects Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

Wai Aw
Director

Melbourne, 30 September 2020

SHAREHOLDER INFORMATION

Details of shares as at 21 September 2020:

Top holders

The 20 largest holders of each class of quoted security as at 21 September 2020 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1	Grimfam Holdings Pty Ltd <Grimsey Family A/C>	33,570,486	11.02
2	Bliss on Banksia Hairdressing Pty Ltd <The Stefanest Egg Sfund A/C>	33,216,400	10.90
3	Bond Street Custodians Limited <GFSOFF - D42134 A/C>	24,947,690	8.19
4	Patrac Holdings Pty Ltd <The Challis Family A/C>	24,947,690	8.19
5	Caroline House Superannuation Fund Pty Ltd <The Caroline House S/F A/C>	22,586,332	7.41
6	Mr Phillip John Grimsey + Mrs Deborah Faye Grimsey <The Grimsey Super Fund A/C>	19,075,820	6.26
7	Petto Holdings Pty Ltd	15,473,846	5.08
8	DB Investments Pty Ltd	15,012,818	4.93
9	Mr Phillip John Grimsey + Mrs Deborah Faye Grimsey <The Grimsey Super Fund A/C>	13,880,864	4.56
10	Mrs Serng Yee Liew	9,610,000	3.15
11	Mr Robert Brydon Rudd	9,025,030	2.96
12	Petto Holdings Pty Ltd <The Pettofrezza Family A/C>	6,591,490	2.16
13	Mr Paul Pettofrezza + Mrs Carmela Pettofrezza <Pettofrezza Ret Fund A/C>	5,882,354	1.93
14	Citicorp Nominees Pty Limited	5,686,420	1.87
15	Ms Linlin Li	5,309,214	1.74
16	Ms Wai Heng Ho	5,010,000	1.64
17	Wai Heng Ho	4,827,586	1.58
18	Woodduck Pty Limited	4,300,000	1.41
19	Mr Anthony Ho	4,000,002	1.31
20	Winpar Holdings Limited	3,000,000	0.98
		265,954,042	87.27

Distribution schedule

A distribution schedule of each class of equity security as at 21 September 2020:

Fully paid ordinary shares

Range			Holders	Units	%
1	-	1,000	18	3,998	0.00
1,001	-	5,000	41	129,230	0.04
5,001	-	10,000	95	912,247	0.30
10,001	-	100,000	124	5,365,839	1.76
100,001	-	Over	89	298,305,454	97.90
Total			367	304,716,768	100.00

Distribution schedule (continued)

Unquoted options exercisable at $0.015 on or before 22 December 2023

Range			Holders	Units	%
1	-	1,000	5	2,362	0.00
1,001	-	5,000	7	24,250	0.03
5,001	-	10,000	4	35,026	0.05
10,001	-	100,000	13	652,310	0.86
100,001	-	Over	28	75,465,237	99.06
Total			57	76,179,185	100.00

Number of unquoted securities

Class	Exercise Price	Expiry Date	Number of Shares	Number of Holders
Unquoted Options	$0.015	22 December 2023	76,179,185	57

Substantial shareholders

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

Substantial shareholder	Number of Shares
Grimsey Group	33,263,585
Patrac Holdings Pty Ltd <The Challis Family A/C>	24,947,690
Bliss on Banksia Hairdressing Pty Ltd	33,216,400
Caroline House Superannuation Pty Limited <The Caroline House Superfund A/C>	22,586,332

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 35,715 units as at 21 September 2020):

Holders	Units
212	2,257,792

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.