



**F · R · E · E · E Y R E**

FRESH RARE ENTICING EYRE

# Half-Year Report

For the Half-Year  
Ended 31 March 2011

FREE Eyre Limited  
ACN 124 308 041

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## CORPORATE DIRECTORY

### Company Secretary

Robert Paterson  
20 Payneham Road  
STEPNEY SA 5069

### Share Register

Company Office  
20 Payneham Road  
STEPNEY SA 5069

### Auditors

BDO (SA)  
420 King William Street  
ADELAIDE SA 5000

### Bank

Bendigo Bank  
18 Railway Terrace  
CUMMINS SA 5631

### Registered Office

20 Payneham Road  
STEPNEY SA 5069

### Solicitors

Donaldson Walsh  
Kings Chambers  
320 King William Street  
ADELAIDE SA 5000

Piper Alderman  
167 Flinders Street  
ADELAIDE SA 5000

### Website address:

[www.free-eyre.com.au](http://www.free-eyre.com.au)

## DIRECTORS REPORT FOR THE HALF-YEAR ENDED 31 MARCH 2011

The directors of FREE Eyre Limited (FREE Eyre) submit herewith the half-year review for the period ending 31 March 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

### Directors

Below are the names of persons who were directors of FREE Eyre Limited during the whole of the half-year and up to the date of this report, unless otherwise stated.

Michael Douglas Tilley  
**Chairman**

Susan Mary Chase  
**Director / Chairman Finance, Audit and Risk Committee**  
*(Resigned 18 April 2011)*

Robert Page Paterson  
**Director / Company Secretary / Finance, Audit and Risk Committee**

Benjamin John Ranford  
**Director**

Thomas Michael Wake  
**Director**

Thomas Ray Wardle  
**Director**

Thomas Ian Bampton  
**Director**  
*(Appointed 18 April 2011)*

### Review of Operations

The entity recorded a net profit after tax of \$1,138,830 for the half-year ended 31 March 2011. This net profit was primarily generated from the share of profits of the EP Grain joint venture. The remaining operations of FREE Eyre have had limited financial impact during the period with the major activity focussed on the expansion of EP Storage Pty Ltd and its facilities at Taragoro to a capacity of 100,000 tonne in bunkers plus additional unlimited storage in silo bags.

EP Grain Pty Ltd, FREE Eyre's first capitalised business (a 50:50 joint venture with Emerald) has outperformed its projection of grain for the third consecutive year, currently marketing approximately 20% of the available Eyre Peninsula grain.

In the half-year, shareholders' contributed equity increased by \$755,000 due to additional capital raising early 2011. The number of shareholders of FREE Eyre increased to 470 at the end of this period. The total capital raised in the Offer Information Statement dated March 2010 was \$899,000.

A summary of consolidated revenues and net loss before tax for the half-year by business segment follows.

### **Revenue**

Revenue of \$2,898,722 for the half-year ended 31 March 2011 comprises primarily of grain receival fees earned by EP Storage and a share of net profits from the EP Grain joint venture. FREE Eyre's remaining revenue comprises primarily sponsorship funds received and bank interest.

### **Net Profit**

The net profit after tax of \$1,138,830 for the half-year ended 31 March 2011 related primarily to the share of profit from the investment in EP Grain and EP Storage grain storage and handling activities.

### **Balance Sheet**

The net assets of \$3,942,113 reflect FREE Eyre's investment in EP Grain and EP Storage. The current assets and liabilities reflect an improvement in working capital which will provide the ability to research and develop opportunities for additional business ventures.

### **Cash Flow**

Operating activities used net cash of \$726,488 for the half-year ended 31 March 2011 reflecting payments to contractors and employees.

### **Future Activities**

It is anticipated that future activities will predominately focus on further expansion of EP Storage, with additional grain storage facilities within the Eyre Peninsula likely to be investigated in the near future.

As well as investigation into additional grain storage facilities, initial stages of research has commenced to determine if there is a need for a wool marketing and logistic business for the Eyre Peninsula and whether such a business would be both sustainable and profitable.

### **Auditor's Independence Declaration**

A copy of the auditor's independence declaration by the lead auditor as required under section 307C of the Corporations Act 2001 can be found on page 4.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Michael D Tilley  
Chairman

Adelaide  
2 June 2011

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF FREE EYRE LIMITED**

As lead auditor for the review of FREE Eyre Limited for the half-year ended 31 March 2011, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of FREE Eyre Limited and the entities it controlled during the period.



Gregory R Wiese

Partner

**BDO (SA)**

Date 8 June 2011

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 MARCH 2011

	Note	Consolidated Half-Year	
		2011 \$	2010 \$
<b>Revenue</b>			
Interest		3,891	1,275
Sponsorships		2,000	18,000
Grain receival fees by EP Storage		1,104,376	512,726
Grain storage fees by EP Storage		18,458	-
Grain transfer fees by EP Storage		44,688	-
Grain warehousing fees by EP Storage		148,977	-
Fuel and oil rebate		25,525	-
Other income		17,511	24,135
Share of net profits of EP Grain joint venture	6	1,533,296	1,077,890
<b>Total Revenue</b>		<b>2,898,722</b>	<b>1,634,026</b>
<b>Expenses</b>			
Administration expenses		(186,507)	(260,576)
Employee expenses		(475,389)	(192,852)
Project costs		-	(1,883)
Travel and accommodation		(27,885)	(32,892)
Directors fees		(80,026)	(76,627)
Depreciation expense		(167,590)	(90,790)
Finance costs		(61,641)	(38,196)
Site costs of EP Storage		(235,882)	(115,686)
Grain shrinkage provision		(92,000)	-
Other expenses		(35,980)	(4,498)
<b>Total Expenses</b>		<b>(1,362,900)</b>	<b>(814,000)</b>
<b>Profit / (loss) before income tax expense</b>		<b>1,535,822</b>	<b>820,026</b>
Income tax expense		(396,992)	-
<b>Net Profit / (loss) after tax for the half-year</b>		<b>1,138,830</b>	<b>820,026</b>
Other comprehensive income for the half-year		-	-
<b>Total comprehensive income for the half-year</b>		<b>1,138,830</b>	<b>820,026</b>
Profit / (loss) for the half-year is attributable to:			
Owners of FREE Eyre Limited		1,031,258	856,578
Non-controlling interest in EP Storage		107,572	(36,552)
		<b>1,138,830</b>	<b>820,026</b>
Total comprehensive income for the half-year is attributable to:			
Owners of FREE Eyre Limited		1,031,258	856,578
Non-controlling interest in EP Storage		107,572	(36,552)
		<b>1,138,830</b>	<b>820,026</b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT ENDED 31 MARCH 2011**

		Consolidated	
	Note	31 March 2011 \$	30 Sept 2010 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		629,996	46,135
Trade and other receivables		475,868	60,077
Prepayments		73,724	-
Other assets		22,616	4,437
<b>Total Current Assets</b>		<u>1,202,204</u>	<u>110,649</u>
<b>Non-Current Assets</b>			
Plant and equipment		2,338,075	1,852,952
Interest in joint venture entity	6	2,630,391	1,918,263
Shares in unlisted company		10,630	-
<b>Total Non-Current Assets</b>		<u>4,979,096</u>	<u>3,771,215</u>
<b>TOTAL ASSETS</b>		<u>6,181,300</u>	<u>3,881,864</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		657,493	696,418
Income tax liability		396,992	-
Borrowings		225,354	179,533
Provisions		6,795	5,158
<b>Total Current Liabilities</b>		<u>1,286,634</u>	<u>881,109</u>
<b>Non-Current Liabilities</b>			
Borrowings		952,553	960,672
<b>Total Non-Current Liabilities</b>		<u>952,553</u>	<u>960,672</u>
<b>TOTAL LIABILITIES</b>		<u>2,239,187</u>	<u>1,841,781</u>
<b>NET ASSETS</b>		<u>3,942,113</u>	<u>2,040,083</u>
<b>EQUITY</b>			
Contributed equity		2,967,946	2,212,946
Retained earnings		830,811	(200,447)
Capital and reserves attributable to owners of FREE Eyre Limited		3,798,757	2,012,499
Non-controlling interest		143,356	27,584
<b>TOTAL EQUITY</b>		<u>3,942,113</u>	<u>2,040,083</u>

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



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 MARCH 2011**

	Contributed Equity \$	Retained Earnings \$	Total \$	Non- controlling interest \$	Total Equity \$
<b>At 1 October 2009</b>	2,068,946	(810,997)	1,257,949	-	1,257,949
Profit / (loss) for the half year	-	856,578	856,578	(36,552)	820,026
<b>Total comprehensive income for the half-year</b>	-	856,578	856,578	(36,552)	820,026
<b>Transactions with owners in their capacity as owners</b>					
Contribution of equity, net of transaction costs	16,000	-	16,000	225,449	241,449
<b>At 31 March 2010</b>	2,084,946	45,581	2,130,527	188,897	2,319,424
Profit / (loss) for the half year	-	(246,028)	(246,028)	(313,110)	(559,138)
<b>Total comprehensive income for the half-year</b>	-	(246,028)	(246,028)	(313,110)	(559,138)
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity, net of transaction costs	128,000	-	128,000	151,797	279,797
<b>At 1 October 2010</b>	2,212,946	(200,447)	2,012,499	27,584	2,040,083
Profit / (loss) attributable to members of the company	-	1,031,258	1,031,258	107,572	1,138,830
<b>Total comprehensive income for the half-year</b>	-	1,031,258	1,031,258	107,572	1,138,830
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity, net of transaction costs	755,000	-	755,000	8,200	763,200
<b>Equity as at 31 March 2011</b>	<b>2,967,946</b>	<b>830,811</b>	<b>3,798,757</b>	<b>143,356</b>	<b>3,942,113</b>

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

## CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE HALF-YEAR ENDED 31 MARCH 2011

	Half-Year	
	2011	2010
	\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers including GST	1,216,003	642,939
Payments to suppliers and employees including GST	(1,884,741)	(953,084)
Interest received	3,891	2,681
Interest paid	(61,641)	(84,257)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(726,488)	(391,721)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Distribution received from investment in joint venture entity	821,168	500,000
Payment for shares in unlisted company	(10,630)	-
Repayment of loans to related parties	-	133,244
Purchase of property, plant and equipment	(317,532)	(774,945)
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	493,006	(141,701)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of finance lease liabilities	(266,264)	(158,062)
Proceeds from borrowings	320,407	16,441
Repayment of borrowings	-	(62,295)
Proceeds from issue of securities	763,200	521,246
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	817,343	317,330
Net increase / (decrease) in cash held	583,861	(216,092)
Cash at beginning of period	46,135	262,227
Cash at end of period	<hr/> <u>629,996</u>	<hr/> <u>46,135</u>

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 MARCH 2011

### Note 1 Basis of Preparation of Half-Year Financial Statements

These general purpose financial statements for the half-year reporting period ended 31 March 2011 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the Corporations Act 2001.

These financial statements have been prepared on an accrual basis and are based on historical costs.

These half-year financial statements do not include all the notes of the type normally included in an annual financial statement and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 September 2010 and any public announcements made by FREE Eyre Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

### Note 2 Equity Securities Issued

	Half-Year		Half-Year	
	2011	2010	2011	2010
	Shares	Shares	\$	\$
Issue of ordinary shares	377,500	8,000	755,000	16,000

### Note 3 Dividends paid or provided

No dividends have been paid or declared during the period.

### Note 4 Segment Information

The business operated in a single business segment of supporting farming communities and within a single geographical region being the Eyre Peninsula.

### Note 5 Contingent Liabilities

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 30 September 2010.

**Note 6 Interest in Joint Venture**

FREE Eyre has a 50% interest in the assets of the joint venture entity EP Grain. The interest in the joint venture entity is accounted for in the financial statements using the equity method of accounting.

	31 March 2011 \$	30 Sept 2010 \$
Opening value investment in joint venture entity	1,918,263	1,050,527
Investments made during the period	-	-
Distributions received from joint venture entity	(821,168)	(500,000)
Share of net profit in joint venture entity	1,533,296	1,367,736
	<u>2,630,391</u>	<u>1,918,263</u>

**Share of joint venture entity's assets and liabilities**

The company's share of net assets employed in the joint venture is:

Current Assets	2,708,680	1,901,586
Non Current Assets	51,986	41,848
<b>TOTAL ASSETS</b>	<u><u>2,760,666</u></u>	<u><u>1,943,434</u></u>
Current Liabilities	129,028	24,444
Non Current Liabilities	1,247	727
<b>TOTAL LIABILITIES</b>	<u><u>130,275</u></u>	<u><u>25,171</u></u>
<b>NET ASSETS</b>	<u><u>2,630,391</u></u>	<u><u>1,918,263</u></u>

**Share of joint venture entity's revenue, expenses and results**

Revenues	1,848,275	1,852,355
Expenses	(314,979)	(484,619)
Profit / (loss) before tax	1,533,296	1,367,736

**Note 7 Seasonality and Irregular Trends**

Sales by EP Storage tend to be seasonal, with the majority of sales occurring during the summer months when grain harvesting is occurring. This is also true of the joint venture EP Grain.

**Note 8 Events After the Reporting Date**

There are no material events after the reporting period.

## DIRECTORS DECLARATION

The directors of the company declare that:

1. The financial statements and notes set out on pages 5 to 10 are in accordance with the Corporations Act 2001 and:
  - (a) Comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
  - (b) Give a true and fair view of the company's financial position as at 31 March 2011 and of its performance for the half-year ended on that date.
2. In the directors' opinion 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 Board of Directors and is signed for and on behalf of the directors by:



Michael D Tilley  
**Chairman**

Adelaide  
2 June 2011

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF FREE EYRE LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of FREE Eyre Limited, which comprises the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

**Directors' Responsibility for the Half-Year Financial Report**

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of FREE Eyre Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of FREE Eyre Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of FREE Eyre Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'BDO'.

BDO (SA)

A handwritten signature in blue ink, appearing to read 'Gregory R Wiese'.

Gregory R Wiese  
Partner

Dated 8 June 2011