

Frankland River Olive Company Limited

ABN 29 089 521 997

Financial Report
for the half-year ended 31 December 2014

CORPORATE INFORMATION

FRANKLAND RIVER OLIVE COMPANY LIMITED
ABN 29 089 521 997

Directors

Ivo Paul Letari - Chairman
Mia Iva Civa- Non Executive Director
Nina Letari- Non Executive Director

Company Secretary

Mia Iva Civa

Registered Office

1 McDowell Street
Welshpool Western Australia 6106
Phone : (08) 9494 2044
Fax : (08) 9494 2043

Solicitors

Solomon Brothers

Bankers

St George Bank

Auditors

William Buck Audit (WA) Pty Ltd

Share Registry

Advanced Share Registry Services Ltd
150 Stirling Highway
Nedlands Western Australia 6008
Phone: (08) 9389 8033
Fax: (08) 9389 7871

Frankland River Olive Company Limited shares are listed on the Australian Securities Exchange.
Code: FLR

Internet Address

www.jingilli.com.au

DIRECTORS' REPORT

This half year report covers the consolidated entity comprising Frankland River Olive Company Limited and its subsidiaries (the Group).

DIRECTORS

The names of the directors of the company in office during the half year and until the date of this report are:

Ivo Paul Letari (Chairman)

Mia Iva Civa (Non Executive Director)

Nina Letari (Non Executive Director)

Mia Iva Civa and Nina Letari were appointed as non executive directors on 27th August 2014.

REVIEW AND RESULTS OF OPERATIONS

Corporate

During the period, there were no changes in the corporate structure of the company.

Operations

Frankland River Olive Company is on track to commence the 2015 harvest during the first week of April. The two groves, Parmelia and Frankland, have recovered substantially over the past twelve months largely due to the restoration pruning carried out after the 2013 harvest.

Major irrigation repair and maintenance continues at both groves and considerable expenditure is allocated for a larger volume of fertiliser to bring the olive trees back to full production. As a result of these operational improvements the Company expects a reasonable total yield to be achieved from the harvest.

The Company is fortunate to have the ongoing financial support of its major shareholder Toscana (WA) Pty Ltd (Toscana.) Toscana continues to provide the Company with funding as required to ensure the Company can meet its ongoing working capital requirements and financial obligations for at least 12 months from the date of signing the financial report.

Marketing

New strategic initiatives that were put in place now see national distribution with Metcash (IGA Supermarkets throughout Australia) and local producer status with Woolworths in Western Australia.

Product lines have increased with an existing distributor in Victoria and negotiations continue in both New South Wales and Queensland for appointment of exclusive distributors in those states.

Positive feedback received from loyal customers utilising the online shopping cart program and marked increase in online sales since inception.

Negotiations continue with importers in USA and Asia with Jingilli presence at Food Hospitality and Catering Expo China (Shanghai) in November 2014.

Financial

The consolidated entity has incurred a net loss after tax for the half year ended 31 December 2014 of \$859,477 (December 2013 a loss of \$530,845). The net loss also included depreciation expenses of \$170,548 (December 2013: \$182,337) and interest to Toscana of \$371,284. As at 31 December 2014, the consolidated entity had net assets of \$7,863,121 (June 2014: \$8,722,598). The consolidated net cash inflow from operating activities was \$115,861 (December 2013: outflow of \$216,562).

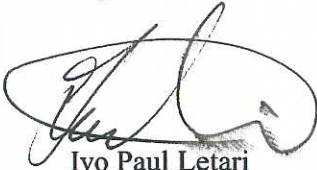
EVENTS SUBSEQUENT TO BALANCE DATE

No material events subsequent to balance date to report.

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 17 which forms part of this report.

Signed in accordance with a resolution of the directors.



Ivo Paul Letari
Director

Perth, 27th February 2015

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
HALF YEAR ENDED 31 DECEMBER 2014**

| | Note s | 31 Dec 2014 \$ | 31 Dec 2013 \$ |
|---|-----------|-------------------|-------------------|
| Revenue | 3 | 509,147 | 878,204 |
| Cost of sales | | (292,622) | (492,264) |
| Gross Profit/(Loss) | | 216,525 | 385,940 |
| Other income | 4 | 12,451 | 28,085 |
| Distribution and logistics cost | | (211,999) | (181,662) |
| Marketing and promotion costs | | (29,880) | (68,867) |
| Corporate and administrative expenses | | (302,051) | (152,660) |
| Finance costs | 5 | (373,975) | (359,334) |
| Depreciation | | (170,548) | (182,337) |
| (Loss) before income tax expense | | (859,477) | (530,845) |
| Income tax benefit/(expense) | | - | - |
| Net (Loss) attributable to the members of the parent | | (859,477) | (530,845) |
| Other comprehensive income | | - | - |
| Income tax on other comprehensive income | | - | - |
| Total other comprehensive income | | - | - |
| Total comprehensive loss attributable to the members of the parent | | (859,477) | (530,845) |
| Basic and diluted loss per share (cents per share) | | (0.15) | (0.1) |

The above consolidated statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

| | Notes | 31 Dec 2014 | 30 June 2014 |
|---|-------|-------------------|-------------------|
| Assets | | \$ | \$ |
| Cash and cash equivalents | 6 | 135,818 | 19,957 |
| Trade and other receivables | | 156,733 | 541,857 |
| Inventories | 7 | 1,308,805 | 1,197,975 |
| Prepayments | | 12,748 | 50,991 |
| Total current assets | | 1,614,104 | 1,810,780 |
| Property, plant and equipment | | 8,918,004 | 9,088,588 |
| Olive trees | 8 | 5,940,000 | 5,940,000 |
| Intangible Assets | | 1,710,000 | 1,710,000 |
| Total non-current assets | | 16,568,004 | 16,738,588 |
| Total assets | | 18,182,108 | 18,549,368 |
| Liabilities | | | |
| Trade and other payables | | 1,110,651 | 992,859 |
| Loans and borrowings | 10 | 6,106 | 5,731 |
| Provisions | | 18,467 | 15,854 |
| Total current liabilities | | 1,135,224 | 1,014,174 |
| Loans and borrowings | 10 | 9,163,617 | 8,793,661 |
| Provisions | | 20,146 | 18,935 |
| Total non-current liabilities | | 9,183,763 | 8,812,596 |
| Total liabilities | | 10,318,987 | 9,827,119 |
| Net assets | | 7,863,121 | 8,722,598 |
| Equity | | | |
| Issued capital | 9 | 43,082,675 | 43,082,675 |
| Asset revaluation reserve | | 2,950,464 | 2,950,464 |
| Accumulated losses | | (38,170,018) | (37,310,541) |
| Total equity attributable to equity holders of the Company | | 7,863,121 | 8,722,598 |

The above statement of financial position should be read in conjunction with the accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
HALF YEAR ENDED 31 DECEMBER 2014

| Consolidated | Issued capital | Accumulate d losses | Asset revaluation reserve | Total equity |
|---|---------------------------|--------------------------------|--|-------------------------|
| | \$ | \$ | \$ | \$ |
| At 1 July 2013 | 43,082,65 | (25,989,141) | 3,235,464 | 20,328,989 |
| Total comprehensive income for the period: | | | | |
| Net loss for the period | - | (530,845) | - | (530,845) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the period | - | (530,845) | - | (530,845) |
| At 31 December 2013 | 43,082,65 | (26,519,986) | 3,235,464 | 19,798,153 |

| Consolidated | Issued capital | Accumulate d losses | Asset revaluation Reserve | Total equity |
|---|---------------------------|--------------------------------|--|-------------------------|
| | \$ | \$ | \$ | \$ |
| At 1 July 2014 | 43,082,65 | (37,310,541) | 2,950,464 | 8,722,598 |
| Total comprehensive income for the period: | | | | |
| Net loss for the period | - | (859,477) | - | (859,477) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the period | - | (859,477) | - | (859,477) |
| At 31 December 2014 | 43,082,65 | (38,170,018) | 2,950,464 | 7,863,121 |

The above statement of changes in equity should be read in conjunction with the accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

HALF YEAR ENDED 31 DECEMBER 2014

| | Notes | 31 Dec 2014 \$ | 31 Dec 2013 \$ |
|---|-------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 892,377 | 775,529 |
| Cash paid to suppliers and employees | | (770,863) | (935,608) |
| Grants received | | - | - |
| Interest received | | 68 | 205 |
| Finance costs paid | | (23,730) | (81,506) |
| Other Income | | 18,009 | 24,818 |
| Net cash from/(used in) operating activities | | 115,861 | (216,562) |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | - | - |
| Payments for property, plant and equipment | | - | - |
| Net cash from/(used in) investing activities | | - | - |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares, options, etc | | - | - |
| Proceeds from borrowings | | - | 4,092,411 |
| Repayment of borrowings | | - | (3,854,478) |
| Other (Cost of raising capital) | | - | - |
| Net cash from/(used in) financing activities | | - | 237,933 |
| Net increase/(decrease) in cash and cash equivalents | | 115,861 | 21,371 |
| Cash and cash equivalents at beginning of period | | 19,957 | 28,742 |
| Cash and cash equivalents at end of period | 6 | 135,818 | 50,113 |
| Reconciliation of cash and cash equivalents | | | |
| Cash balance comprises: | | | |
| Cash at bank and on hand | 6 | 135,818 | 50,113 |
| | | 135,818 | 50,113 |

The above cashflow should be read in conjunction with the accompanying notes

CONDENSED NOTES TO THE FINANCIAL STATEMENTS**HALF YEAR ENDED 31 DECEMBER 2014****1. CORPORATE INFORMATION**

Frankland River Olive Company Limited (the Company) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated half year report of the Company as at and for the six months ended 31 December 2014 comprises the Company and its subsidiaries, together referred to as the "Group". The consolidated annual financial report of the Group as at and for the year ended 30 June 2014 is available upon request from the Company's registered office at 1 McDowell Street, Welshpool, Western Australia.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**(a) Basis of preparation**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Frankland River Olive Company and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Certain comparative amounts have been reclassified to conform with the current periods presentation.

New or revised standards and interpretations that are first effective in the current reporting period

The Group has adopted all of the new and revised Standards and Pronouncements issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the annual reporting period beginning 1 July 2014. The adoption of those requirements had no significant impact on the Group's reported position or performance.

(b) Going Concern

The consolidated entity has incurred a net loss after tax for the half-year ended 31 December 2014 of \$859,477 (December 2013: loss of \$530,845). The consolidated entity experienced net cash inflows from operating activities of \$115,861 (December 2013: of \$216,562). As at 31 December 2014, the consolidated entity had net assets of \$7,863,121 (June 2014: \$8,722,598).

The directors have prepared the financial statements of the consolidated entity on a going concern basis which assumes continuity of normal business activities and realisation of assets and the settlement of liabilities in the ordinary course of business. The major shareholder Toscana (WA) Pty Ltd which has sufficient financial capability has provided a letter of support indicating that it will not call upon its loan balance of \$9,155,443 as at 31 December 2014 unless the Group has sufficient cash resources to do so. The letter of support also states that Toscana (WA) Pty Ltd will continue providing further loan funds to the Group for working capital purposes and to ensure that the Group has sufficient funds to continue trading and to pay its debts as and when due. Based on the letter of support provided by Toscana (WA) Pty Ltd as described above and the consolidated entity trading profitably, the directors have prepared cash flow forecasts that indicate the consolidated entity will have sufficient cash flows to meet all working capital requirements for a period of at least 12 months from the date of signing the consolidated financial report.

Accordingly, the directors consider it appropriate for the consolidated financial statements to be prepared on the going concern basis.

3. REVENUE

| | 31 Dec 2014 | 31 Dec 2013 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Revenue from sale of olive products | 492,798 | 863,690 |
| Revenue from trading and contracting services | 16,349 | 14,514 |
| | <u>509,147</u> | <u>878,204</u> |

4. OTHER INCOME

| | 31 Dec 2014 | 31 Dec 2013 |
|-----------------|--------------------|--------------------|
| | \$ | \$ |
| Interest income | 68 | 205 |
| Grants received | 11,935 | 12,362 |
| Other | 448 | 15,518 |
| | <u>12,451</u> | <u>28,085</u> |

5. FINANCE COSTS

| | 31 Dec 2014 | 31 Dec 2013 |
|--------------------------------|----------------|----------------|
| | \$ | \$ |
| Interest expense | | |
| Bills of exchange | - | 78,062 |
| Finance lease | 1,016 | 34,365 |
| Related party loans | 371,284 | 190,534 |
| Other interest | - | 2,833 |
| | <u>372,300</u> | <u>305,794</u> |
| Bank charges and facility fees | 1,675 | 53,550 |
| | <u>373,975</u> | <u>359,344</u> |

Cash and cash equivalents in the statement of cash flows

For the purposes of the statement of cashflow, cash includes cash on hand and at bank net of outstanding bank overdrafts. Cash at the end of the half year as shown in the statement of cashflow is reconciled to the statement of financial position as follows:

| | 31 Dec 2014 | 30 Jun 2014 |
|--------------|-------------|-------------|
| | \$ | \$ |
| Cash at bank | 135,818 | 19,957 |

7. INVENTORIES

| | 31 Dec 2014 | 30 Jun 2014 |
|---------------------|------------------|------------------|
| | \$ | \$ |
| Finished goods | 929,853 | 1,064,111 |
| Packaging materials | 125,774 | 133,864 |
| Work in Progress | 253,178 | - |
| | <u>1,308,805</u> | <u>1,197,975</u> |

(a) Finished goods comprise extra virgin olive oil in both packaged and bulk forms.

8. OLIVE TREES

| | 31 Dec 2014 | 30 Jun 2014 |
|---|-------------|-------------|
| | \$ | \$ |
| Olive trees at fair value | | |
| Fair value at the beginning of the period | 5,940,000 | 15,824,692 |
| Net increment/(decrement) in fair value | - | (9,884,692) |
| Fair value at the end of the period | 5,940,000 | 5,940,000 |

Nature of assets

The Group owns 783 hectares of land in Frankland and 1,360 hectares of land in Mogumber, both in Western Australia of which 735 hectares have been planted with olive trees.

The fair value of olive trees is at the Directors' valuation having regard to amongst other matters, replacement cost and the trees' commercial production quality.

9. SHAREHOLDERS' EQUITY**(a) Issued capital**

| | Number of shares | Value \$ |
|--|------------------|------------|
| Opening balance – as at 1 July 2014 | 568,930,458 | 43,082,675 |
| Movement during the period | - | - |
| Closing balance – as at 31 December 2014 | 568,930,458 | 43,082,675 |

(b) Dividends paid or proposed

No dividends have been paid or proposed for the current period or the corresponding period in the previous year.

10. LOANS AND BORROWINGS

The following loans and borrowings (current and non-current) were issued and repaid during the six months ended 31 December 2014.

| | Interest rate | Carrying Amount |
|--|---------------|-------------------------|
| Balance at 1 July 2013 | | 7,346,572 |
| New issues | | |
| Loan to Toscana (WA) Pty Ltd | | 569,562 |
| Interest accrued on loans from third party | | 883,258 |
| Balance at 30 June 2014 | | <u><u>8,799,392</u></u> |

| | Interest rate | Carrying Amount |
|--|---------------|-------------------------|
| Balance at 1 July 2014 | | 8,799,392 |
| New issues | | |
| Loan To Toscana (WA) Pty Ltd | | - |
| Interest accrued on loans from third party | | 371,284 |
| Lease principle payments | | |
| Repayments | | |
| Lease principle payments | | (953) |
| Bank Bill Facility | | - |
| Balance at 31 December 2014 | | <u><u>9,169,723</u></u> |

| | 31 Dec 2014 | 30 Jun 2014 |
|-------------------------|-------------------------|-------------------------|
| Current | | |
| Secured liabilities | | |
| Finance lease liability | 6,106 | 5,731 |
| Related party loans | - | - |
| Bank bill facility | - | - |
| | <u>6,106</u> | <u>5,731</u> |
| Non-current | | |
| Secured liabilities | | |
| Finance lease liability | 8173 | 11,316 |
| Related party loans | 9,155,444 | 8,782,345 |
| Bank bill facility | - | - |
| | <u>9,163,617</u> | <u>8,793,661</u> |
| Total | <u><u>9,169,723</u></u> | <u><u>8,799,392</u></u> |

11. SEASONALITY OF OPERATIONS

The Group is subject to seasonality of olive production operations with harvest occurring during the second half of the financial year. This does not have a material impact on costs.

12. CONTINGENT LIABILITIES

The contingent liabilities of the entity have not changed from those disclosed in the 2014 Annual Report.

13. SUBSEQUENT EVENTS

No material subsequent events to report.

14. OPERATING SEGMENTS

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of profit or loss and other comprehensive income and statement of financial position.

The Group operates in one segment, the olive production industry. The olive operation comprises the growing, harvesting, processing and sale of extra virgin olive oil and olives. The Group operates only in Australia.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Frankland River Olive Company Limited, the directors state that:

In the opinion of the directors:

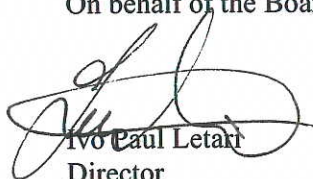
(a) the financial statements and notes of the consolidated entity set out on pages 4 to 13 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Ivo Paul Letari

Director

Perth, 27th February 2015

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FRANKLAND RIVER OLIVE COMPANY LIMITED AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Frankland River Olive Company Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated condensed statement of financial position as at 31 December 2014, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 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 2014 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 Frankland River Olive Company 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.

CHARTERED ACCOUNTANTS & ADVISORS

Level 3, 15 Labouchere Road
South Perth WA 6151

PO Box 748
South Perth WA 6951

Telephone: +61 8 6436 2888
williambuck.com

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FRANKLAND RIVER OLIVE COMPANY LIMITED AND CONTROLLED ENTITIES (CONT)

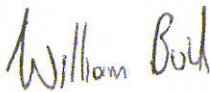
Conclusion

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 Frankland River Olive Company 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 2014 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Matters Relating to the Electronic Presentation of the Reviewed Half Year Financial Report

This auditor's review report relates to the half year financial report of Frankland River Olive Company Limited for the half year ended 31 December 2014 included on Frankland River Olive Company Limited's web site. The company's directors are responsible for the integrity of the Frankland River Olive Company's web site. We have not been engaged to report on the integrity of Frankland River Olive Company's web site. The auditor's review report refers only to the half year financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half year financial report to confirm the information included in the reviewed financial report presented on this web site.



William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124


Conley Manifis
Director

Dated this 27th day of February, 2015