



**PHOSPHATE RESOURCES
LIMITED**

ACN 009 396 543

HALF-YEAR FINANCIAL REPORT

31 December 2011

Index

Directors' Report	Page 1
Income Statement	Page 2
Statement of Comprehensive Income	Page 3
Statement of Financial Position	Page 4
Statement of Changes in Equity	Page 5
Statement of Cash Flows	Page 6
Notes to the Financial Statements	Page 7
Directors' Declaration	Page 13
Independent Review Report	Page 14
Auditors' Independence Declaration	Page 16

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2011.

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
CHENG Hang OAM	Non-Executive Director
PHUAR Kong Seng	Non-Executive Director
TEE Lip Sin	Non-Executive Director
Phua Siak Yeong	Executive Director Projects

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity recognised a profit after tax of \$14.3 million [2010: \$6.0 million].

As at the date of this report, the group employed 215 people, including casuals and apprentices/trainees, (2010: 198) of which the chief entity employed 198 people (2010: 162) of whom most live on Christmas Island. The chief entity has approximately 168 shareholders (2010: 176), of whom 43% are Christmas Island residents (2010: 43%).

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 2011. 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 27 February 2012

INCOME STATEMENT

For the half-year ended 31 December	Notes	Consolidated	
		2011 \$000	2010 \$000
Revenue	2(a)	87,335	57,208
Cost of Sales	2(b)	<u>(60,096)</u>	<u>(42,017)</u>
Gross Profit		27,239	15,191
Other Income	2(c)	505	2,494
Finance Costs	2(d)	(787)	(300)
Other Expenses	2(e)	<u>(6,434)</u>	<u>(8,532)</u>
Profit Before Income Tax		20,523	8,853
Income Tax Expense		<u>(6,260)</u>	<u>(2,831)</u>
Net Profit for the Period		<u>14,263</u>	<u>6,022</u>
Profit / (Loss) for the period is attributable to:			
Non-controlling interest		-	(165)
Owners of the parent		<u>14,263</u>	<u>6,187</u>
		<u>14,263</u>	<u>6,022</u>

STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December	Notes	Consolidated	
		2011 \$000	2010 \$000
Net Profit for the Period		<u>14,263</u>	<u>6,022</u>
Other comprehensive income			
Foreign currency translation		<u>(495)</u>	<u>682</u>
Other comprehensive income for the period, net of tax		<u>(495)</u>	<u>682</u>
Total comprehensive income for the period		<u>13,768</u>	<u>6,704</u>
Total comprehensive income/(loss) for the period is attributable to:			
Non-controlling interest		-	(165)
Owners of the parent		<u>13,768</u>	<u>6,869</u>
		<u>13,768</u>	<u>6,704</u>

STATEMENT OF FINANCIAL POSITION

As at	Notes	Consolidated	
		31.12.2011 \$000	30.06.2011 \$000
CURRENT ASSETS			
Cash and cash equivalents	3	41,614	27,356
Trade and other receivables		14,057	23,544
Inventories		14,450	11,912
Other		3,902	6,072
TOTAL CURRENT ASSETS		74,023	68,884
NON-CURRENT ASSETS			
Term deposits		11,529	10,188
Property, plant and equipment		46,114	45,593
Goodwill		7,635	7,635
Biological assets	6	11,827	12,332
Deferred tax assets		5,982	5,855
TOTAL NON-CURRENT ASSETS		83,087	81,603
TOTAL ASSETS		157,110	150,487
CURRENT LIABILITIES			
Trade and other payables		9,553	11,267
Interest-bearing loans and borrowings		6,324	6,536
Income tax payable		3,158	2,836
Provisions		3,013	2,765
TOTAL CURRENT LIABILITIES		22,048	23,404
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings		19,693	23,956
Deferred tax liabilities		11,319	12,034
Provisions		17,026	16,468
TOTAL NON-CURRENT LIABILITIES		48,038	52,458
TOTAL LIABILITIES		70,086	75,862
NET ASSETS		87,024	74,625
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity		4,509	4,509
Retained earnings		82,965	70,071
Reserves		(450)	45
TOTAL EQUITY		87,024	74,625

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2010

CONSOLIDATED	Contributed Equity	Retained Earnings	Foreign Currency Translation Reserve	Share Option Reserve	Minority Interests	Total
	\$000	\$000	\$000	\$000	\$000	\$000
At 1 July 2010	4,509	61,921	1,529	457	(127)	68,289
Profit for the period	-	6,187	-	-	(165)	6,022
Other comprehensive income	-	-	682	-	-	682
Total comprehensive income for the period	-	6,187	682	-	(165)	6,704
Transactions with owners in their capacity as owners:						
Dividend paid	-	(1,027)	-	-	-	(1,027)
At 31 December 2010	4,509	67,081	2,211	457	(292)	73,966
At 1 July 2011	4,509	70,071	(412)	457	-	74,625
Profit for the period	-	14,263	-	-	-	14,263
Other comprehensive income	-	-	(495)	-	-	(495)
Total comprehensive income for the period	-	14,263	(495)	-	-	13,768
Transactions with owners in their capacity as owners:						
Dividend paid	-	(1,369)	-	-	-	(1,369)
At 31 December 2011	4,509	82,965	(907)	457	-	87,024

STATEMENT OF CASH FLOWS

For the half-year ended 31 December	Consolidated	
	2011 \$000	2010 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	96,822	49,819
Payments to suppliers and employees	(66,773)	(48,868)
Interest received	438	602
Interest paid	(487)	-
Income tax paid	(6,780)	(5,625)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	23,220	(4,072)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/Decrease in short term deposits	(1,341)	7,781
Purchase of property, plant and equipment	(1,586)	(2,239)
NET CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES	(2,927)	5,542
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(4,830)	-
Proceeds from Borrowings	-	1,029
Finance lease principal paid	(637)	(580)
Payment of dividends	(1,369)	(1,027)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(6,836)	(578)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,457	892
Cash and cash equivalents at the beginning of the period	27,356	23,770
Impact of foreign exchange	801	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	41,614	24,662

3

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 2011 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 2011.

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

From 30 June 2011 The Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2011. Adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Group.

- AASB 1054; AASB101-1 and AASB 2011-2: These standards remove many of the additional domestic disclosures previously required under standards to align requirements of accounting standards for publicly accountable for-profit entities in Australia and New Zealand
- AASB 2010-6 Disclosures on Transfer of financial assets: The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety

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

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	31.12.2011	31.12.2010
	\$000	\$000
2 Revenue and Expenses		
(a) Revenue		
Phosphate sales	48,058	51,267
Palm oil sales	33,437	-
Oil sales	343	331
Stevedoring	893	951
Finance revenue – interest	438	602
Other	4,166	4,057
	87,335	57,208
(b) Cost of sales		
Cost of production:		
Production costs	47,039	27,724
Royalties	702	468
Insurance	891	923
	48,632	29,115
Shipping and marketing costs:		
Shipping charges	8,329	8,820
Port charges	895	751
Levy	617	638
Commission	69	120
	9,910	10,329
Depreciation:		
Plant and equipment	1,554	2,573
	1,554	2,573
Total cost of sales	60,096	42,017
(c) Other income		
Government grants	-	1
Gains from sale of assets	45	-
Foreign exchange gain	460	2,467
Other	-	26
	505	2,494

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	31.12.2011	31.12.2010
	\$000	\$000
2. Revenue and Expenses (continued)		
(d) Finance costs		
Interest expense	487	-
Accretion on asset retirement obligations	300	300
	<u>787</u>	<u>300</u>
(e) Other expenses		
Redundancy expense	248	941
Depreciation	16	17
Administration and other	6,170	7,574
	<u>6,434</u>	<u>8,532</u>
3 Reconciliation of Cash and Cash Equivalents		
	31.12.2011	30.06.2011
	\$000	\$000
Cash at bank	<u>41,614</u>	<u>27,356</u>

NOTES TO THE FINANCIAL STATEMENTS

4 Dividends Paid and Proposed

Franked dividends declared and paid during the half-year on ordinary shares: \$0.40 (2010: \$0.30)	1,369	1,027
Dividends proposed and not yet recognised as a liability	-	-
	1,369	1,027

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.

6 Biological Assets

	31.12.2011	30.06.2011
	\$'000s	\$'000s
Carrying amount on acquisition of subsidiary	12,332	12,332
Harvest/amortisation	(515)	-
Fair value adjustment/effect of foreign exchange	10	-
Carrying amount at end	11,827	12,332

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 acquisition of the subsidiary by Phosphate Resources Limited on 30 April 2011.

The valuer had confirmed that there had been no significant changes in the value of biological assets between 30 April 2011 and 30 June 2011.

At 31 December 2011, there has been no material change in the fair value of biological assets compared to 30 June 2011.

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 the purchase of planting and maintenance of oil palm plantation and in harvesting, and ultimately receiving cash from 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 and also to obtain adequate insurance coverage on existing biological assets.

NOTES TO THE FINANCIAL STATEMENTS

7 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, phosphate dust and chalk.

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 accounts.

Deferred tax assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment.

	Half-Year ended 31 December 2011			
	Phosphate Sale \$'000	Palm Oil Sale \$'000	Unalloc. \$'000	Total \$'000
Revenue				
Revenue from external customers	48,058	33,437	-	81,495
Interest income	334	-	104	438
Stevedoring	-	-	893	893
Rendering of services	-	-	4,166	4,166
Other sales	-	-	343	343
Total segment revenue	<u>48,392</u>	<u>33,437</u>	<u>5,506</u>	<u>87,335</u>
Result				
Segment net operating profit after tax (attributable to parent)	<u>11,455</u>	<u>2,052</u>	<u>756</u>	<u>14,263</u>
Depreciation and amortisation	1,037	304	213	1,554
Income tax expense	5,248	734	278	6,260
Assets and Liabilities				
Segment assets	<u>85,506</u>	<u>63,840</u>	<u>7,764</u>	<u>157,110</u>
Segment liabilities	<u>55,080</u>	<u>13,216</u>	<u>1,790</u>	<u>70,086</u>

NOTES TO THE FINANCIAL STATEMENTS

	Half-Year ended 31 December 2010			
	Phosphate Sale \$'000	Palm Oil Sale \$'000	Unalloc. \$'000	Total \$'000
Revenue				
Revenue from external customers	49,205	-	-	49,205
Interest income	570	-	32	602
Stevedoring	-	-	973	973
Rendering of services	-	-	4,057	4,057
Other sales	-	-	2,371	2,371
Total segment revenue	49,775	-	7,433	57,208
Result				
Segment net operating profit after tax (attributable to parent)	6,536	-	(514)	6,022
Depreciation and amortisation	2,177	-	413	2,590
Income tax expense	2,335	-	496	2,831
Assets and Liabilities at 30 June 2011				
Segment assets	73,027	62,451	15,009	150,487
Segment liabilities	52,674	13,470	9,718	75,862

8 Interest bearing loans and borrowings

On 9 May 2011, the Group borrowed US\$30,000,000 from a bank, repayable over 5 years. On 5 August 2011, the Group repaid US\$5,000,000 (A\$4,772,814).

9 Events after the Balance Sheet Date

On the 8th January 2012 the MV Tycoon foundered in the crane loading berth at Christmas Island and eventually broke up and sank at that berth. It may be a few months before the wreck is finally removed. The crane berth is operating normally and despite some ongoing interruption, difficulties and delays in dust shipments, it is not anticipated that the incident will have any material impact on budgeted annual production and returns.

No other matter or circumstance has arisen since 31 December 2011 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 2011 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, 27 February 2012



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

To the members of Phosphate Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying condensed half-year financial report of Phosphate Resources Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant 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 end or from time to time during the half-year.

Directors' Responsibility for the Condensed Half-Year Financial Report

The directors of the company are responsible for the preparation of the consolidated 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 condensed 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 2011 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 condensed 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.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the condensed 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 2011 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
27 February 2012



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

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 2011, 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
27 February 2012