



**Australian
Agricultural
Projects Ltd**

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HALF-YEAR FINANCIAL RESULTS

ANNOUNCEMENT

29 FEBRUARY 2016

In accordance with Listing Rule 4.2A.3, the Interim Financial Report for the six months ended 31 December 2015 and ASX Appendix 4D – Half Year Report of Australian Agricultural Projects Limited (ASX: AAP) follow this announcement. This information is to be read in conjunction with the annual report for the year ended 30 June 2015.

AUTHORISED BY:

Paul Challis
Managing Director

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Paul Challis – Managing Director

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AUSTRALIAN AGRICULTURAL PROJECTS LIMITED

Appendix 4D

Half Year Report for the period ended 31 December 2015

Results for announcement to the market

| | Current Period \$'000 | Percentage Change Up/(Down) | Previous Corresponding Period \$'000 |
|--|-----------------------------|-----------------------------------|---|
| Revenue from ordinary activities | 1,213 | 17.0% | 1,037 |
| (Loss)/Profit from ordinary activities after tax attributable to members | 52 | - | (93) |
| Net (loss)/profit for the period attributable to members | 52 | - | (93) |

Dividends

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

| Net tangible assets per security | Current Period | Previous Corresponding Period |
|----------------------------------|-------------------|-------------------------------------|
| Cents per ordinary share | 3.36 cents | 2.70 cents |



Australian Agricultural Projects Ltd

ABN 19 104 555 455

Interim Report
for the half-year ended 31 December 2015



INTERIM REPORT – 31 DECEMBER 2015

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Australian Agricultural Projects Ltd

ABN 19 104 555 455

DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of Australian Agricultural Projects Ltd ("AAP") and its controlled entities for the six months ended 31 December 2015 and the independent auditor's review report thereon:

1. Directors

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

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

2. Results and review of operations

The Company is pleased to present the financial report for the six months period to 31 December 2015. The financial result for this period is summarised below:

| | Six months to Dec 15 | Six months to Dec 14 | Six months to Dec 13 |
|--|-------------------------|-------------------------|-------------------------|
| Earnings before interest, tax, depreciation and amortisation | 301,714 | 409,316 | 396,928 |
| Depreciation | (137,454) | (143,543) | (138,661) |
| Borrowing costs | (183,868) | (197,094) | (225,170) |
| Asset revaluation | 71,773 | (161,542) | 101,318 |
| Net profit / (loss) after income tax | 52,165 | (92,863) | 134,415 |

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

- The higher cost of water due to of the dry conditions experienced in the region over the period. We expect water prices to return to more normal levels at the end of the current El Nino weather pattern.
- The increased orchard operating costs as equipment maintenance and fertiliser costs are incurred with the view of providing greater long term benefits.

The orchard continues in general good health which is a reflection of the current orchard management plan. The Barnea variety continues to be a focus of orchard management with the decision that this variety will progressively be replaced over the medium to long term.



Expected yield

Having reviewed the flowering and fruit set, management's expectation is that this year's harvest will be in the region of 75% to 85% of last year's record harvest. This is 713,000 to 808,000 litres. This would be a pleasing result in what is an "off" year for the orchard. As always, the final volume of the oil is dependent upon the climatic conditions between now and harvest which is expected to commence in the last week of April.



Oil sales

Practically all of the oil produced has been sold to Boundary Bend Olives Pty Ltd under the olive oil supply agreement in support of the Redisland brand.

We are still in the fixed price portion of the supply agreement with the expectation that we will move to the retail price index model as part of the 2017 harvest pricing. Encouragingly, the macro factors that impact the retail price of oil, including the smaller than expected 2015/6 European harvest and the increasing recognition of the importance of the quality and freshness of the oil, are putting upward pressure on retail prices.

Recognition

The Company continues to recognise the effort and loyalty displayed by the key staff that form the nucleus of the team at the orchard and extend our gratitude to them.

3. Auditor's independence declaration

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

Dated at Melbourne, Victoria, this 29th day of February 2016.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director

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

As lead auditor for the review of Australian Agricultural Projects Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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



Alex Swansson
Partner

BDO East Coast Partnership

Melbourne, 29 February 2016



Australian Agricultural Projects Ltd

ABN 19 104 555 455

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2015

| | Note | 2015 \$ | 2014 \$ |
|---|------|----------------------|------------------------|
| <i>Continuing operations</i> | | | |
| Revenue | | 1,212,700 | 1,037,111 |
| Cost of sales | | (832,775) | (550,880) |
| Corporate and administrative expenses | | (75,211) | (76,915) |
| Depreciation and amortisation | | (137,454) | (143,543) |
| Borrowing costs | | (186,868) | (197,094) |
| Net fair value gain / (loss) on investment property | | 71,773 | (161,542) |
| Net profit / (loss) before income tax | | <u>52,165</u> | <u>(92,863)</u> |
| Income tax expense | 6 | - | - |
| Net profit / (loss) for the period from continuing operations | | <u>52,165</u> | <u>(92,863)</u> |
| Other Comprehensive Income | | | |
| Movement in foreign exchange reserve | | - | - |
| Total Other Comprehensive Income | | <u>-</u> | <u>-</u> |
| Total Comprehensive Income for the period | | <u><u>52,165</u></u> | <u><u>(92,863)</u></u> |
| Earnings per share from continuing operations | | | |
| Basic Earnings/(Loss) per share (cents) | | 0.03 | (0.06) |
| Diluted Earnings/(Loss) per share (cents) | | 0.03 | (0.06) |
| Earnings per share attributed to members | | | |
| Basic Earnings/(Losses) per share (cents) | | 0.03 | (0.06) |
| Diluted Earnings/(Losses) per share (cents) | | 0.03 | (0.06) |

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

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



Australian Agricultural Projects Ltd

ABN 19 104 555 455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2015

| | Note | 31 December 2015 \$ | 30 June 2015 \$ |
|--------------------------------|------|--------------------------|--------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 143,182 | 63,765 |
| Trade and other receivables | | 2,304,433 | 3,190,681 |
| Inventories | | 84,603 | 375,557 |
| Other | | 454,256 | 54,472 |
| Total Current Assets | | <u>2,986,474</u> | <u>3,684,475</u> |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | | 1,411,043 | 1,547,518 |
| Investment property | | 8,455,940 | 8,384,167 |
| Total Non Current Assets | | <u>9,866,983</u> | <u>9,931,685</u> |
| TOTAL ASSETS | | <u>12,853,457</u> | <u>13,616,160</u> |
| CURRENT LIABILITIES | | | |
| Bank overdraft | | - | 495,230 |
| Trade and other payables | | 3,112,991 | 3,196,545 |
| Provisions | | 330,278 | 336,179 |
| Loans and borrowings | | 1,501,352 | 1,458,981 |
| Total Current Liabilities | | <u>4,944,621</u> | <u>5,486,935</u> |
| NON CURRENT LIABILITIES | | | |
| Loans and borrowings | | 2,796,973 | 3,069,527 |
| Total Non Current Liabilities | | <u>2,796,973</u> | <u>3,069,527</u> |
| TOTAL LIABILITIES | | <u>7,741,594</u> | <u>8,556,462</u> |
| NET ASSETS | | <u>5,111,863</u> | <u>5,059,698</u> |
| EQUITY | | | |
| Contributed equity | | 22,840,966 | 22,840,966 |
| Reserve | | 259,784 | 259,784 |
| Accumulated losses | | (17,988,887) | (18,041,052) |
| TOTAL EQUITY | | <u>5,111,863</u> | <u>5,059,698</u> |

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



Australian Agricultural Projects Ltd

ABN 19 104 555 455

CONSOLIDATED STATEMENT OF CASH FLOWS for the half-year ended 31 December 2015

| | 2015 \$ | 2014 \$ |
|---|------------------|------------------|
| Cash flows from operating activities | | |
| Cash receipts in the course of operations | 2,741,428 | 1,783,043 |
| Cash payments in the course of operations | (1,732,981) | (1,050,384) |
| Interest received | 688 | 959 |
| Interest paid | (204,306) | (155,630) |
| Net cash provided by / (used in) in operating activities | 804,829 | 577,988 |
| Cash flows from investing activities | | |
| Payment for property, plant and equipment | - | (1,181) |
| Net cash (used in) / provided by investing activities | - | (1,181) |
| Cash flows from financing activities | | |
| Repayment of borrowings | (230,182) | (172,160) |
| Net cash used in financing activities | (230,182) | (172,160) |
| Net increase / (decrease) in cash and cash equivalents held | 574,647 | 404,647 |
| Cash and cash equivalents at the beginning of the period | (431,465) | (250,478) |
| Effect of exchange rate fluctuations | - | 15 |
| Cash and cash equivalents at the end of the period | 143,182 | 154,184 |

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



Australian Agricultural Projects Ltd

(formerly known as Redisland Australia Ltd)

ABN 19 104 555 455

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the half-year ended 31 December 2015

| | Contributed Equity \$ | Foreign Currency Translation Reserve \$ | Accumulated Losses \$ | Total Equity \$ |
|---------------------------------------|--------------------------------------|--|--------------------------------------|--------------------------------|
| Balance as at 1 July 2015 | <u>22,840,966</u> | <u>259,784</u> | <u>(18,041,052)</u> | <u>5,059,698</u> |
| Profit net of tax for the half year | - | - | 52,165 | 52,165 |
| Other comprehensive income | - | - | - | - |
| Balance as at 31 December 2015 | <u>22,840,966</u> | <u>259,784</u> | <u>(17,988,887)</u> | <u>5,111,863</u> |
| | | | | |
| Balance as at 1 July 2014 | <u>22,840,966</u> | <u>259,784</u> | <u>(18,609,332)</u> | <u>4,491,418</u> |
| Loss net of tax for the half year | - | - | (92,863) | (92,863) |
| Other comprehensive income | - | - | - | - |
| Balance as at 31 December 2014 | <u>22,840,966</u> | <u>259,784</u> | <u>(18,702,195)</u> | <u>4,398,555</u> |

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 31 December 2015

1. CORPORATE INFORMATION

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

The consolidated interim financial report as at and for the six months ended 31 December 2015 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "Group").

The annual financial report of the consolidated entity as at and for the year ended 30 June 2015 is available upon request from the Company's registered office or may be viewed on the Company's website, www.voopl.com.au.

2. BASIS OF PREPARATION

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2015. It is also recommended that the interim financial report be considered together with any public announcements made by the consolidated entity during the six months ended 31 December 2015 in accordance with continuous disclosure obligations under the *ASX Listing Rules*.

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2015.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2015.

This consolidated interim financial report was approved by the Board of Directors on 29th of February 2016.

Going Concern

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

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

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

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

3. SEGMENT INFORMATION

Business segments

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

Seasonality

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 31 December 2015

4. INVESTMENT PROPERTY

| | December 2015 | June 2015 |
|--|------------------|--------------|
| Land, trees and orchard assets held to earn lease fees | 8,455,940 | 8,384,167 |
| Movement consists of: | | |
| Investment property opening balance | 8,384,167 | 8,546,100 |
| Net fair value gain/ (loss) on investment property | 71,773 | (161,933) |
| | 8,455,940 | 8,384,167 |

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

The value of the investment property was determined by the directors at 31 December 2015 by discounting the cash flows of expected future net income streams over the 36 year term (including option) of the lease generated by the investment property based on the following key assumptions:

- Future cash inflows were estimated as the budgeted rental to be received from the investment property increased by CPI indexation of 3 percent per annum. 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;
- Pre tax discount rate of 12.5 percent was applied to future cash flows, which is based on group cost of funding plus risk premium.
- The orchard has a long term yield of 11 tonnes of fruit per hectare per annum.
- The long term average price of water from the Goulburn Murray Water irrigation system is \$115 per ML.

The sensitivity of these assumptions are as follows:

| Assumption | Assumed Value | Sensitivity | Change in Valuation |
|------------------------|---------------|---------------------------------|---------------------|
| CPI | 3.0% | if increased to 3.5% | 509,251 |
| | | if reduced to 2.5 % | (472,222) |
| Discount rate | 12.50% | if increased to 13.5% | (773,295) |
| | | if reduced to 11.5 % | 907,631 |
| Harvest yield | 11 t per ha | if increased to 12 tonne per ha | 213,978 |
| | | if reduced to 10 tonne per ha | (213,978) |
| Average price of water | 115 per ML | if increased to 125 per ML | (126,113) |
| | | if reduced to 105 per ML | 126,113 |

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

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



Australian Agricultural Projects Ltd

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the half-year ended 31 December 2015

5. RELATED PARTY DISCLOSURES

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

| Scheme | Transaction | Note | Transactions value six months ended 31 December | | Balance outstanding as at | |
|--------------------------------|---|-------|---|------------|---------------------------|-----------------------|
| | | | 2015 \$ | 2014 \$ | 31 Dec 2015 \$ | 30 June 2015 \$ |
| Victorian Olive Oil Project | Lease fees | (i) | 329,800 | 324,927 | 767,238 | 863,336 |
| | Management fees | (ii) | 480,057 | 527,005 | 954,916 | 1,118,059 |
| Victorian Olive Oil Project II | Costs of operating the project that have been capitalised until harvest | (iii) | 205,742 | 157,687 | 205,742 | - |
| | Lease and management fees receivable | (ii) | - | - | 453,232 | 812,717 |
| | Oil purchased | (iv) | - | - | (855,714) | (840,597) |

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

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

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

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

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

6. INCOME TAX

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

7. CONTINGENT LIABILITIES

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

8. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to reporting date that would have a material financial effect on the financial statements for the half year ended 31 December 2015.



Australian Agricultural Projects Ltd

ABN 19 104 555 455

DIRECTORS' DECLARATION

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

1. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance for the six month period ended on that date; and
 - (a) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne, Victoria, this 29th day of February 2016.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Agricultural Projects Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Agricultural Projects Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Agricultural Projects Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Agricultural Projects Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO East Coast Partnership

A handwritten signature in blue ink. The signature starts with the letters 'BDO' in a stylized, blocky font, followed by a cursive signature that ends in a long, horizontal flourish.

Alex Swansson
Partner

Melbourne, 29 February 2016