redisland
AUSTRALIA LTD

OPERATIONS REVIEW
for the year ended 30 June 2010

ANNOUNCEMENT **31 AUGUST 2010**

Highlights

- **35% increase in EBITDA to $2.09m**
- **Net Profit of $609,611 despite lower than expected harvest**
- **Solid improvement in Australian sales operations**

2010 Financial Result

Redisland is pleased to report an annual profit of $609,611 (2009: $63,425) and an EBITDA of $2.09m (2009: $1.55m). This result has largely been achieved through:

- Improved contribution from sales of packaged product in Australian markets.
- Solid result from orchard operations despite lower than expected harvest.
- Ongoing cost control.

Operating cash flows have also shown marked improvement in 2010.

The financial result can be summarised as follows:

	2010	2009	2008
Revenue	16,593,978	16,967,523	12,181,860
Divisional Contribution			
Australian sales operations	1,648,281	726,756	266,494
US sales operations	(105,853)	(215,925)	(2,852,053)
Orchard management	1,904,117	2,462,911	1,663,633
Operating and corporate overheads	(1,353,376)	(1,420,170)	(1,687,744)
Once off cost of oil supply agreements	-	-	(755,305)
Earnings before interest, tax and depreciation	**2,093,169**	**1,553,572**	**(3,364,975)**
Interest, tax and depreciation	(1,483,558)	(1,490,147)	(1,059,005)
Total profit / (loss)	**609,611**	**63,425**	**(4,423,980)**

Australian and Asian sales operations

The key improvements in Australian sales operations are reflected in the improvement in the sales mix as well as the increase in margin from retail sales.

The improved sales mix resulted from very little extra virgin olive oil being sold in bulk (unpackaged) to customers in Europe and the US when compared with operations in 2009. This was largely due to the increase internal demand for extra virgin olive oil as well as a reflection of the poor bulk prices available in the market. These poor bulk prices have been driven by low trading prices out of Europe as well as the unfavourable movement in the exchange rate over the past year. As a consequence of this improved sales mix, gross margins have improved despite total revenues have remaining largely unchanged.

Domestic sales of packaged product increased by 44% during the year. This is a pleasing result driven by wider distribution in our existing customers as well as the introduction of some new lines including the flavour profiles in the Woolworths chain.

Management is extremely conscious of the current discounting occurring in the market, especially around the three and four litre tin categories. Our competitors, who supply imported product have benefited from the low European prices and the current exchange rates, are conducting very aggressive promotional activities in all of the major retailers. **Redisland** has managed to retain its operating margin due to the benefit of exiting the high cost supply agreements from prior years. However, given this environment, management's expectation for this business unit over the next twelve months is for limited top line growth with a key focus on maintaining margins and continuing to improve the sales mix.

Redisland is investigating business models around the food service industry with limited success. We note that with the increase in the sales of three and four litre tins throughout the major retailers, we are partially supplying this market through our traditional channels.

US sales operation

The Company has maintained a constant presence in the US during the year with a much smaller customer base and distribution. This is unlikely to change in the coming year.

The US strategy is to maintain a footprint to enable a platform for future growth should there be a significant change in the contribution from this business. In the short term, this will be largely dependent upon competition from the European exporters and the prevailing exchange rates.

Orchard management

The 2010 crop totalled 669,000 litres (2009: 733,000) which was a disappointing result due largely to poor growing conditions, especially in the critical flowering period. The orchard continues in excellent condition with good growth being reported. This sets a solid platform for the 2011 harvest.

The highlight of the 2010 season was the smooth completion of the harvest and processing of the 2010 crop. This has been the first year where there has been no significant modification to the harvesting and processing equipment and the successful operation allowed effective measurement of our operating costs. We are pleased to report this was at the low end of expectations while achieving excellent fruit removal and harvest speed.

The Company will explore options for expanding the processing capacity of the plant in preparation for next season. This will provide capacity to process the anticipated increase in crop as well as to allow contract processing for several third party growers, an option which was not easily available to the company last harvest.

Management report that the wet winter and expectations for further spring rains has eased the water issue at the orchard. Not only has there been greater rainfall received at the orchard, but the water catchments of the Golburn Murray system have also received increased inflows. The impact of this has been to increase the availability of water to the orchard as well as a reduction in the cost of purchase. We do not view lack of water as a significant risk in the short term.

The wider industry

The 2010 year across the wider industry was typified by lower than expected yields and low commodity prices. This has flowed into poor trading conditions for many participants which is reflected in the number of orchards available for sale.

Against this background, the Australian industry as a whole has continued to progress with some of the 2010 highlights being:

- The sale of the significant orchards previously operated by Timbercorp and Great Southern to their contract managers will ensure that Australia will continue to generate an internationally meaningful quantity of extra virgin olive oil;
- The consolidation of the national code of practice which is now widely used throughout Australia; and
- Australian product gaining an increased share of the extra virgin olive oil market in Australia, even in the face of strong competition from European based importers.

In addition to these gains, **Redisland** maintains its belief that Australia has the capability of being a low cost producer of quality olive oils and competing with the traditional producing nations. There are still many improvements to be made to the Australian industry including the appropriate location of key resources such as processing plants and harvesting equipment and productivity is expected to improve as the trees become more mature and yields increase.

Accordingly, in a tough year for the industry which has seen the initial signs of rationalisation, **Redisland** has produced a financial result which places the Company in a position to appraise opportunities as they arise with the view of expanding its core activities and continue to operate as a fully integrated olive oil business.

Appreciation

This year's financial result reflects the dedicated effort of the management team and all staff during what has, at times, been a difficult operating climate. The Directors take this opportunity to record their appreciation of this tremendous effort.

AUTHORISED BY:
Paul Challis
Managing Director
31 August 2010

Enquiries may be directed to:
Paul Challis – Managing Director
T: (61-3) 8587 1400
E: paul.challis@redisland.com

Appendix 4E

Preliminary Final Report
to the Australian Securities Exchange

Part 1

Name of Entity	Redisland Australia Ltd
ABN	19 104 555 455
Financial Period	Year ended 30 June 2010
Previous Corresponding Reporting Period	Year ended 30 June 2009

Part 2 – Results for Announcement to the Market

	$'000	**Percentage increase /(decrease) over previous corresponding period**
Revenue from continuing operations	16,594	(2%)
Profit from continuing operations after related income tax benefit	610	861%
Net profit attributable to members of the parent entity	610	861%

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to the Operations Review for commentary on the results for the year.

Part 3 – Contents of ASX Appendix 4E

Part 4 – Consolidated Statement of Comprehensive Income

	2010 $	2009 $
Sales revenue	16,487,039	16,665,749
Other Income	106,939	301,774
	16,593,978	16,967,523
Cost of sales	(10,735,605)	(11,118,091)
Marketing and distribution expenses	(2,950,645)	(3,093,472)
Corporate and administrative expenses	(492,242)	(636,457)
Occupancy expenses	(248,797)	(259,299)
Depreciation	(577,982)	(587,694)
Borrowing expenses	(905,576)	(909,938)
Other expenses	(78,439)	(306,632)
Profit before income tax	604,692	55,940
Income tax	4,919	7,485
Net profit for the year	**609,611**	**63,425**
Other Comprehensive Income/ (Loss)		
Movement in foreign currency translation reserve	(31,793)	(39,502)
Total Other Comprehensive Income/ (Loss)	**(31,793)**	**(39,502)**
Total Comprehensive Income	**577,818**	**23,923**

Part 5 – Accumulated losses

	2010 $	2009 $
Accumulated losses at the beginning of the year	(15,338,856)	(15,402,281)
Profit for the year	609,611	63,425
Accumulated losses at the end of the year	(14,729,245)	(15,338,856)

Part 6 – Consolidated Statement of Financial Position

	2010 $	2009 $
CURRENT ASSETS		
Cash and cash equivalents	20,658	109,214
Trade and other receivables	3,013,060	3,076,863
Inventories	1,628,902	1,936,197
Other	655,444	124,895
Total Current Assets	5,318,064	5,247,169
NON CURRENT ASSETS		
Property, plant & equipment	2,918,194	3,469,095
Investment property	9,341,273	9,341,273
Intangibles	4,197,111	4,197,111
Total Non Current Assets	16,456,578	17,007,479
TOTAL ASSETS	21,774,642	22,254,648
CURRENT LIABILITIES		
Bank overdraft	544,262	2,504,974
Trade and other payables	2,747,092	2,497,105
Loans and borrowings	2,089,746	2,042,901
Deferred income	559,056	566,413
Provisions	256,007	197,861
Deferred tax liability	2,057	4,919
Total Current Liabilities	6,198,220	7,814,173
NON CURRENT LIABILITIES		
Loans and borrowings	6,832,231	5,732,472
Deferred income	-	559,056
Provisions	33,089	13,606
Deferred tax liability	-	2,057
Total Non Current Liabilities	6,865,320	6,307,191
TOTAL LIABILITIES	13,063,540	14,121,364
NET ASSETS	**8,711,102**	**8,133,284**
EQUITY		
Issued capital	22,949,400	22,949,400
Reserves	490,947	522,740
Accumulated losses	(14,729,245)	(15,338,856)
TOTAL EQUITY	**8,711,102**	**8,133,284**

Part 7 – Consolidated Statement of Cash Flows

	2010 $	2009 $
Cash flows from operating activities		
Cash receipts in the course of operations	11,498,602	9,799,283
Cash payments in the course of operations	(9,908,103)	(9,589,574)
Interest received	139	461
Interest paid	(807,190)	(818,076)
Net cash provided by/(used in) operating activities	783,448	(607,906)
Cash flows from investing activities		
Contracted payments for acquisition of minority interest	(190,000)	(40,000)
Proceeds from sale of assets	-	16,000
Payments for property, plant and equipment	(27,084)	(44,977)
Net cash used in investing activities	(217,084)	(68,977)
Cash flows from financing activities		
Proceeds from borrowings	2,222,240	1,497,781
Repayment of borrowings	(915,636)	(638,105)
Net cash provided by financing activities	1,306,604	859,676
Effect of exchange rate fluctuations	(812)	(39,502)
Net increase in cash held	1,872,156	143,291
Cash and cash equivalents at the beginning of the year	(2,395,760)	(2,539,051)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(523,604)	(2,395,760)

Part 8 – Other income and expenses

	2010 $	2009 $
(a) Other income		
Government grants	88,778	114,960
Interest income	139	461
Write back of provision for excess of bulk oil	-	166,766
Other	18,022	19,587
	106,939	301,774
(b) Other expenses		
Write down of inventories	78,439	81,371
Loss on disposal of assets	-	53,359
Foreign currency losses	-	163,295
Other	-	8,607
	78,439	306,632
(c) Personnel expenses		
Wages and salaries costs	1,664,704	1,744,906
Superannuation costs	146,095	164,610
Annual and long service leave	73,083	31,492
Equity settled share based payment transactions	-	36,796
	1,883,882	1,977,804

Part 9 – Notes to the Consolidated Statement of Cash Flows

		2010 $	2009 $
(a)	**Reconciliation of cash**		
	For the purposes of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:		
	Cash at bank and on hand	20,658	109,214
	Bank overdrafts	(544,262)	(2,504,974)
		(523,604)	(2,395,760)

Part 9 – Notes to the Consolidated Statement of Cash Flows (cont'd)

	2010 $	2009 $
(b) Reconciliation of net cash flows used in operating activities to profit for the year		
Profit for the year	609,611	63,425
Adjustments for:		
- Loss on disposal of assets	-	53,359
- Write back of provision for bulk oil	-	(166,766)
- Depreciation	577,982	587,694
- Share based payment expenses	-	36,796
Operating gain before changes in working capital	1,187,593	574,508
Change in trade and other receivables	63,805	(1,436,852)
Change in inventories	307,295	1,465,251
Change in other assets	(531,530)	(33,693)
Change in provisions and employee benefits	77,628	(393,105)
Change in deferred tax liability	(4,919)	(7,485)
Change in trade and other payables	249,989	104,810
Change in deferred income	(566,413)	(881,340)
Net cash provided by/(used in) operating activities	783,448	(607,906)

Part 10 – Details Relating to Dividends

Date the dividend is payable	**Not Applicable**
Record date to determine entitlement to the dividend	**Not Applicable**
Amount per security	**Not Applicable**
Total dividend	**Not Applicable**
Amount per security of foreign sourced dividend or distribution	**Not Applicable**
Details of any dividend reinvestment plans in operation	**Not Applicable**
The last date for receipt of an election notice for participation in any dividend reinvestment plans	**Not Applicable**

Part 11 – Earnings per Share

	2010	2009
Basic earnings per share		
Ordinary shares	0.37 cents	0.04 cents
	No.	**No.**
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	163,201,788	163,201,788

Part 12 – Net Tangible Assets per Security

	2010	2009
Net tangible asset backing per ordinary security 163,201,788 shares used for NTAS calculation	2.76 cents	2.41 cents

Part 13 – Issued Securities

	2010 $	2009 $
Issued capital		
163,201,788 (2009: 163,201,788) fully paid ordinary shares	22,949,400	22,949,400

Options

Options granted during the year

There were no options granted during the financial year. No options have been granted since the end of the financial year. No options were exercised during the year.

Unissued shares under option

At 30 June 2010, unissued ordinary shares of the Company under option are:

- 370,000 options exercisable at 45 cents each on or before 17 August 2011 ("Employee Option Scheme");
- 200,000 options exercisable at 50 cents each on or before 17 August 2011 ("Employee Option Scheme");
- 192,500 options exercisable at 60 cents each on or before 17 August 2011 ("Employee Option Scheme");
- 217,500 options exercisable at 70 cents each on or before 17 August 2011 ("Employee Option Scheme"); and
- 32,000,000 options exercisable at 2.25 cents each on or before 31 October 2012

These options do not entitle the holders to participate in any share issue of the Company or any other entity.

Lapse of options

During the financial year, the following options lapsed:

- 1,500,000 options exercisable at 45 cents each on or before 30 April 2010 ("Class E options");
- 170,000 options exercisable at 42 cents each on or before 19 May 2010 ("Employee Option Scheme").

Part 14 – Segment Information

Business segments

The consolidated entity comprises the following main business segments:

- *Olive oil sale:* The sale and export of olive oil in the retail industry.
- *Orchard management:* The cultivation of olive trees and related services.

	2010			2009		
	Olive Oil Sale	**Orchard Management**	**Total**	**Olive Oil Sale**	**Orchard Management**	**Total**
Revenue						
Sales to external customers	12,931,026	3,662,813	16,593,839	12,628,006	4,339,056	16,967,062
Interest revenue			139			461
Total revenue per statement of comprehensive income			16,593,978			16,967,523
Result						
Segment result	608,701	1,229,434	1,838,135	(691,689)	1,892,784	1,201,095
Corporate expenses			(497,519)			(532,227)
Interest expenses			(735,924)			(612,928)
Net profit before tax from continuing operations			604,692			55,940
Assets						
Segment assets	4,038,586	17,642,773	21,681,359	4,179,918	17,965,516	22,145,434
Corporate assets			93,283			109,214
Total assets from continuing operations per statement of financial position			21,774,642			22,254,648

Part 15 – Subsequent Events

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.

Part 16 – Audit Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification: Not Applicable
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification: Not Applicable