



**PHOSPHATE RESOURCES
LIMITED**

ACN 009 396 543

HALF-YEAR FINANCIAL REPORT

31 December 2014



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DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2014.

DIRECTORS – CURRENT

The names of the Company's Directors in office during the half-year and until the date of this Interim Report are as follows. Directors were in office for the entire period unless otherwise stated.

Clive Brown	Chairman
LAI Ah Hong	Managing Director
CHAN Khye Meng	Non-Executive Director
Dato' Kamaruddin bin Mohammed	Non-Executive Director
TEE Lip Sin	Non-Executive Director
TEE Lip Jen	Non-Executive Director
Phua Siak Yeong	Executive Director Projects

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity recognised a profit after tax of \$17.7 million [2013: \$12.2 million].

Phosphate volumes sold increased during the half year compared to the same period in the prior year. However, volumes and the margin of palm oil sales from our palm oil subsidiary were lower than in the prior year.

At balance sheet date CI Resources (ASX listed entity) effectively held 100% of the shares in PRL following the successful takeover by CI of all fully paid ordinary shares in the capital of PRL (including all Rights attaching to them) that it did not already hold.

AUDITORS' INDEPENDENCE DECLARATION

Section 307 (c) of the Corporations Act 2001 requires the company's auditors, Ernst & Young, to provide the directors with a written Independence Declaration in relation to their review of the financial report for the half year ended 31 December 2014. The written Auditors' Independence Declaration is attached to the Financial Report.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under the ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE BOARD OF DIRECTORS:

LAI AH HONG
Managing Director

Clive Brown
Chairman

Dated 25 February 2015



INCOME STATEMENT

For the half-year ended 31 December	Notes	Consolidated	
		2014 \$000	2013 \$000
Revenue	2(a)	88,158	79,541
Cost of Sales	2(b)	<u>(60,036)</u>	<u>(55,993)</u>
Gross Profit		28,122	23,548
Other Income	2(c)	4,758	1,046
Finance Costs	2(d)	(402)	(494)
Other Expenses	2(e)	<u>(7,388)</u>	<u>(6,740)</u>
Profit Before Income Tax		25,090	17,360
Income Tax Expense		<u>(7,416)</u>	<u>(5,158)</u>
Net Profit for the Period		<u>17,674</u>	<u>12,202</u>



STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December	Notes	Consolidated	
		2014 \$000	2013 \$000
Net Profit for the Period		17,674	12,202
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		3,080	(91)
Other comprehensive income for the period, net of tax		3,080	(91)
Total comprehensive income for the period		20,754	12,111



STATEMENT OF FINANCIAL POSITION

As at	Notes	Consolidated	
		31.12.2014 \$000	30.06.2014 \$000
CURRENT ASSETS			
Cash and cash equivalents	3	49,971	45,301
Trade and other receivables		29,254	18,249
Inventories		14,787	14,492
Income tax receivables		573	1,209
Term deposits		7,483	7,421
Other		1,722	2,035
TOTAL CURRENT ASSETS		103,790	88,707
NON-CURRENT ASSETS			
Term deposits		9,918	9,173
Property, plant and equipment		63,390	57,578
Goodwill		7,158	7,158
Biological assets	7	11,163	10,581
Deferred tax assets		7,515	7,184
TOTAL NON-CURRENT ASSETS		99,144	91,674
TOTAL ASSETS		202,934	180,381
CURRENT LIABILITIES			
Trade and other payables		9,303	12,712
Interest-bearing loans and borrowings		6,115	5,779
Income tax payable		4,005	-
Provisions		6,220	5,728
TOTAL CURRENT LIABILITIES		25,643	24,219
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings		5	36
Deferred tax liabilities		10,770	10,530
Provisions		19,158	18,992
TOTAL NON-CURRENT LIABILITIES		29,933	29,558
TOTAL LIABILITIES		55,576	53,777
NET ASSETS		147,358	126,604
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity		3,782	3,782
Retained earnings		137,512	119,838
Reserves		6,064	2,984
TOTAL EQUITY		147,358	126,604



STATEMENT OF CHANGES IN EQUITY

	Contributed Equity	Retained Earnings	Foreign Currency Translation Reserve	Share Option Reserve	Total
CONSOLIDATED	\$000	\$000	\$000	\$000	\$000
At 1 July 2014	3,782	119,838	2,527	457	126,604
Profit for the period	-	17,674	-	-	17,674
Other comprehensive income	-	-	3,080	-	3,080
Total comprehensive income for the period	-	17,674	3,080	-	20,754
Transactions with owners in their capacity as owners:					
Dividend paid	-	-	-	-	-
At 31 December 2014	3,782	137,512	5,607	457	147,358
At 1 July 2013	3,782	102,421	4,301	457	110,961
Profit for the period	-	12,202	-	-	12,202
Other comprehensive income	-	-	(91)	-	(91)
Total comprehensive income for the period	-	12,202	(91)	-	12,111
Transactions with owners in their capacity as owners:					
Dividend paid	-	(1,434)	-	-	(1,434)
At 31 December 2013	3,782	113,189	4,210	457	121,638



STATEMENT OF CASH FLOWS

For the half-year ended 31 December	Consolidated	
	2014 \$000	2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	76,799	74,578
Payments to suppliers and employees	(64,815)	(66,718)
Interest received	354	382
Interest paid	(102)	(194)
Income tax paid	(4,355)	(3,222)
NET CASH FLOWS FROM OPERATING ACTIVITIES	7,881	4,826
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase/(decrease) in term deposits	807	(1,468)
Purchase of property, plant and equipment	(7,741)	(5,266)
Proceeds from sale of property, plant and equipment	14	30
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(6,920)	(6,704)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in interest bearing loans and borrowings	305	501
Payment of dividends	-	(1,434)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	305	(933)
NET INCREASE INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,266	(2,811)
Cash and cash equivalents at the beginning of the period	45,301	39,606
Impact of foreign exchange	3,404	601
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	49,971	37,396

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NOTES TO THE FINANCIAL STATEMENTS

1 Basis of Preparation and Accounting Policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Phosphate Resources Limited as at 30 June 2014.

Apart from the adoption of new or revised standards noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

The accounting policies adopted in the preparation of the half-year report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2014, except for the adoption of new standards and interpretation noted below:

- AASB2014-1 Part A Amendments to Australian Accounting Standards - Annual Improvement 2010-2012 and 2011-2013 Cycle

The adoption of the above amendments has had and no material impact on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments that are not mandatorily effective.



NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	31.12.2014	31.12.2013
	\$000	\$000
2 Revenue and Expenses		
(a) Revenue		
Phosphate sales	59,589	46,437
Palm oil sales	21,457	26,961
Oil sales	424	370
Stevedoring	731	815
Finance revenue – interest	354	382
Rendering of services	5,603	4,576
	88,158	79,541
(b) Cost of sales		
Cost of production:		
Production costs	44,394	41,502
Royalties	1,007	942
Environment levy	906	848
Insurance	1,060	1,049
	47,367	44,341
Shipping and marketing costs:		
Shipping charges	9,099	8,416
Port charges	1,012	1,090
	10,111	9,506
Handling and warehousing costs	370	-
Depreciation:		
Plant and equipment	2,188	2,146
	60,036	55,993
(c) Other income		
Gains from sale of assets	4	19
Bad debt expenses recovered	-	228
Foreign exchange gain	4,754	799
	4,758	1,046



NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	31.12.2014 \$000	31.12.2013 \$000
2. Revenue and Expenses (continued)		
(d) Finance costs		
Interest expense	102	194
Accretion on asset retirement obligations	300	300
	402	494
(e) Other expenses		
Redundancy expense	76	238
Depreciation	11	28
Bad debt expense	-	-
Administration and other	7,301	6,474
	7,388	6,740
3 Reconciliation of Cash and Cash Equivalents		
	31.12.2014 \$000	30.06.2014 \$000
Cash at bank	49,971	45,301
4 Dividends Paid and Proposed		
Franked dividends declared and paid during the half-year on ordinary shares: \$0.00 (2013: \$0.50)	-	1,434
Dividends proposed and not yet recognised as a liability	-	-
	-	1,434
5 Commitments and Contingencies		

As at balance sheet date the consolidated entity had no expenditure commitments. Since the last annual reporting date, there has been no material change to any contingent liabilities or contingent assets.



NOTES TO THE FINANCIAL STATEMENTS

6 Financial Instruments

The Directors have concluded that the fair value of those assets and liabilities are not materially different to book values. The methods and assumptions used to estimate the fair value of financial instruments were:

- Cash - The carrying amount is fair value due to the liquid nature of these assets.
- Term Deposits – The carrying value is the fair value of these assets.
- Receivables/payables - due to the short term nature of these financial rights and obligations, and/or market interest received/paid, their carrying values are estimated to represent their fair values.
- Derivatives - The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.
- Finance lease liability – The fair value is the present value of minimum lease payments, which is also the carrying value.
- Bank loan – All the bank loans of the Group are interest bearing with floating interest rates which move in accordance with the market interest rates. Therefore the fair value of the bank loans approximates their carrying value.

Forward currency contracts – held for trading

The Group has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

	Notional amounts \$AUD		Average exchange rate	
	31 Dec 2014 \$'000s	30 June 2014 \$'000s	31 Dec 2014	30 June 2014
Sell US\$/buy Australian \$				
Consolidated				
Sell US\$ maturity 0 to 12 months	32,109	-	0.8409	-
Sell US\$ maturity 12 to 24 months	-	-	-	-

These contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value losses on foreign currency derivatives during the half-year were \$1.045 million for the Group.

The group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1: the fair value is calculated using quoted price in active markets;

Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (as price) or indirectly (derived from prices); and

Level 3: the fair value is estimated using inputs for the assets or liability that are not based on observable market data.



NOTES TO THE FINANCIAL STATEMENTS

6. Financial Instruments (continued)

	Level 1 '000	Level 2 '000	Level 3 '000	Total '000
Forward currency contracts – held for trading	-	(1,045)	-	(1,045)
	-	(1,045)	-	(1,045)

Transfer between categories:

There were no transfers between level 1 and level 2 during the half-year.

7 Biological Assets

	31.12.2014 \$'000s	30.06.2014 \$'000s
Carrying amount at beginning of period	10,581	11,231
Harvest/amortisation	-	-
Effect of foreign exchange	582	(314)
Fair value adjustment	-	(336)
Carrying amount at end of period	11,163	10,581

Biological assets consist of mature oil palm trees.

The Group grows oil palm trees to produce palm oil. The plantation is located in Malaysia.

A valuation was conducted by Jones Lang Wootton, an independent professional valuer, on a subsidiary's oil palm estate development comprising land, ancillary facilities and biological assets, for the purposes of revaluing the biological assets of the subsidiary as at 30 June 2014.

At 31 December 2014, there has been no material change in the fair value of biological assets compared to 30 June 2014.

The Group is exposed to risks in respect of agricultural activity. The agricultural activity of the Group consists of the plantation development and cultivation of palm products.

The primary risk associated with this activity occurs due to the length of time between expending cash on planting and trees reaching production so that cash can be received from the sale of palm oil to third parties. The Group's strategy to manage this risk is to stage the replanting (20-30 year replanting cycle) to reduce the effect on the cash flow.



NOTES TO THE FINANCIAL STATEMENTS

8 Segment Reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operation decision makers) in assessing performance and in determining the allocation of resource.

The Group has identified its operating segments to be Mining and Farming based on the different operating businesses within the Group. Discrete financial information about each of these operating segments is reported to the chief operation decision makers on a monthly basis.

Mining operating segment primarily involves mining, processing and sale of phosphate rock and phosphate dust.

Farming operating segment primarily involves oil palm cultivation and palm oil processing.

The accounting policy used by the Group in reporting segments internally are the same as those contained in Note 2 to the 30 June 2014 accounts.

	Half-Year ended 31 December 2014			
	Mining	Farming	Unalloc.	Total
	\$'000	\$'000	\$'000	\$'000
Revenue				
Revenue from external customers	59,589	21,457	-	81,046
Interest income	238	26	90	354
Stevedoring	-	-	731	731
Rendering of services	-	-	5,603	5,603
Oil sales	-	-	424	424
Total segment revenue	59,827	21,483	6,848	88,158
Result				
Segment net operating profit after tax (attributable to parent)	16,045	1,033	596	17,674
Depreciation and amortisation	1,335	679	185	2,199
Income tax expense	6,530	345	541	7,416
Assets and Liabilities at 31 December 2014				
Segment assets	117,515	63,539	21,880	202,934
Segment liabilities	41,393	13,686	497	55,576



NOTES TO THE FINANCIAL STATEMENTS

	Half-Year ended 31 December 2013			
	Mining \$'000	Farming \$'000	Unalloc. \$'000	Total \$'000
Revenue				
Revenue from external customers	46,437	26,961	-	73,398
Interest income	292	-	90	382
Stevedoring	-	-	815	815
Rendering of services	-	-	4,576	4,576
Oil sales	-	-	370	370
Total segment revenue	46,729	26,961	5,851	79,541
Result				
Segment net operating profit after tax (attributable to parent)	10,181	1,545	476	12,202
Depreciation and amortisation	1,413	645	116	2,174
Income tax expense	4,291	515	352	5,158
Assets and Liabilities at 30 June 2014				
Segment assets	97,052	62,090	21,239	180,381
Segment liabilities	37,134	14,086	2,557	53,777

9 Events after the Balance Sheet Date

No matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect, the operations of Phosphate Resources Limited and its controlled entities, or the state of affairs of Phosphate Resources Limited and its controlled entities in subsequent periods.



DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Phosphate Resources Limited I state that:

In the opinion of the directors:

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 as at 31 December 2014 and the performance for the half-year ended on that date of the consolidated entity; and
 - b. 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.

On behalf of the Board

LAI AH HONG
Managing Director

Clive Brown
Chairman

Perth, 25 February 2015



INDEPENDENT REVIEW REPORT

To the Members of Phosphate Resources Limited



Ernst & Young
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To the members of Phosphate Resources Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Phosphate Resources Limited, which comprises the statement of financial position as at 31 December 2014, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year 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 controls as the directors determine are 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 2013 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 Phosphate Resources Limited and the entities it controlled during the half-year, 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 have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.



INDEPENDENT REVIEW REPORT

To the Members of Phosphate Resources Limited



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 Phosphate Resources 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 Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Ernst & Young

R J Curtin
Partner
Perth
25 February 2015



AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307C of the Corporations Act 2001 To the
Directors of Phosphate Resources Limited



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Auditor's Independence Declaration to the Directors of Phosphate Resources Limited

In relation to our review of the financial report of Phosphate Resources Limited for the half year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

R J Curtin
Partner
Perth
25 February 2015