PHOSPHATE RESOURCES LIMITED

ACN 009 396 543

ANNUAL REPORT

30 JUNE 2014

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CHAIRMAN’S LETTER

I am pleased to report the company has once again produced a strong end of year result despite a softening of demand in the phosphate rock and palm oil markets.

In this report I do not intend to traverse the level of detail provided by the Managing Director other than to observe that our financial performance was largely impacted by external factors over which we have little control. In the coming year we intend to take additional steps to improve our competitiveness in the increasingly tougher markets in which we find ourselves.

Apart from the new market realities, there is one issue that threatens our phosphate mining operations that I wish to focus on in this report.

Earlier this year the Australian Department of the Environment released for public comment a draft Christmas Island Biodiversity Conservation Plan. The Plan is proposed to be a recovery plan under the Environment Protection and Biodiversity Conservation Act.

The plan, if approved by the Minister for the Environment, completely changes the environmental approval processes on Christmas Island. Whereas at present the Minister has the discretion to approve a mining or other development, the Plan as presently drafted effectively removes the Minister’s discretion and makes the prospects of obtaining environmental approval exceptionally remote.

In detailed submissions we have pointed out why the adoption of the Plan is not in Australia’s strategic interests or the preservation of the Christmas Island environment. We have pointed out that while the Plan outlines a range of environment programs to be undertaken, it proposes that almost fifty percent of the funds currently available to undertake these programs are presently sourced from the company through its environmental levy. We find it unbelievable that a plan which threatens our continued survival over the medium term relies on the company as its primary funding source.

We have also found it intensely frustrating that government officials continue to deny the inevitable impact of the Plan on our commercial future and the very survival of the Island's brittle economy, even in the face of advice from eminent legal practitioners. This general refusal to acknowledge the legal and financial impact of the Plan reflects the smug culture of a bureaucracy that is unwilling to change and adopt a more sophisticated approach to preserving the island environment that science demands.

What is most concerning is that this is yet another impediment seeking to be imposed on us for no environmental benefit. It is now accepted that the primary environmental challenge facing the continual survival of the Christmas Island endemic species is invasive species like yellow crazy ants, feral cats and the like. It is only with targeted eradication and containment programs against invasive species that there can be some hope of preserving the unique Christmas Island environment.

What is particularly disappointing is that the Plan is premised on old school thinking that stopping mining and other developments will protect the Christmas Island environment. Science based government commissioned reports clearly demonstrate this is not the case. The only prospect of preserving the island’s environmental diversity is by undertaking active environmental programs against invasive species; programs that take time and considerable financial resources. Choking off the contribution that can be made by the company to these programs over time is not good public policy and effectively condemns the native species to continual decline.

What is also exceptionally disappointing is the refusal to examine the science. This manifested itself in more recent times when we managed to secure the return of the ASPC lease (see the Managing Director’s report). In seeking this lease we proposed an environmental offset to fund a feral cat eradication program. A limited program thus far undertaken with our support and from a number of other parties has produced clear conservation benefits with the young of an endemic species being seen for first time in many years. Despite the obvious environmental benefit, our feral cat initiative was only accepted after we insisted.

This is not the only instance of the science being sidelined. Yellow crazy ants have had a devastating impact on the Christmas Island red crab population. We have major concerns with the Government’s program to kill the ants as the use of the poison Fipronil over the last decade appears to be associated with a broad scale decline of threatened species. We question whether this program is contributing to this decline rather than arresting it as it is aiming to do. The company commissioned independent

CHAIRMAN'S LETTER

research trials that demonstrated there were alternative ways of keeping ant numbers in check without the devastating side impacts of using the poison. There has been no interest from government in pursuing further initiatives to build upon our promising research outcomes.

The company has long recognized the need to deal with invasive species and that is why in our discussions on the mining lease extension that we proposed the environmental levy we pay being able to be used on invasive species eradication and other programs that benefit the environment, rather than being solely focused on renovating old mining site works.

Despite all these initiatives, we are now faced with a Plan that continues to primarily ignore the science. Nevertheless, we remain hopeful that the Minister will arrive at the view that the Plan should be set aside or at least significantly redrafted so to avoid the negative impacts we envisage.

Australian businesses have long complained that governments have been too quick to impose an ever increasing raft of red and green tape that increases the sovereign risk and deters investment. There remains the opportunity here for the Minister to demonstrate that the new government intends to arrest this trend and keep in place an environmental approvals process that retains the power of executive government and the Minister to determine the mining and other developments that the country requires.

Clive Brown
Chairman
28 August 2014

MANAGING DIRECTOR'S REPORT

Dear Shareholder

It is with pleasure that I table the Phosphate Resources Limited Annual Report for the financial year ending 30 June 2014.

FINANCIAL PERFORMANCE AND PRODUCTION OVERVIEW

The Consolidated result was recorded as a profit after tax for FY 2014 of $ 18.9 million with an after tax profit from mining alone of some $16.1 million.

This was a significant decline from the result in 2013.

Our mining results were severely impacted by a general weakening in demand in the first half and exacerbated by the need to have a major five week shutdown in the second half to allow for a total refurbishment of the burners at the driers. The total tonnage shipped from our mining operation slipped to some 575,000 tonnes, a fall of about 100,000 tonnes from the previous year.

The result has confirmed the need to increase output to offset the high fixed costs component in our island operations if we are to remain a commercially viable operation. In order to assist in meeting this challenge, we have put in place an ongoing structural repair programme and are undertaking major capital refurbishments and upgrades throughout our operations from the driers to the loading cantilevers.

As we advised last year our market share in Malaysia and Indonesia is under pressure from Middle Eastern, North African and South American producers due to a downturn in demand in their traditional markets. There is also continuing downward pressure on prices and demand remains somewhat weaker due largely to generally low palm oil prices. Regrettably, our problems are compounded by the Australian dollar stubbornly remaining at relatively higher levels than would appear warranted by most conventional economic indicators.

Our costs are also growing as government red tape and regulatory compliance requirements become continually more complex and pervasive requiring us to provide more senior personnel and consultants simply to deal with these matters without actually contributing to or enhancing our productive output.

GROUP DEVELOPMENTS

Our subsidiary CK Plantations Sdn Bhd achieved a profit after tax of $2.0 million. The result was disappointing due to a major slump in CPO prices. Fortunately plantation yields have returned to a normal level and more fruit has been available for purchase by our mill.

We remain confident, however, that the investment will continue to provide a reasonable return to the Company for the foreseeable future.

Our subsidiary, CI Maintenance Services Pty Ltd (CIMS), which provides accommodation management and maintenance services to the Commonwealth Department of Immigrationand Citizenship on the Island continued to perform strongly.

RESOURCES AND PROJECTS

The Minister for the Environment on 27 June 2014 has finally approved the return of some 100 hectares of land we were obliged to relinquish many years ago for the failed space port project. We are working to complete the actual formal lease documentation of the areas so that we can eventually incorporate them into our mining program.

As the Chairman has advised, the Company is also continuing to campaign against a whole of Island Recovery Plan proposed by National Parks the effect of which, if approved, is to remove the discretion of the Minister for the Environment to approve any future developments or projects if they have any environmental impact on any vegetation or even cause displacement of red crabs.

If approved without a major reduction in its scope and area covered, this Plan, apart from effectively removing any likelihood of alternative economic developments on the Island, could prevent the company from obtaining clearing permits over the balance of its mining leases and consequently result in a premature closure of the Mine.

Hopefully, the government will recognise that the 63% of the Island contained in the National Park is a sufficient area to preserve a representation of the unique environment for future generations and will refuse to endorse this Plan.

The maintenance of a viable mining operation and the direct input of revenues it is able to provide towards comprehensive programmes aimed at eradicating invasive species will produce considerably more environmental benefits than locking up the entire island in a de facto National Park.

THE YEAR AHEAD

Our focus in the year ahead revolves around improving output to offset weaker prices to enable us to maintain a viable operation and sustain continuing employment opportunities and an economic base allowing the maintenance of an enduring community on Christmas Island.

We will continue to urge the Commonwealth government to deliver and properly maintain critical common user infrastructure that is essential for the island, including our operations. For our part, we will continue to contribute to research and trials, like the Murdoch University programme, in an endeavour to identify viable long term post mining economic options for the Island.

In closing I would thank the Board members and my senior managers and employees for their continued efforts and support in a difficult period.

LAI Ah Hong
Managing Director
28 August 2014

CORPORATE INFORMATION

REGISTERED AND HEAD OFFICE

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Cheekah-Kemayan Plantations Sdn Bhd

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COMPANY AUDITORS

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COMPANY BANKERS

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Perth, Western Australia 6000

National Australia Bank
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Perth, Western Australia 6000

The Royal Bank of Scotland NV
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Hong Leong Bank Berhad
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OCBC Bank
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Singapore 049513

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18th Floor, Menara OCBC,
Jalan Tun Perak, 50050 Kuala Lumpur

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2014.

DIRECTORS – CURRENT

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

Clive Brown
Non-Executive Chairman
Mr Brown is the former Minister for State Development in Western Australia. He was previously a director of Phosphate Resources Ltd from 1992 to 1999.

LAI Ah Hong
Managing Director
Mr Lai has had extensive experience in private enterprise on Christmas Island as well as with the union movement. Mr Lai is a former president of the Union of Christmas Island Workers and has been involved in the phosphate industry for 27 years. He was also a founding director of Phosphate Resources Limited in 1991.

CHAN Khye Meng
Non-Executive Director
Mr Chan is active in the Christmas Island community as a member of the Poon Saan Club and the Chinese Literary Association. Mr Chan, who has lived on Christmas Island for 29 years, is the managing director of his own company on Christmas Island.

TEE Lip Sin
Non-executive Director
Mr Tee holds a Bachelor of Arts in Business Administration (Human Resources Management) from the University of Wales, an Associate Diploma in Business from Curtin University Australia and a post-graduate Executive Diploma in Plantation Management from the University of Malaya. He has been involved in palm oil milling since 1995. Currently, he sits on the board of a number of private companies, and is also the Executive Director for the Prosper Group Of Companies which holds seven palm oil mills and 60,000 acres of palm oil plantation. He has experience in operating 35,000 acres of plantation in Indonesia. He is also a Director of CI Resources Ltd.

Dato Kamaruddin bin Mohammed
Non-executive Director
Dato' Kamaruddin is a business and finance graduate and a Senior Fellow of Financial Services Institute of Australasia. He has had an extensive business career with Pelaburn Mara Berhad (formerly known as Amanah Saham Mara Berhad) retiring as Group Managing Director in 2008. He has had considerable experience with the palm oil industry and is currently chairman of the Malaysian listed palm oil group Far East Holdings Berhad. He is also the Chairman of Pascorp Paper Industries Berhad and Pasdec Resources South Africa Ltd and is a Director of Amanah Saham Pahang Berhad and YTL Cement Berhad. He is also a director of CI Resources Limited.

PHUA Siak Yeong
Executive Director Projects
Mr Phua graduated from the University of Malaysia with first class honours degree in Chemical Engineering. He obtained his MBA from the same university in 1990. He worked at Esso Singapore after graduation and then as a Marketing Executive for Bulk Chemicals Sdn Bhd from 1979 to 1983. He joined the Hong Leong Group in Malaysia in 1983, involved in motorcycle manufacturing. Mr Phua retired in 2008 from the Hong Leong Group.

TEE Lip Jen
Non-executive Director
Mr Tee holds a Bachelor of Mechanical Engineering from the Royal Melbourne Institute of Technology (RMIT). He is currently the Assistant Chief Engineer in charge of overseeing engineering and production activities in seven palm oil mills with an estimated production output of 350,000 metric tonnes of crude palm oil per year. Apart from managing the daily activities in palm oil mills, he is also in charge of overseeing three palm oil plantation estates located in Negeri Sembilan, Malaysia with an estimated acreage of 3,400 acres.

He is also a director of CI Resources Ltd.

DIRECTORS' REPORT

COMPANY SECRETARY

Kevin Edwards B.Juris, LL.B
Mr Edwards has been the Company Secretary since 12 December 2006 and is also a practicing barrister & solicitor. He has been retained as an Advisor to The Board of Directors since 2004 and as Chief Operating Officer from 2 December 2009.

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated entity were:

- mining, processing and sale of phosphate rock, phosphate dust and chalk;
- providing earthmoving, fuel, pilotage, maintenance and stevedoring services to other Christmas Island organisations; and
- operating a palm oil estate, processing and sale of palm oil products.

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity recognised for members of the parent a profit after tax of $18.9 million [2013: $24.2 million].

The chief entity has approximately 123 shareholders (2013: 126) of whom 56.91% are Christmas Island Residents holding 16.91% of the total shares issued. CI Resources Ltd (ASX listed entity) has a controlling interest in the chief entity at 63.05% of the total shares issued.

Following are other key highlights of the operations during the current year:

- 575,000 tonnes of phosphate products were sold which is down on last year due to lower customer demand in the first part of the year and an extended shutdown period to upgrade the burners in the second half of the year;
- Operational profit of mine was $16.1 million after tax;
- Production volumes from our palm oil estate were down compared to last year resulting in lower margin in our palm oil subsidiary. The volume processed through the mill and the average palm oil price were in line with the previous year;
- CIMS, the subsidiary providing maintenance services to the Department of Immigration continued to perform well and increased its contribution to the Group's overall operating profit.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no other significant change in the state of affairs of the company or its controlled entities during the financial year other than that referred to in the financial statements or notes thereto.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly, or may significantly, affect the operations or the state of affairs of the economic entity in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Based on the current commercial and legislative parameters we are confident that there are sufficient indicated resources available to sustain a viable mining operation for at least a further five years and that the palm oil business will continue to provide reasonable returns for the forseeable future.

Additional information on likely developments in the operations of the consolidated entity and the expected results of those operations have not been included in this report because the Directors believe that it would be likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL REGULATION & PERFORMANCE

Phosphate Resources Limited holds various licenses regulating its mining and exploration activities on Christmas Island.

Cheekah-Kemayan Plantations Sdn Bhd also holds environmental licences from the operation of a palm oil mill issued by Malaysian Government.

DIRECTORS' REPORT

Licenses issued by the Commonwealth Government of Australia and Malaysian Government include general environmental conditions, air pollution control conditions and water control conditions. These conditions regulate the management of mining waste and restoration, dust, liquid chemical storage, and water monitoring.

There have been no significant known breaches of the consolidated entity's licences.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year the Company has paid premiums in respect of a contract insuring all the Directors of Phosphate Resources Limited against costs incurred in defending proceedings for conduct involving:

- a wilful breach of duty or
- a contravention of Sections 182 or 183 of the Corporations Act 2001, as permitted by Section 199B of the Corporations Act 2001.

Full details of the cover and premium are not disclosed as the insurance policy prohibits the disclosure.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

No amounts have been paid during the year or are payable to the auditor for non-audit services.

The auditor's independence declaration is included on page 52 of the financial report.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

DIRECTORS' MEETINGS HELD DURING THE YEAR ENDED 30 JUNE 2014

Director	Directors Meetings Attended	Number Held While in Office
Clive Brown	5	5
Lai Ah Hong	4	5
Chan Khye Meng	5	5
Tee Lip Sin	5	5
Phua Siak Yeong	5	5
Dato Kamaruddin bin Mohammed	3	5
Tee Lip Jen	5	5

AUDIT COMMITTEE

The members of the Audit Committee are Mr. Clive Brown, Mr. Phua Siak Yeong and Mr Tee Lip Jen. There were 2 audit committee meetings held during the year and all members attended each meeting.

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.

DIVIDENDS

During the year ended 30 June 2014, the Company paid $1.434 million as a dividend. The directors have not recommended or declared any dividend since the last dividend paid.

DIRECTORS' REPORT

REMUNERATION REPORT

The remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report the term executive encompasses the executive directors, senior executives and Company Secretary of the Parent and the Group.

Remuneration Philosophy
The Board of Directors is responsible for reviewing and making recommendations on compensation arrangements for the directors and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis. The overall objective is the retention of a high quality board and executive team to maximise value of the shareholders' investment. Such officers are given the opportunity to receive their emoluments in a variety of forms including cash and fringe benefits, such as motor vehicles and expense payments. It is intended that the manner of payment chosen will be the most beneficial for the recipient without creating additional cost to Phosphate Resources Limited.

A discretionary bonus scheme for the executive team based on the consolidated profit after tax was continued for the current year.

Non-Executive Director Remuneration
Fees and payments to non-executive directors reflect the demands made on, and the responsibilities of, the directors.

Executive Remuneration
The remuneration of executives is generally reviewed annually with the review taking into consideration the contribution of the individual commensurate with the performance of the group and comparable employment market conditions. The executive salary can be packaged and includes a cash component and other remuneration including salary sacrificed superannuation and non-cash benefits such as motor vehicles. The combination of these comprises the executive's total remuneration. No component of the executive salary is at risk.

Executives are given short term incentive in the form of cash bonus which is calculated based on the profit after tax for the year and is ultimately at the discretion of the Board of Directors.

Employment Contracts
Remuneration and other terms of employment for the executive directors and the executives are formalised in services agreements. These agreements have a fixed term of three years.

Details of Key Management Personnel
The following persons acted as directors or senior management during or since the end of the financial year:

Directors

Clive Brown	Non-Executive Chairman
Lai Ah Hong	Managing Director
Chan Khye Meng	Non-Executive Director
Tee Lip Sin	Non-Executive Director
Dato Kamaruddin bin Mohammed	Non-Executive Director
Phua Siak Yeong	Executive Director Projects
Tee Lip Jen	Non-Executive Director

Executives

Kevin Edwards	Company Secretary / Chief Operating Officer
Alfred Chong	Resident Manager / Director (subsidiary)
Darren Gold	Chief Financial Officer

There were no changes to key management personnel between the reporting date and the date this financial report was authorised for issue.

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Remuneration of Key Management Personnel

Year ended 30 June 2014

	Short Term			Post Employment		
	Salary & Fees	Bonus	Non-cash Benefits	Super-annuation Contribution	Total	Perform-ance Related
	$	$	$	$	$	%
Directors						
Clive Brown	159,462	-	-	10,281	169,743	-
Lai Ah Hong	494,516	209,300	75,373	77,420	856,609	24.4%
Chan Khye Meng	92,126	-	-	10,134	102,260	-
Tee Lip Sin	87,690	-	-	-	87,690	-
Phua Siak Yeong	152,665	60,395	-	12,784	225,844	26.7%
Dato Kamaruddin bin Mohammed	87,690	-	-	-	87,690	-
Tee Lip Jen	87,690	-	-	-	87,690	-
Executives						
Kevin Edwards	278,188	135,260	7,772	-	421,220	32.1%
Alfred Chong	295,033	149,950	13,085	48,948	507,016	29.6%
Darren Gold	195,805	46,940	12,166	26,702	281,613	16.7%
	1,930,865	601,845	108,396	186,269	2,827,375	

The cash bonus is based on the results for the financial year ending 30 June 2013 and in accordance with a determination at the discretion of the Board of Directors. 100% of the total bonus was paid in the current financial year ending 30 June 2014.

Year ended 30 June 2013

	Short Term			Post Employment		
	Salary & Fees	Bonus	Non-cash Benefits	Super-annuation Contribution	Total	Perform-ance Related
	$	$	$	$	$	%
Directors						
Clive Brown	148,462	-	-	10,281	158,743	-
Lai Ah Hong	454,863	217,160	61,614	73,944	807,581	26.9%
Chan Khye Meng	46,731	-	-	5,140	51,871	-
Cheng Hang	19,904	-	12,775	2,189	34,868	-
Phuar Kong Seng	18,750	-	-	-	18,750	-
Tee Lip Sin	56,333	-	-	-	56,333	-
Phua Siak Yeong	143,721	63,315	-	12,442	219,478	28.8%
Dato Kamaruddin bin Mohammed	46,333	-	-	-	46,333	-
Tee Lip Jen	26,333	-	-	-	26,333	-
Executives						
Kevin Edwards	275,233	136,820	8,178	-	420,231	32.6%
Alfred Chong	277,812	151,670	7,457	47,243	484,182	31.3%
Allan Robartson	204,149	119,400	16,447	35,590	375,586	31.8%
	1,718,624	688,365	106,471	186,829	2,700,289	-

DIRECTORS' REPORT

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

Clive Brown
Chairman

LAI Ah Hong
Managing Director

Dated: 28 August 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Sale of goods		139,328	145,164
Rendering of services		11,569	8,623
Other revenue		688	799
Revenue	5(a)	151,585	154,586
Cost of sales	5(b)	(108,789)	(102,822)
Gross profit		42,796	51,764
Other income	5(c)	328	801
Other expenses	5(d)	(15,209)	(15,988)
Finance costs	5(e)	(975)	(1,048)
Change in fair value of biological assets		(336)	(1,021)
Profit before income tax		26,604	34,508
Income tax expense	6	(7,753)	(10,322)
Net profit for the year		18,851	24,186

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2014

	2014 $'000	2013 $'000
Profit for the year	18,851	24,186
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(1,774)	5,037
Other comprehensive income, net of tax	(1,774)	5,037
Total comprehensive income for the year, net of tax	17,077	29,223

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Notes	2014 $'000	2013 $'000
CURRENT ASSETS			
Cash and cash equivalents	21(b)	45,301	39,606
Trade and other receivables	8	18,249	22,994
Inventories	9	14,492	9,918
Income tax receivable		1,209	-
Term deposits		7,421	-
Other	10	2,035	2,768
TOTAL CURRENT ASSETS		88,707	75,286
NON-CURRENT ASSETS			
Term deposits	11	9,173	14,855
Property, plant and equipment	13	57,578	51,526
Goodwill	14	7,158	7,158
Biological assets	15	10,581	11,231
Deferred tax assets	6	7,184	7,831
TOTAL NON-CURRENT ASSETS		91,674	92,601
TOTAL ASSETS		180,381	167,887
CURRENT LIABILITIES			
Trade and other payables	16	12,712	10,397
Interest-bearing loans and borrowings	17	5,779	5,904
Income tax payable		-	428
Provisions	18	5,728	6,636
TOTAL CURRENT LIABILITIES		24,219	23,365
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	36	5,446
Deferred tax liabilities	6	10,530	10,337
Provisions	18	18,992	17,778
TOTAL NON-CURRENT LIABILITIES		29,558	33,561
TOTAL LIABILITIES		53,777	56,926
NET ASSETS		126,604	110,961
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	19	3,782	3,782
Retained earnings		119,838	102,421
Reserves	20	2,984	4,758
Parent interests		126,604	110,961
Non-controlling interests		-	-
TOTAL EQUITY		126,604	110,961

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Notes	Contributed equity $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Share Option Reserve $'000	Total $'000
At 1 July 2013		3,782	102,421	4,301	457	110,961
Profit / (Loss) for the period		-	18,851	-	-	18,851
Other comprehensive income		-	-	(1,774)	-	(1,774)
Total comprehensive income for the period		-	18,851	(1,774)	-	17,077
Transactions with owners in their capacity as owners:						
Dividend paid		-	(1,434)	-	-	(1,434)
At 30 June 2014		3,782	119,838	2,527	457	126,604
At 1 July 2012		4,509	90,666	(736)	457	94,896
Profit / (Loss) for the period		-	24,186	-	-	24,186
Other comprehensive income		-	-	5,037	-	5,037
Total comprehensive income for the period		-	24,186	5,037	-	29,223
Transactions with owners in their capacity as owners:						
Share buy-back	4	(727)	(10,377)	-	-	(11,104)
Dividend paid		-	(2,054)	-	-	(2,054)
At 30 June 2013		3,782	102,421	4,301	457	110,961

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		155,642	176,128
Payments to suppliers and employees		(121,454)	(123,893)
Interest received		688	799
Finance costs paid		(375)	(1,048)
Income tax paid		(8,344)	(17,889)
NET CASH FLOWS FROM OPERATING ACTIVITIES	21(a)	26,157	34,097
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in term deposit		(1,739)	(1,840)
Payments for acquisition of property, plant and equipment		(11,688)	(11,387)
Disposal of property, plant and equipment		376	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(13,051)	(13,227)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(5,474)	(3,936)
Finance lease principal paid		(61)	(175)
Payment for buy back of shares		-	(11,104)
Equity dividend paid		(1,434)	(2,054)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(6,969)	(17,269)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,137	3,601
Cash and cash equivalents at beginning of period		39,606	34,232
Impact of foreign exchange		(442)	1,773
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21(b)	45,301	39,606

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

1. CORPORATE INFORMATION

The financial report of Phosphate Resources Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 28 August 2014.

Phosphate Resources Limited (the parent) is a company limited by shares and incorporated in Australia. The Group is a for profit entity and the nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis except for derivatives and biological assets, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ("$'000"), unless otherwise stated.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

(b) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year. The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretation:

- AASB 10 Consolidated Financial Statements, AASB 127 Separate Financial Statements
- AASB 11 Joint Arrangements, AASB 128 Investments in Associates and Joint Ventures
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurement
- AASB 19 Employee Benefits (Revised 2011)

The adoption of the standards has no material impact on the group.

(ii) Accounting Standards and Interpretations issued but not yet effective.
Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2014. These are outlined in the table below:

Reference	Title	Summary	Application date of standard*	Application date for Group*	Impact on Group financial report
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014	No material impact on group.
Interpretation 21	*Levies*	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 July 2014	No material impact on group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2014

Reference	Title	Summary	Application date of standard*	Application date for Group*	Impact on Group financial report
AASB 9/IFRS 9	*Financial Instruments*	On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in	1 January 2018	1 July 2018	The impact on the group has not yet been assessed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2014

Reference	Title	Summary	Application date of standard*	Application date for Group*	Impact on Group financial report
		profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.			
AASB 2013-3	*Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*	AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014	No material impact on group.
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	1 July 2014	No material impact on group.
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 *Business Combinations* when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.	1 January 2014	1 July 2014	No material impact on group.
AASB 2014-1 Part A - Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: • AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. • AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. • AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.	1 July 2014	1 July 2014	No material impact on group.

Reference	Title	Summary	Application date of standard*	Application date for Group*	Impact on Group financial report
		• AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. • AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.			
AASB 2014-1 Part A - Annual Improvements 2011–2013 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: • AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. • AASB40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	1 July 2014	No material impact on group.
AASB 1031	*Materiality*	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014*.	1 January 2014	1 July 2014	No material impact on group.
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.	Part A -1 July 2014 Part B -1 July 2014 Part C -1 July 2015	Part A -1 July 2014 Part B -1 July 2014 Part C -1 July 2015	No material impact on group.
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of	1 January 2016	1 July 2016	The impact on the group has not yet been

Reference	Title	Summary	Application date of standard*	Application date for Group*	Impact on Group financial report
		an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.			assessed.
Amendments to IAS 16 and IAS 41 for bearer plants	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	The amendments require that bearer plants such as grape vines, rubber trees and oil palms, should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Consequently, the amendments issued in June 2014 include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.	1 January 2016	1 July 2016	The impact on the group has not yet been assessed.
IFRS 15	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations (IFRIC *13 Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*) The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	1 January 2017	1 July 2017	No material impact on group.
AASB 2014-2	Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements [AASB 1053]	The Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards to: • clarify that AASB 1053 relates only to general purpose financial statements; • make AASB 1053 consistent with the availability of the AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* option in AASB 1 *First-time Adoption of Australian Accounting Standards*; • clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather that applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement	1 July 2014	1 July 2014	No material impact on group.

Reference	Title	Summary	Application date of standard*	Application date for Group*	Impact on Group financial report
		requirements in its most recent previous annual special purpose financial statements; and • specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.			

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

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Phosphate Resources Limited and its subsidiaries as at and for the period ended 30 June each year (the Group). Interests in associates are equity accounted.

Subsidiaries are all those entities over which the Group has exposed, or has rights to variable returns from its involvement in the subsidiary and has the ability to affect those returns through its control.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

All controlled entities have a June financial year-end.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Phosphate Resources Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

(d) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property

Freehold land and buildings are measured at cost less accumulated depreciation on buildings.

Plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and any impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets (refer to note 2(l) for accounting policy on recoverable amount).

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land are depreciated on a straight line or diminishing balance basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciation assets are:

Class of Fixed Asset	*Depreciation Rate*
Leasehold and strata title properties	Shorter of the lease and 2%
Plant and equipment under lease:	
- the shorter of the lease term and life span	20 – 30%
Plant and equipment	10 – 40%
Mine properties	Life of mine

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(g) Mining tenements and exploration expenditure

Costs incurred during exploration and evaluation activities related to an area of interest are accumulated at cost.

Such costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest, or alternatively its sale, or where activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations are continuing.

Accumulated costs in relation to abandoned areas of interest are written off in full in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(h) Mine properties

Costs incurred prior to the start up of operations or mining assets acquired are accumulated at cost. Such costs are only carried forward to the extent that they are expected to be recouped through the successful exploitation of the known reserves.

Impairment
The carrying amount of mine properties is reviewed annually by the directors to ensure it is not in excess of the recoverable amount of these assets (refer to note 2(l) for accounting policy on recoverable amount).

(i) Restoration

Estimated rehabilitation expenditure is recognised as a provision when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amounts are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provision is charged to the income statement in each accounting period, and is disclosed as a financing cost.

Other changes in the measurement of an existing restoration obligation that result from changes in the estimated timing or amount of future costs, or a change in the discount rate, are recognised as an adjustment to the restoration asset.

(j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments of operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(k) Derivative financial instruments

Derivative financial instruments are used by the Group to provide an economic hedge of exposures to exchange rates. The consolidated entity does not apply hedge accounting and accordingly all fair value movements on derivative financial instruments are recognised in the Income Statement.

Derivative financial instruments are stated at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The resulting gain or loss is recognised in profit or loss immediately.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(l) Impairment of non-financial assets other than goodwill

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(m) Intangibles

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to the identifiable net assets at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses recognised for goodwill are not subsequently reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies indicate that the project will deliver future economic benefits and these benefits can be measured reliably.

(n) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the group's entities is determined by reference to the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

(o) Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(p) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(q) Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are carried at nominal amounts due less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written-off when identified.

Receivables from related parties are recognised and carried at the nominal amount due. An estimate for doubtful debts is determined based on the net assets of the related party.

(r) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(s) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers — being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately.

However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

(t) Revenue

Sale of goods
Revenue is recognised when there has been a passing of the significant risks and rewards of ownership, which means the following:

- The product is in a form suitable for delivery and no further processing is required by or on behalf of the consolidated entity;
- The quantity and quality of the product can be determined with reasonable accuracy;
- The product has been despatched to the customer and is no longer under the physical control of the consolidated entity;
- The selling price can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the consolidated entity; and
- The costs incurred, or expected to be incurred, in respect of the transaction can be measured reliably.

Interest

Revenue is recognised as the Interest accrues using the effective interest rate method (which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Dividends

Revenue is recognised when the right to receive a dividend has been established.

(u) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees up until balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(v) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(w) Plantation development costs

Costs incurred on land clearing are capitalised as plantation development costs and is amortised over the economic useful life of the asset (25 years). Costs on the concession lease with a term of 60 years are capitalised and amortised over the remaining term of lease.

(x) Biological assets

Biological assets which include mature and immature oil palm plantations are stated at fair value less estimated point of sale costs except when the fair value cannot be measured reliably. In this instance, the biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses until such time as its fair value can be reliably measured.

Fresh fruit bunches (which are subsequently milled to become palm oil) is the harvested product of a biological asset and is measured at its fair value less estimated point of sale costs at the point of harvest.

Net movement in fair value less estimated point of sale costs of biological assets are included in the statement of comprehensive income in the year they arise.

(y) Term deposits

Term deposits which have a maturity of less than twelve months are shown in current assets. Term deposits which are held to fund employee benefits stated and demolition and restoration costs are shown in non current assets.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Assessment of mine life on Christmas Island

The Financial statements have been prepared on the basis that the resource supports continued operations for at least 5 years on the current market parameters and expectations.

Determination of mineral resources and ore reserves

The Group's policy for estimating its mineral resources and ore reserves requires that the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code') be used as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates or production costs may change the economic status of resources and may, ultimately, result in the resources being restated. Such changes in resources could impact on depreciation and amortisation rates, asset carrying values and provisions for decommissioning and restoration.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- Estimates of the quantities of ore reserves and mineral resources;
- Future production levels;
- Future commodity prices and foreign exchange rates; and
- Future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

Provisions for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of mining and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), the appropriateness of the discount rate and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements or the emergence of new restoration techniques. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

Fair value of biological assets
The fair value of the oil palm plantations is estimated by reference to independent professional valuations using the discounted cash flows of the underlying biological assets. The expected cash flows from the whole life cycle of the oil palm plantations is determined using the market price and the estimated yield of the agricultural produce, being FFB, net of maintenance and harvesting costs and any costs required to bring the oil palm plantations to maturity. The estimated yield of the oil palm plantations is dependent on the age of the oil palm trees, location of the plantations, soil type and infrastructure. The market price of FFB is largely dependent on the prevailing market prices of crude palm oil and palm kernel.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, finance leases, cash and short-term deposits, long-term deposits, interest bearing loans and borrowings and foreign exchange derivatives.

Market, liquidity and credit risk (including foreign exchange, commodity price and interest rate risk) arise in the normal course of the Group's business.

The Group manages its exposure to key financial risks, including interest rate, currency and commodity risk in accordance with the Group's risk management procedures. The overall objective of these procedures is to:

- Ensure that net cash flows are sufficient to meet all financial commitments as and when they fall due.
- Support the delivery of the Group's financial targets whilst protecting future financial security.
- Minimise the potential adverse effects resulting from volatility on financial markets.

The Group continually monitors its forecast financial position against these criteria.

It is, and has been throughout the period under review, Group policy that no speculative trading in financial instruments be undertaken.

Risk Exposures and Responses

a) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

Financial instruments that potentially subject the consolidated entity to concentrations of credit risk consist principally of cash deposits and receivables. The Group places its cash deposits and derivatives with high credit-quality financial institutions. Receivables balances are monitored on an ongoing basis with the results that the Parent's and Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Market risk

i) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long term debt obligations. Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

The interest rates for term deposits are fixed and there is no material risk for interest bearing assets. There is no other financial asset or liability bearing interest rate risk except for interest bearing loans and borrowings, the sensitivity of which is disclosed below.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

	Profit higher/(lower)	
	2014	2013
	$'000	$'000
1% (100 basis points)	561	431
-1% (100 basis points)	(561)	(431)

Reasonable possible movements in interest rates were determined based on the Group's mix of debt in Australia and foreign countries, relationship with financial institutions and review of last two years' historical movements and economic forecaster's expectations.

c) Liquidity risk

The Group's liquidity position is managed to ensure that sufficient funds are available to meet its financial commitments in a timely and cost effective manner.

Management monitors the Group's liquidity reserve on the basis of expected cash flow. The table below reflects a balanced view of cash inflows and outflows and shows the implied risk based on those values. Trade payables and other financial liabilities originate from the financing of assets used in the Group's ongoing operations. These assets are considered in the Group's overall liquidity risk.

Management continually reviews the Group liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c) Liquidity risk (continued)

Maturity analysis of financial assets and liabilities based on undiscounted contractual cash flows

Consolidated

Year ended 30 June 2014	**≤6 months $'000**	**6-12 months $'000**	**1-5 years $'000**	**>5 years $'000**	**Total $'000**
Financial assets					
Cash	45,301	-	-	-	45,301
Trade and other receivables	18,249	-	-	-	18,249
Term deposits	7,421	-	-	9,173	16,594
Financial liabilities					
Non-derivatives					
Trade and other payables	12,712	-	-	-	12,712
Interest bearing loans and borrowings	236	5,543	36	-	5,815

Year ended 30 June 2013	**≤6 months $'000**	**6-12 months $'000**	**1-5 years $'000**	**>5 years $'000**	**Total $'000**
Financial assets					
Cash	39,606	-	-	-	39,606
Trade and other receivables	22,994	-	-	-	22,994
Term deposits	14,855	-	-	-	14,855
Financial liabilities					
Non-derivatives					
Trade and other payables	8,948	-	-	-	8,948
Interest bearing loans and borrowings	356	5,717	5,277	-	11,350
Derivatives					
Foreign exchange contracts (gross settled)					
(Inflow)	(16,756)	(2,637)	-	-	(19,393)
Outflow	18,151	2,691	-	-	20,842
Net foreign exchange contracts	1,395	54	-	-	1,449

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Derivative instruments

The Group's future revenues are exposed to movements in foreign exchange rates, particularly the US dollar/Australian dollar rate. The Group may from time to time enter into foreign exchange derivative instruments to manage this exposure.

The Group has, as outlined in note 16, forward currency contracts designated as held for trading that are subject to fair value movements through profit or loss as foreign exchange rates move.

At 30 June 2014, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	**Post tax profit and equity Higher/Lower**	
	2014 $'000	**2013 $'000**
Consolidated		
AUD/USD + 10%	-	(1,910)
AUD/USD - 10%	-	1,706
Parent		
AUD/USD + 10%	-	(1,901)
AUD/USD - 10%	-	1,706

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

e) Fair values

The Directors have performed a review of the financial assets and liabilities as at 30 June 2014 and 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.
- 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.
- 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.
- Term deposits – The carrying values of term deposits represent the fair values.

4. SHARE BUY-BACK

During the year ended 30 June 2013, the Company bought back 555,200 shares at $20 per share. This was done by way of an equal access share buy-back that was open to all eligible shareholders on an equal basis. On 17 April 2013 the Company invited eligible shareholders to participate in the buy back and offered to buy-back a maximum aggregate number of 684,702 shares, representing approximately 20% of the Company's issued share capital as at that date.

The Company received offers to buy back 555,200 shares from eligible shareholders. On 12 June 2013, the company bought back these shares at $20 per share resulting in a payment to shareholders of $11.1 million. The buy-back price of $20, comprised of a capital return of $1.31 (amounting to $727,312) and the balance of purchase of $18.69 (amounting to $10,376,688) issued for tax purposes on fully franked basis.

As a result of the share buy-back the Company's number of issued shares has reduced to 2,868,307 from 3,423,507 shares prior to the share buy back.

	2014 $'000	2013 $'000
5. REVENUES AND EXPENSES		
(a) Revenue		
Sale of goods		
Phosphate sales	91,517	101,556
Oil sales	696	833
Palm oil product sales	47,115	42,775
	139,328	145,164
Rendering of services		
Stevedoring	1,341	1,578
Facilities management	9,246	6,741
Other	982	304
	11,569	8,623
Other revenue		
Finance revenue – interest	688	799
	151,585	154,586
(b) Cost of sales		
Cost of production:		
Production costs	82,321	75,819
Royalties	1,761	1,554
Insurance	2,043	1,863
	86,125	79,236
Shipping and marketing costs:		
Shipping charges	15,041	16,195
Port charges	1,629	2,272
Levy	1,585	1,354
	18,255	19,821
Depreciation:		
Plant and equipment	4,409	3,765
Total cost of sales	108,789	102,822
(c) Other income		
Net gain/(loss) on disposal of assets	328	15
Foreign exchange gain	-	786
	328	801
(d) Other expenses		
Administration	13,665	13,363
Bad debt expense (i)	18	1,739
Redundancy expense	811	738
Allowance for inventory obsolescence	-	84
Depreciation	58	53
Foreign exchange loss	657	11
	15,209	15,988
(e) Finance costs		
Interest expense	343	448
Accretion on decommissioning and restoration provision	600	600
Finance lease	32	-
	975	1,048
(f) Employee benefits expense	24,819	26,461

Employee benefits expense comprises salaries and wages, superannuation, employee bonus and travel airfares together with accruals for employee entitlements such as annual leave, long service leave, redundancy and sick leave expensed during the period.

(i) In 2013, an outstanding amount was owed by Fertiliser Futures Ltd for the acquisition of the company's interest in Phosphate Resources (HauLi) Ltd. The payment of remaining consideration by Fertiliser Futures Ltd was based on the ability of Fertiliser Futures Ltd to consolidate its mining license with that of an adjoining mine. So far Fertiliser Futures Ltd has not been able to reach agreement with the other mine owner on the terms of a consolidation and has been prevented from mining by the Chinese Government until the consolidation of these mines is finalised. Based on these facts the Company's management assessed that the receipt of the remaining consideration seemed unlikely and consequently wrote off the amount owing as a bad debt expense of $1.739 million in the previous year.

6. INCOME TAX

	2014 $'000	2013 $'000
The major components of income tax are:		
Income statement		
Current income tax		
Current income tax charge	7,083	11,745
Adjustments in respect of current income tax of previous years	(170)	(54)
Deferred income tax		
Relating to origination and reversal of temporary differences	1,060	(1,369)
Adjustments in respect of deferred tax of previous years	(220)	-
Income tax expense reported in the income statement	7, 753	10,322

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2014 $'000	2013 $'000
Accounting profit before income tax	26,604	34,508
At the Group's statutory income tax rate of 30% (2013: 30%)	7,982	10,352
Income/expenditure not allowable for income tax purposes:		
Add:		
Adjustments in respect of current income tax of previous years	(170)	(54)
Expenditure not allowable for income tax purposes	252	47
- Prior year adjustment in respect of temporary difference	(220)	-
Deferred tax asset not brought to account	120	126
Difference in global tax rates	(211)	(149)
Aggregate income tax expense	7,753	10,322

	Balance Sheet		Income Statement	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
6. INCOME TAX (CONTINUED)				
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
Consumables	(1,575)	(1,207)	368	(417)
Accelerated depreciation – fixed assets	(8,955)	(9,130)	(175)	445
Forward currency contracts	-	-	-	(115)
Gross deferred income tax liabilities	(10,530)	(10,337)		
Deferred tax assets				
Provisions and accruals	5,435	5,412	(23)	(338)
Depreciation – fixed assets	1,526	1,625	99	(278)
Forward currency contracts	-	435	435	(435)
Receivables	223	359	136	(231)
Gross deferred income tax assets	7,184	7,831		
Deferred tax (income)/expense			840	(1,369)

This deferred tax asset will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(c) no changes in tax legislation adversely affect the consolidation entity in realising the benefit.

The parent entity has made non-current provisions for demolition of $9,304,000 (2013: $8,704,000) and employee redundancies of $8,153,000 (2013: $8,052,000). The future income tax benefit relating to the provision for restoration and demolition and the provision for employee redundancy is not probable of being completely recovered, as it is believed that when the provisions are required the parent entity may not have future taxable income to utilise the full tax benefit.

Phosphate Resources Limited and its wholly owned controlled entities have not entered into a tax consolidation agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2014

	2014 $'000	2013 $'000
7. DIVIDENDS		
Dividends proposed		
Franked dividend	-	-
Dividends paid or provided for during the year		
Current year interim		
Franked dividend	-	-
Previous year final		
Franked dividend	1,434	2,054
	1,434	2,054
Franking credits balance		
The amount of franking credits available for the subsequent financial year are:		
franking account balance as at the beginning of the financial year at 30% (2013: 30%)	64,101	51,539
franking credits arose from the payment to ATO	8,344	17,889
franking credits reduced due to payment of dividends	(615)	(5,327)
	71,830	64,101

The tax rate at which paid dividends have or will be franked is 30% (2013: 30%).

	2014 $'000	2013 $'000
8. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade debtors	18,247	22,977
Other debtors	2	17
	18,249	22,994
9. INVENTORIES (CURRENT)		
Consumable materials and stores at cost	4,461	3,249
Finished goods at cost	10,031	6,669
	14,492	9,918
10. OTHER (CURRENT)		
Prepayments	2,035	2,768
	2,035	2,768
11. TERM DEPOSITS (NON-CURRENT)		
Trust fund term deposit	6,779	6,091
Demolition and restoration bonds	2,394	2,326
Other term deposits	-	6,438
	9,173	14,855

12. INTERESTS IN SUBSIDIARIES

The financial statements include the financial statements of the Group and the subsidiaries listed in the following table:

Name	Country of Incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2014 %	2013 %	2014 $'000	2013 $'000
- CI Maintenance Services Pty Ltd (ii)	Australia	100	100	-	-
- Phosphate Resources Properties Pty Ltd (ii)	Australia	100	100	-	-
- Indian Ocean Stevedores Pty Ltd (ii)	Australia	100	100	901	901
- Phosphate Resources (Singapore) Pte Ltd (i)	Singapore	100	100	504	504
- Indian Ocean Oil Company Pty Ltd (ii)	Australia	100	100	-	-
- Indian Ocean Mechanical Services Pty Ltd (ii) (iii)	Australia	100	100	-	-
- Phosphate Resources Laos Pty Ltd (ii) (iii)	Australia	100	100	-	-
- Phosphate Resources Plantations Pty Ltd (ii) (iii)	Australia	100	100	-	-
- Phosphate Resources (Malaysia) Sdn Bhd (i) (ii)	Malaysia	100	100	-	-
- Cheekah-Kemayan Plantation Sdn Bhd (i)	Malaysia	100	100	48,296	48,296
				49,701	49,701

(i) Overseas controlled entities carry on business in the country of incorporation.

(ii) These companies meet the definition of a small proprietary limited company as set out in the Corporations Act 2001. Ernst & Young has not issued separate audit opinions in respect of these entities.

(iii) Dormant company.

	Consolidated 2014 $'000	Consolidated 2013 $'000
13. PROPERTY, PLANT AND EQUIPMENT		
Leasehold Land		
At cost	28,569	31,665
Accumulated depreciation	(1,641)	(3,415)
	26,928	28,250
Leasehold buildings		
At cost	3,714	5,432
Accumulated depreciation	(249)	(2,243)
	3,465	3,189
Land and buildings		
At cost	2,606	383
Accumulated depreciation	(214)	(146)
	2,392	237
Strata title properties		
At cost	1,337	1,341
Accumulated depreciation	(277)	(264)
	1,060	1,077
Plant and equipment		
At cost	68,893	66,795
Accumulated depreciation and impairment	(48,511)	(50,399)
	20,382	16,396
Plant and equipment under lease		
At cost	1,892	1,359
Accumulated depreciation	(449)	(355)
	1,443	1,004
Construction in progress	1,908	1,373
Total property, plant and equipment		
At cost	108,919	108,348
Accumulated depreciation and impairment	(51,341)	(56,822)
Net carrying amount	57,578	51,526

(a) Assets pledged as security:

Included in all balances above are assets of Phosphate Resources Limited and, Phosphate Resources Properties Pty Ltd over which first and second mortgages have been granted as security. The terms of the mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The shares in Cheekah-Kemayan Plantation Sdn Bhd are pledged as a security on a USD bank loan and the assets of Cheekah-Kemayan Plantation Sdn Bhd are pledged as a security over a bank overdraft facility. The carrying values of the assets pledged are $53,728,000 (2013: $54,998,000).

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2014 $'000	2013 $'000
(b) Reconciliations		
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.		
Leasehold Land		
Carrying amount at beginning	28,250	26,174
Depreciation expense	(526)	(549)
Foreign exchange difference	(796)	2,625
	26,928	28,250
Leasehold buildings		
Carrying amount at beginning	3,189	2,776
Transfer from construction in progress	-	30
Additions	448	217
Disposals	-	(1)
Depreciation expense	(85)	(102)
Foreign exchange difference	(87)	269
	3,465	3,189
Land and buildings		
Carrying amount at beginning	237	237
Transfer from construction in progress	2,223	-
Depreciation expense	(68)	-
	2,392	237
Strata title properties		
Carrying amount at beginning	1,077	988
Depreciation expense	(14)	(13)
Foreign exchange difference	(3)	102
	1,060	1,077
Plant and equipment		
Carrying amount at beginning	16,396	10,956
Transfer from construction in progress	6,764	6,054
Additions	205	436
Transfer from/(to) equipment under lease	-	1,341
Disposals	(48)	(10)
Depreciation expense	(2,712)	(3,019)
Foreign exchange difference	(223)	638
	20,382	16,396
Plant and equipment under lease		
Carrying amount at beginning	1,004	1,503
Additions	97	-
Transfer from construction in progress	1,417	965
Transfer (to)/from plant and equipment	-	(1,341)
Depreciation expense	(1,062)	(134)
Foreign exchange difference	(13)	11
	1,443	1,004

	2014 $'000	2013 $'000
Reconciliations (continued)		
Construction in progress		
Carrying amount at beginning	1,373	2,369
Additions	10,939	6,054
Transferred to property, plant and equipment	(10,404)	(7,049)
	1,908	1,374

14. GOODWILL

	2014 $'000	2013 $'000
Carrying amount at beginning	7,158	7,158
Impairment	-	-
Impact of foreign exchange	-	-
	7,158	7,158

Goodwill acquired through business combination has been allocated to the Farming CGU, which is also a reporting and operating segment for impairment testing. The net carrying amount of Goodwill at 30 June 2014 was $7,158,000 (2013: $7,158,000) which includes an accumulated impairment charge of Nil during the year (2013: Nil).

The recoverable amount of the Farming CGU has been determined using a value in use calculation using cash flow projections. The pre-tax discount rates applied to cash flow projections is 10.5% (2013: 11%) and the cash flows are based on the financial budget approved by management for the upcoming year and applying a growth rate of 2.1% p.a (2013: 1.6%) for the follwing 4 years and a terminal value.

With regard to the assessments of the value in use of the Farming CGU, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

15. BIOLOGICAL ASSETS

	2014 $'000	2013 $'000
Carrying amount at beginning of period	11,231	11,135
Harvest/amortisation	-	-
Effect of foreign exchange	(314)	1,117
Fair value adjustment	(336)	(1,021)
Carrying amount at end	10,581	11,231

Biological assets consist of mature oil palm trees.

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

At 30 June 2014 the group held oil palm trees on approximately 1,643 hectares of land.

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. Significant assumptions applied in the determination of fair value are:

15. BIOLOGICAL ASSETS (continued)

	2014	2013
Average remaining life of oil palm trees (years)	9	10
Average annual yield per hectare	25	21
Average life span of trees (years)	25	25
Pre tax discount rate	10.5%	11%
Fresh Fruit Bunch (FFB) price (RM per tonne)	485	604
Annual rate of inflation	2.1%	1.2%

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.

16. TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Trade Creditors[a]	12,712	8,948
Foreign exchange contracts [b]	-	1,449
	12,712	10,397

[a] Trade creditors are non-interest bearing and are normally settled on 30-60 day terms.

[b] *Forward currency contracts – held for trading*
During the year the Group entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

	Notional amounts $AUD		Average exchange rate	
	2014 $'000	2013 $'000	2014	2013
US$/buy Australian $				
Consolidated				
Sell US$ maturity 0 to 12 months	-	20,842	n/a	0.9836

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 gains on foreign currency derivatives during the year were $1.449million for the Group (2013: loss of $1.833 million).

There were no outstanding forward currency contracts at 30 June 2014.

17. INTEREST-BEARING LOANS AND BORROWINGS

	Notes	2014 $'000	2013 $'000
CURRENT			
Bank loan	(a),(b),(c)	5,308	5,391
Lease liability	25	471	513
		5,779	5,904
NON CURRENT			
Bank loan		-	5,391
Lease liabilities	25	36	55
		36	5,446

(a) Interest rate risk and liquidity risk
Details regarding interest rate risk and liquidity risk are disclosed in Note 3.

(b) Fair value
The carrying amount of the borrowings approximates their fair value as the borrowings are at floating interest rates which move in accordance with market rates.

(c) Defaults and breaches
During the current there were no defaults or breaches on any of the loans.

	2014 $'000	2013 $'000
Financing facilities available		
At reporting date, the following financing facilities had been negotiated and were available**:**		
Total facilities	5,808	11,282
Facilities utilised at reporting date	(5,308)	(10,782)
Facility unused at reporting date	500	500

18. PROVISIONS

	2014 $'000	2013 $'000
CURRENT		
Employee entitlements	5,728	6,636
NON CURRENT		
Redundancy	8,153	8,052
Employee entitlements	1,535	1,022
	9,688	9,074
Decommissioning and restoration	9,304	8,704
	18,992	17,778

Provision for redundancy

The amounts employees are entitled to receive if made redundant in accordance with their employment agreements are fully provided. The redundancy provision was increased by a net amount of $101,000 during the year ended 30 June 2014 (2013: $770,000).

18. PROVISIONS (continued)

Provision for decommissioning and restoration

Based on the Mining Lease Agreement between the Commonwealth Government and Phosphate Resources Limited a provision for decommissioning and restoration has been recognised for costs associated with:
Demolition of all improvements specified for the removal of all debris resulting from demolition, removal of plant and equipment and leaving the leased land in a safe, clean and tidy condition at the expiry of the lease.

Estimates of the decommissioning and restoration obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. In determining the decommissioning and restoration provision, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to demolition or restoration of such mines in the future.

	2014 $'000	2013 $'000
Movement in provisions		
Provision for decommissioning and restoration:		
Carrying amount at the beginning of the financial year	8,704	8,104
Additional provision		
Credited to profit or loss	600	600
Carrying amount at the end of the financial year	9,304	8,704

	2014 $'000	2013 $'000	2014 Number on issue	2013 Number on issue
19. CONTRIBUTED EQUITY				
Ordinary shares on issue	3,782	3,782	2,868,307	2,868,307

(a) Movements in ordinary shares on issue	$'000	Number on issue
Balance at the beginning of the year	3,782	2,868,307
Balance at the closing of the year	3,782	2,868,307

(b) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all assets less payment of liabilities in proportion to the number of fully paid shares held.

Each ordinary share entitles their holder to one vote, either in person or by proxy, at a meeting of the Company.

	2014 $'000	2013 $'000
20. RESERVES		
(a) Foreign currency translation reserve		
Foreign currency translation reserve	2,527	4,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2014

20. RESERVES (continued)

Nature and purpose of reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

(b) Share option reserve	**2014 $'000**	**2013 $'000**
Share option reserve	457	457

Nature and purpose of reserve
The Share Option Reserve is used to record the fair value of share based payments provided to employees of the Group.

	2,984	4,758

	2014 $'000	**2013 $'000**
21. CASH FLOW STATEMENT		
(a) Reconciliation of the operating profit after tax to the net cash flows from operations		
Profit after tax	18,851	24,186
Non-cash items		
Depreciation and amortisation	4,467	3,818
Net gain on disposal of assets	(328)	-
Unrealised foreign exchange (gain) / loss	(515)	1,358
Accretion of decommissioning and restoration provision	600	600
Bad debts	18	1,739
Change in fair value of biological asset	336	1,021
Changes in assets and liabilities		
Decrease)/(increase) in trade and other receivables	4,745	5,530
Movement in deferred tax balances	840	(1,369)
Decrease/(increase) in inventories	(4,574)	2,188
Increase/(decrease) in trade creditors and accruals	2,315	408
Increase/(decrease) in provisions	306	2,438
(Increase)/decrease in prepayments	733	(1,941)
(Decrease)/increase in tax payable	(1,637)	(5,879)
Net cash flow from operating activities	26,157	34,097
(b) Reconciliation of cash		
Cash balance comprises:		
Cash at bank	45,301	39,606

The chief economic entity has a bank overdraft facility available to the extent of $500,000 (2013: $500,000) with an option to increase the facility by a further $500,000 during the swell season (December to March). The bank overdraft facility is secured against the prevailing first mortgage on the assets of the Company. The facility was unused at year end. Average interest rate for the year was 9.35% (2013: 9.92%).

	2014 $'000	2013 $'000
22. EMPLOYEE ENTITLEMENTS, REDUNDANCY AND SUPERANNUATION COMMITMENTS		
Employee Entitlements		
The aggregate employee entitlement liability is comprised of:		
Accrued wages, salaries, bonus and on costs	-	-
Provisions (current)	5,729	6,636
Provisions (non-current)	9,688	9,074
	15,417	15,710

Retirement and superannuation payments

The percentage amounts of base salaries and wages paid to superannuation funds by the economic entity is 11% (2013: 11%) for permanent employees and 9.25% (2013: 9%) for casual employees. The amount required by the Superannuation Guarantee Scheme is 9.25% (2013: 9%).

23. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Other related party transactions with directors of the chief entity

(i) Mr Lai Ah Hong is the owner of property MQ 77 on Christmas Island leased to Indian Ocean Stevedores Pty Ltd for three years ending 10 April 2016. Mr Lai Ah Hong received a total rent of $31,200 during the year (2013: $31,200).

(ii) Mr Chan Khye Meng is the sole proprietor of Meng Chong trading based on Christmas Island. Meng Chong Trading provided such goods as toilet requisites and groceries totalling $18,814 (2013: $10,021) during the year.

Transactions with related parties in the wholly owned group

(i) Management services are provided to Phosphate Resources Limited by Phosphate Resources (Singapore) Pte Ltd on commercial terms. Total services provided for the year were $383,139 (2013: $422,893).

(ii) Management services are provided to Phosphate Resources Ltd by Phosphate Resources (Malaysia) Sdn Bhd on commercial terms. Total services provided for the year were $961,033 (2013: $941,274).

(iii) Rent was paid to Phosphate Resources Properties Pty Ltd by Phosphate Resources Limited on normal commercial terms and conditions. Total rent for the year was $62,400 (2013: $62,400).

(iv) Rent was paid to CI Maintenance Services Pty Ltd by Phosphate Resources Limited on normal commercial terms and conditions. Total rent for the year was $8,121 (2013: Nil).

(v) Indian Ocean Oil Company Pty Ltd provides fuel to Phosphate Resources Limited under commercial terms and conditions. Total fuel sales for the year were $8,516,144 (2013: $7,205,084).

(vi) Accounting fees were paid to Phosphate Resources Limited by Phosphate Resources Properties Pty Ltd under commercial terms and conditions. Total accounting fees paid for the year were $1,200 (2013: $1,200).

23. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties in the wholly owned group (continued)

(vii) Accounting fees were paid to Phosphate Resources Limited by Indian Ocean Stevedores Pty Ltd under commercial terms and conditions. Total accounting fees paid for the year were $42,000 (2013: $42,000).

(viii) Accounting fees were paid to Phosphate Resources Limited by CI Maintenance Services Pty Ltd under commercial terms and conditions. Total accounting fees paid for the year were $60,000 (2013: $60,000).

(ix) Accounting and management fees were paid to Phosphate Resources Limited by Indian Ocean Oil Company Pty Ltd on normal commercial terms. Total accounting and management fees paid for the year were $64,800 (2013: $64,800).

(x) Surveying services are provided to Phosphate Resources Limited by Indian Ocean Stevedores Pty Ltd a controlled entity, on normal commercial terms. Total services provided for the year were $40,300 (2013: $57,000).

(xi) Surveying services are provided to Indian Ocean Oil Company Pty Ltd by Indian Ocean Stevedores Pty Ltd on normal commercial terms. Total services provided for the year were $2,000 (2013: $2,000).

(xii) Phosphate Resources Ltd provided fuel to CI Maintenance Services Pty Ltd on normal commercial terms. Total fuel sales for the year were $13,806 (2013: $13,914).

(xiii) Phosphate Resources Ltd provided fuel to Indian Ocean Stevedores Pty Ltd on normal commercial terms. Total fuel sales for the year were $1,968 (2013: Nil).

(xiv) CI Resources Limited is the ultimate controlling entity.

24. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Compensation by category: Key Management Personnel

	2014 $	2013 $
Short-term	2,641,106	2,513,460
Post-employment	186,269	186,829
	2,827,375	2,700,289

(b) Shareholdings of Key Management Personnel (consolidated)

30 June 2014	Fully Paid Ordinary Shares Held at 1 July 2013	Net change other	Held at 30 June 2014
Directors			
Lai Ah Hong	10,001	25,160	35,161
Chan Khye Meng	1	-	1
Phua Siak Yeong	11,000	-	11,000
Tee Lip Sin	18,600	-	18,600
Tee Lip Jen	30,500	-	30,500
Executives			
Kevin Edwards	1,500	-	1,500
Alfred Chong	2,000	-	2,000
Total	73,602	25,160	98,762

30 June 2013	Fully Paid Ordinary Shares Held at 1 July 2012	Net change other	Held at 30 June 2013
Directors			
Lai Ah Hong	55,001	(45,000)	10,001
Chan Khye Meng	1	-	1
Cheng Hang	55,000	(50,000)	5,000
Phua Siak Yeong	11,000	-	11,000
Phuar, Kong Seng	19,000	(19,000)	-
Tee Lip Sin	-	18,600	18,600
Tee Lip Jen	17,500	13,000	30,500
Executives			
Kevin Edwards	6,500	(5,000)	1,500
Alfred Chong	2,000	-	2,000
Allan Robartson	3,500	(3,500)	-
Total	169,502	(90,900)	78,602

24. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable that those the Group would have adopted if dealing at arm's length.

(c) Loans to key management personnel
There were no loans to key management personnel during the period.

(d) Other transactions and balances with key management personnel
There were no other transactions or balances with key management personnel.

	2014 $	2013 $
25. AUDITORS' REMUNERATION		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
· audit of the financial report of the parent entity and the consolidated entity	150,000	150,000
· review of the half year financial report of the consolidated entity	50,000	50,000
· other services		-
	200,000	200,000
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for the audit of the financial statements	51,600	45,200
	251,600	245,200
Amounts received or due and receivable by auditors other than Ernst & Young for:		
· an audit or review of the financial report of a controlled entity	-	-
	251,600	245,200

	2014 $'000	2013 $'000
26. EXPENDITURE COMMITMENTS		
Lease expenditure commitments		
Operating leases		
- not later than one year	592	469
- later than one year and not later than five years	497	521
- total minimum payments	1,089	990

Operating leases are entered into as a means of providing residential accommodation and office premises for Phosphate Resources Limited; residential accommodation for Indian Ocean Stevedores Pty Ltd and office equipment for Phosphate Resources (Singapore) Pte Ltd.

Finance leases	***2014***		***2013***	
	Minimum Lease Payments	***Present Value of Lease Payments***	***Minimum Lease Payments***	***Present Value of Lease Payments***
CONSOLIDATED	***$'000***	***$'000***	***$'000***	***$'000***
Within one year	476	472	543	513
After one year but not more than five years	36	36	62	55
Total minimum lease payments	512	508	605	568
Less amounts representing future finance charges	(4)	-	(37)	-
Present value of minimum lease payments	508	508	568	568

Finance leases are entered into as a means of financing the acquisition of plant and equipment.

(a) The Company provides a guarantee and indemnity to the Commonwealth Government of Australia (Commonwealth) to ensure the performance of Indian Ocean Oil Company Pty Ltd's obligations under the terms of a 20 year fuel lease arrangement.

(b) The Company has committed to undertake various environmental management targets and objectives as detailed in the Christmas Island Phosphates Environmental Management Plan.

(c) The Company has provided a bank guarantee of $2 million to the Commonwealth Government under the terms of the Mining Lease Agreement.

(d) The Company has capital commitments of $0.564 million (2013: $0.059 million) for items of plant on order but not yet delivered.

27. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2014

27. SEGMENT REPORTING (continued)

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

The 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.

	Year ended 30 June 2014				Year ended 30 June 2013			
	Mining $'000	Farming $'000	All Other Segments $'000	Total $'000	Mining $'000	Farming $'000	All Other Segments $'000	Total $'000
Revenue								
Revenue from external customers	91,517	47,115	-	138,632	101,556	42,775	-	144,331
Interest income	520	-	168	688	624	-	175	799
Stevedoring	-	-	1,381	1,381	-	-	1,578	1,578
Rendering of services	-	-	10,228	10,228	-	-	7,045	7,045
Other sales	-	-	656	656	-	-	833	833
Total segment revenue	92,037	47,115	12,433	151,585	102,180	42,775	9,631	154,586
Result								
Segment net operating profit after tax (attributable to parent)	16,177	2,010	664	18,851	20,884	2,078	1,224	24,186
Depreciation and amortisation	2,899	1,288	222	4,409	2,470	1,074	221	3,765
Income tax expense	5,984	902	867	7,753	8,614	1,122	586	10,322
Assets and Liabilities								
Segment assets	97,052	62,090	21,239	180,381	91,224	65,254	11,409	167,887
Segment liabilities	37,134	14,086	2,557	53,777	40,351	13,568	3,007	56,926
Other disclosure								
Capital expenditure	8,656	896	2,136	11,688	6,707	534	4,146	11,387

27. SEGMENT REPORTING (continued)

Geographic information

Revenue from external customers by geographical locations is detailed below:

	2014 $'000	2013 $'000
Australia	104,470	111,811
Malaysia	47,115	42,775
	151,585	154,586

Major customers

Revenue from one customer amounted to $29.7 million and from another amounted to $19.2 million in the mining segment. No other customers had sales exceeding 10% of revenue.

Non-current assets by geographical regions:

	2014 $'000	2013 $'000
Australia	55,074	48,565
Malaysia	44,021	44,036
	99,095	92,601

28. INFORMATION RELATING TO PHOSPHATE RESOURCES LIMITED ("THE PARENT ENTITY")

	2014 $'000	2013 $'000
Current assets	56,024	54,822
Total assets	145,330	136,282
Current liabilities	15,158	18,072
Total liabilities	36,247	41,318
Issued capital	3,782	3,782
Retained earnings	104,844	90,725
Share option reserve	457	457
	109,083	94,964
Profit or loss for the parent entity	15,553	20,884
Total comprehensive income of the parent entity	15,553	20,884

29. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no other contingent assets or liabilities as at the date of this report.

30. SUBSEQUENT EVENTS

No matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of Phosphate Resources Limited and its controlled entities, the results of those operations or the state of affairs of Phosphate Resources Limited and its controlled entities in subsequent years that is not otherwise disclosed in this report or the consolidated financial statements.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Phosphate Resources Limited, we state that:

(1) In the opinion of the Directors:

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

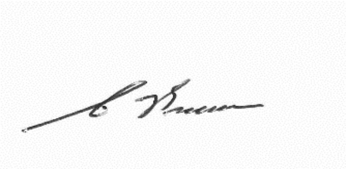
(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and

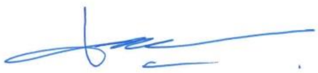
(ii) complying with *Accounting Standards (including Australian Accounting Interpretations) and Corporations Regulations 2001*;

(b) the financial statement and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and

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

SIGNED ON BEHALF OF THE BOARD:





Clive Brown
Chairman

LAI Ah Hong
Managing Director

Dated: 28 August 2014

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Independent auditor's report to the members of Phosphate Resources Limited

Report on the financial report

We have audited the accompanying financial report of Phosphate Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of Phosphate Resources Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2

Ernst & Young

R J Curtin
Partner
Perth
28 August 2014

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

In relation to our audit of the financial report of Phosphate Resources Limited for the financial year ended 30 June 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
28 August 2014