

# **CI Resources Limited**

ACN 006 788 754

## **Half Year Report**

### **For the half-year ended 31 December 2015**

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## CI RESOURCES LIMITED

### Directors' report

Your directors present their half year report on the consolidated entity ("Group") consisting of CI Resources Limited ("CII" or "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

#### Directors

The following persons were directors of CI Resources Limited for the whole of the half-year and up to the date of this report, unless otherwise stated:

Mr David Somerville  
Mr Lai Ah Hong  
Mr Tee Lip Sin  
Mr Tee Lip Jen  
Mr Adrian Gurgone  
Dato' Sri Kamaruddin bin Mohammed  
Mr Clive Brown

#### Dividends

Dividends totaling 5 cents per share have been paid during the half year ended 31 December 2015. The Directors propose paying a fully franked interim dividend of 4 cents per share issued with the record date being set at 15 March 2016 with payment to be made on the 4 April 2016

#### Review of operations

The Consolidated Entity is reporting a net profit for the period of \$22.449M for the half-year ended 31 December 2015 (31 December 2014: \$17.159M).

Sales volumes from the Christmas Island operations were similar to the same period in the prior year. However, a further 60,000 tonnes of sales was generated by our Malaysian and Singapore subsidiaries from external trading activities. These activities had not yet commenced in the first half of the prior year. This resulted in the achievement of approximately 440,000 tonnes of sales for the half year.

Sales revenue was further enhanced by the commencement in the current half year of the Commonwealth government contract for the exclusive supply of Diesel fuel to the Christmas Island Power Station and for the provision of diesel fuel for other Commonwealth entities operating out of Christmas Island.

#### *Financial Position*

At the end of the financial period the consolidated entity had net cash balances of \$51.945M (30 June 2015: \$53,967M) and net assets of \$167.013M (30 June 2015: \$154,884M).

Total liabilities amounted to \$53.275M (30 June 2015: \$51,474M), being trade and other creditors, provisions, borrowings and taxation liabilities.

#### Earnings per share

	<b>December 2015 Cents</b>	<b>December 2014 Cents</b>
Basic earnings per share	19.42	14.85

**CI RESOURCES LIMITED**

**Directors' report**

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

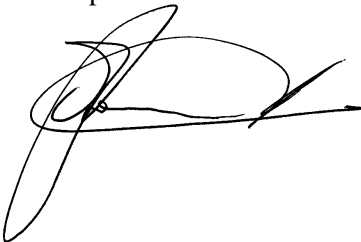
**Rounding**

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.

**Auditor**

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'D Somerville', written over a horizontal line.

D Somerville  
Chairman  
Perth, Western Australia

25 February 2016

**CI RESOURCES LIMITED**

**AUDITOR'S INDEPENDENCE DECLARATION**

CI RESOURCES LIMITED

**Consolidated Statement of Comprehensive Income  
For the half-year ended 31 December 2015**

	Notes	Consolidated	
		31 December 2015 \$'000s	31 December 2014 \$'000s
<b>Revenue from continuing operations</b>	3a	<b>106,378</b>	88,158
Cost of sales	3b	(65,329)	(60,036)
<b>Gross Profit</b>		<b>41,049</b>	28,122
Other income	3c	924	4,760
Finance costs		(299)	(402)
Other expenses	3d	(8,771)	(7,905)
<b>Profit before income tax</b>		<b>32,903</b>	24,575
Income tax expense		(10,454)	(7,416)
<b>Net profit for the period</b>		<b>22,449</b>	17,159
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(4,541)	3,081
<b>Total comprehensive income for the period</b>		<b>17,908</b>	20,240
Net profit for the period is attributable to:			
Non-controlling interest		-	6,512
Owners of the parent		22,449	10,647
		<b>22,449</b>	17,159
Total comprehensive income for the period is attributable to:			
Non-controlling interest		-	7,681
Owners of the parent		17,908	12,559
		<b>17,908</b>	20,240
		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings/(loss) per share		<b>19.42</b>	14.85

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

CI RESOURCES LIMITED

**Consolidated Statement of Financial Position**  
As at 31 December 2015

	Notes	Consolidated	
		31 December 2015 \$'000s	30 June 2015 \$'000s
<b>Current assets</b>			
Cash and cash equivalents	4	51,945	53,967
Term deposits		10,033	8,646
Trade and other receivables		37,118	30,171
Inventories		18,403	12,918
Prepayments		1,723	2,653
Income tax receivable		580	455
Total current assets		<b>119,802</b>	108,810
<b>Non-current assets</b>			
Other financial assets		10,243	10,080
Property, plant & equipment		66,224	62,611
Goodwill		7,158	7,158
Biological assets	7	8,614	9,296
Deferred tax assets		8,247	8,403
Total non-current assets		<b>100,486</b>	97,548
<b>Total assets</b>		<b>220,288</b>	206,358
<b>Current liabilities</b>			
Trade and other payables		9,020	10,908
Financial liabilities		51	515
Borrowings		382	16
Income tax payable		6,053	2,055
Provisions		7,206	7,796
Total current liabilities		<b>22,712</b>	21,290
<b>Non-current liabilities</b>			
Deferred tax liabilities		10,086	10,143
Provisions		20,477	20,041
Total non-current liabilities		<b>30,563</b>	30,184
<b>Total liabilities</b>		<b>53,275</b>	51,474
<b>Net assets</b>		<b>167,013</b>	<b>154,884</b>
<b>Equity</b>			
Contributed equity		72,160	72,160
Reserves		6,860	11,401
Accumulated profits		87,993	71,323
<b>Total equity</b>		<b>167,013</b>	<b>154,884</b>

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

**CI RESOURCES LIMITED**

**Consolidated Statements of Changes in Equity  
For the half-year ended 31 December 2015**

2015 Consolidated	Contributed Equity \$'000s	Foreign currency translation Reserve \$'000s	Discount on acquisition of Non- controlling interest Reserve \$'000s	Retained earnings \$'000s	Total \$'000s
<b>1 July 2015</b>	72,160	2,902	8,499	71,323	154,884
Profit for the period	-	-	-	22,449	22,449
Other comprehensive income	-	(4,541)	-	-	(4,541)
<b>Total comprehensive income for the period</b>	-	(4,541)	-	22,449	17,908
<b>Transactions with owners in their capacity as owners</b>					
Dividends paid	-	-	-	(5,779)	(5,779)
<b>31 December 2015</b>	<b>72,160</b>	<b>(1,639)</b>	<b>8,499</b>	<b>87,993</b>	<b>167,013</b>



CI RESOURCES LIMITED

Consolidated Statements of Changes in Equity  
For the half-year ended 31 December 2015

2014 Consolidated	Contributed Equity \$'000s	Foreign currency translation Reserve \$'000s	Discount on acquisition of Non- controlling interest Reserve \$'000s	Retained earnings \$'000s	Owners of the Parent \$'000s	Non-controlling Interest \$'000s	Total \$'000s
<b>1 July 2014</b>	17,970	1,593	8,499	51,894	79,956	47,076	127,032
Profit for the period	-	-	-	10,647	10,647	6,512	17,159
Other comprehensive income	-	1,912	-	-	1,912	1,169	3,081
<b>Total comprehensive income for the period</b>	-	1,912	-	10,647	12,559	7,681	20,240
<b>Transactions with owners in their capacity as owners</b>							
Dividends paid	-	-	-	-	-	-	-
Acquisition of Non-controlling interest in PRL	54,757	-	-	-	54,757	(54,757)	-
<b>31 December 2014</b>	72,727	3,505	8,499	62,541	147,272	-	147,272

CI RESOURCES LIMITED

**Consolidated Statement of Cash Flows**  
**For the half-year ended 31 December 2015**

	Notes	Consolidated	
		31 December 2015 \$'000s	31 December 2014 \$'000s
<b>Cash flows from operating activities</b>			
Receipts from customers		98,944	76,799
Payments to suppliers and employees (inclusive of goods and services tax)		(83,047)	(65,230)
Interest received		487	354
Interest paid		-	(102)
Income taxes paid		(6,367)	(4,355)
<b>Net cash inflow from operating activities</b>		<b>10,017</b>	<b>7,466</b>
<b>Cash flows from investing activities</b>			
(Increase)/ decrease in term deposits		(1,550)	807
Proceeds from sale of property, plant and equipment		19	14
Purchase of property and equipment		(6,166)	(7,741)
<b>Net cash (outflow)/ inflow from investing activities</b>		<b>(7,698)</b>	<b>(6,920)</b>
<b>Cash flows from financing activities</b>			
Proceeds from interest bearing loans and borrowings		366	305
Dividends paid		(5,779)	-
<b>Net cash (outflow) / inflow from financing activities</b>		<b>(5,413)</b>	<b>305</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(3,094)</b>	<b>851</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>53,967</b>	<b>45,783</b>
Impact of foreign exchange		1,072	3,404
<b>Cash and cash equivalents at the end of the period</b>	4	<b>51,945</b>	<b>50,038</b>

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**Notes to the financial statements  
For the half-year ended 31 December 2015**

**1 Corporate Information**

The interim condensed consolidated financial statements of CI Resources Limited and its subsidiaries ('Group') for the six months ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 25 February 2016.

CI Resources Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

**2 Basis of Preparation and Accounting Policies**

**Basis of preparation**

This interim condensed consolidated financial statements for the half-year ended 31 December 2015 have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

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

The half-year financial report should be read in conjunction with the Annual Financial Report of CI Resources Limited as at 30 June 2015.

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

**Changes in accounting policy**

The accounting policies adopted in the preparation of the half-year report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2015, except for the adoption of new standards and interpretation noted below:

- AASB 2015 – 3: Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality*

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

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

**Notes to the financial statements  
For the half-year ended 31 December 2015**

	<b>Consolidated</b>	
	<b>31 December 2015 \$'000s</b>	31 December 2014 \$'000s
<b>3 Revenue and Expenses</b>		
<b>(a) Revenue</b>		
Phosphate sales	73,227	59,589
Palm oil sales	21,210	21,457
Finance revenue – interest	487	354
Rendering of services	4,157	5,603
Other sales	7,297	1,155
	<u>106,378</u>	<u>88,158</u>
<b>(b) Cost of sales</b>		
Cost of production:		
Production and purchase costs	47,283	44,394
Royalties	1,273	1,007
Environment levy	1,145	906
Insurance	826	1,060
	<u>50,527</u>	<u>47,367</u>
Shipping costs:		
Shipping charges	10,979	9,099
Port charges	1,440	1,012
	<u>12,419</u>	<u>10,111</u>
Handling and warehousing costs:	57	370
Depreciation:		
Plant and equipment	2,326	2,188
Total cost of sales	<u>65,329</u>	<u>60,036</u>
<b>(c) Other income</b>		
Foreign exchange gain	887	4,754
Other	37	6
	<u>924</u>	<u>4,760</u>

Notes to the financial statements  
For the half-year ended 31 December 2015

	<b>Consolidated</b>	
	<b>31 December 2015 \$'000s</b>	31 December 2014 \$'000s
<b>3 Revenue and Expenses (continued)</b>		
(d) <b>Other expenses</b>		
Redundancy expense	332	76
Depreciation	28	11
Administration and other	8,411	7,818
	<u>8,771</u>	<u>7,905</u>
<b>4 Reconciliation of Cash and Cash Equivalents</b>		
	<b>31 December 2015 \$'000s</b>	30 June 2015 \$'000s
Cash at bank	<u>51,945</u>	<u>53,967</u>
<b>5 Dividends Paid and Proposed</b>		
Franked dividends declared and paid during the half-year on ordinary shares to the owners of the parent: \$0.05 (June 2015: \$0.025)	(5,779)	(2,890)
Dividends proposed and not yet recognised as a liability	(4,623)	-
	<u>(10,402)</u>	<u>(2,890)</u>
<b>6 Commitments and Contingencies</b>		
As at balance sheet date the consolidated entity had no expenditure commitments.		
Since the last annual reporting date, there has been no material change to any contingent liabilities or contingent assets.		

**Notes to the financial statements  
For the half-year ended 31 December 2015**

	<b>Consolidated</b>	
	<b>31 December 2015 \$'000s</b>	30 June 2015 \$'000s
<b>7 Biological Assets</b>		
Carrying amount at beginning of period	<b>9,296</b>	10,581
Effect of foreign exchange	<b>(682)</b>	449
Fair value adjustment	-	(1,734)
<b>Carrying amount at end of period</b>	<b>8,614</b>	9,296

Biological assets consist of mature oil palm trees.

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

A valuation was conducted by Jones Lang Wootton, an independent professional valuer, on a subsidiary's oil palm estate development comprising land, ancillary facilities and biological assets, for the purposes of revaluing the biological assets of the subsidiary as at 30 June 2015.

At 31 December 2015, there has been no material change in the fair value of biological assets compared to 30 June 2015.

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

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

## **8 Events after the Balance Sheet Date**

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect, the operations of CI Resources Limited and its controlled entities, or the state of affairs of CI Resources Limited and its controlled entities in subsequent periods.

## **9 Financial Instruments**

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

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

**Notes to the financial statements  
For the half-year ended 31 December 2015**

**9 Financial Instruments (continued)**

**Forward currency contracts – held for trading**

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

	Notional amounts \$AUD		Average exchange rate	
	31 Dec 2015 \$'000s	30 June 2015 \$'000s	31 Dec 2015	30 June 2015
<b>Sell US\$/buy Australian \$</b>				
Consolidated				
Sell US\$ maturity 0 to 12 months	4,762	19,121	0.7350	0.7845
Sell US\$ maturity 12 to 24 months	-	-	-	-

These contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value losses on foreign currency derivatives during the half-year were \$1.024 million for the Group.

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

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

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

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

	Level 1 '000	Level 2 '000	Level 3 '000	Total '000
Forward currency contracts – held for trading	-	(51)	-	(51)
	-	(51)	-	(51)

**Transfer between categories:**

There were no transfers between levels during the half-year.

**Notes to the financial statements  
For the half-year ended 31 December 2015**

**10 Segment Reporting**

**Segment Reporting for the half-year ended 31 December 2015**

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

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

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

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

**Accounting policies and inter-segment transactions**

The accounting policy used by the Group in reporting segments internally are the same as those contained in Note 2 to the 30 June 2015 accounts.

	<b>Half-Year ended 31 December 2015</b>			
	<b>Mining</b>	<b>Farming</b>	<b>Unallocated/ Elimination</b>	<b>Total</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
<b>Revenue</b>				
Revenue from external customers	73,227	21,210	-	94,437
Interest income	266	100	121	487
Rendering of services	-	-	4,157	4,157
Other sales	-	-	7,297	7,297
Total segment revenue	<b>73,493</b>	<b>21,310</b>	<b>11,575</b>	<b>106,378</b>
<b>Result</b>				
Segment net operating profit after tax (attributable to parent)	<b>20,347</b>	<b>1,056</b>	<b>1,046</b>	<b>22,449</b>
Depreciation and amortisation	1,363	664	327	2,354
Income tax expense	9,438	352	664	10,454
<b>As at 31 December 2015</b>				
<b>Assets and Liabilities</b>				
Segment assets	<b>151,676</b>	<b>53,550</b>	<b>15,062</b>	<b>220,288</b>
Segment liabilities	<b>45,023</b>	<b>5,338</b>	<b>2,914</b>	<b>53,275</b>



**Notes to the financial statements  
For the half-year ended 31 December 2015**

**10 Segment reporting (continued)**

	<b>Half-Year ended 31 December 2014</b>			
	<b>Mining</b>	<b>Farming</b>	<b>Unallocated/ Elimination</b>	<b>Total</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
<b>Revenue</b>				
Revenue from external customers	59,589	21,457	-	81,046
Interest income	238	26	90	354
Rendering of services	-	-	5,603	5,603
Other sales	-	-	1,155	424
Total segment revenue	59,827	21,483	6,848	88,158
<b>Result</b>				
Segment net operating profit after tax (attributable to parent)	16,045	1,033	81	17,159
Depreciation and amortisation	1,335	679	185	2,199
Income tax expense	6,530	345	541	7,416
<b>As at 30 June 2015</b>				
<b>Assets and Liabilities</b>				
Segment assets	117,515	63,539	21,948	203,002
Segment liabilities	41,393	13,686	651	55,730

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than as shown:

	<b>1 July 2015 to 31 December 2015 \$'000s</b>	<b>1 July 2014 to 31 December 2014 \$'000s</b>
Australasia	<b>15,689</b>	9,690
Malaysia	<b>73,627</b>	59,067
Indonesia	<b>16,575</b>	19,047
	<b>105,891</b>	87,804

*Major customers*

The Group has a number of customers to which it provides the products. There are 2 customers of the Group who each account for more than 10% of total external revenue in 2015 and 2014.

Notes to the financial statements  
For the half-year ended 31 December 2015

**10 Segment reporting (continued)**

*Non-Current Assets by geographical regions:*

	<b>Consolidated</b>	
	<b>31 December</b>	30 June
	<b>2015</b>	2015
	<b>\$'000s</b>	\$'000s
Australia	<b>52,607</b>	49,085
Malaysia	<b>46,616</b>	46,576
Singapore	<b>1,263</b>	1,887
	<b>100,486</b>	97,548

**Directors' declaration  
For the half-year ended 31 December 2015**

In the directors' opinion:

- (a) The financial statements comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes are in accordance with the Corporations Act 2001, including:
- (i) complying with Accounting Standard AASB 134: Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company and the consolidated entity's financial position as at 31 December 2015 and of their performance, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'D Somerville', written over a horizontal line.

**D Somerville**  
Chairman

Perth  
25 February 2016

**CI RESOURCES LIMITED**

**Independent review report to the members  
For the half-year ended 31 December 2015 (continued)**

**CI RESOURCES LIMITED**

**Independent review report to the members  
For the half-year ended 31 December 2015 (continued)**