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FRESH RARE ENTICING EYRE

Half-Year Report

For the Half-Year
Ended 31 March 2012

FREE Eyre Limited
ACN 124 308 041

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CORPORATE DIRECTORY

Company Secretary

Robert Paterson
20 Payneham Road
STEPNEY SA 5069

Auditors

BDO (SA)
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420 King William Street
ADELAIDE SA 5000

Solicitors

Piper Alderman
167 Flinders Street
ADELAIDE SA 5000

Registered Office

Company Office
20 Payneham Road
STEPNEY SA 5069

Share Register

Company Office
20 Payneham Road
STEPNEY SA 5069

Bank

Bendigo Bank
18 Railway Terrace
CUMMINS SA 5631

Commonwealth Bank of Australia

36 Liverpool Street
PORT LINCOLN SA 5606

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DIRECTORS REPORT FOR THE HALF-YEAR ENDED 31 MARCH 2012

The directors of FREE Eyre Limited (FREE Eyre) submit herewith the half-year review for the period ending 31 March 2012. 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

Robert Page Paterson
Deputy Chairman / Company Secretary / Chairman, Finance, Audit and Risk Committee

Benjamin John Ranford
Director

Thomas Michael Wake
Director

Thomas Ray Wardle
Director / Member, Finance, Audit and Risk Committee

Thomas Ian Bampton
Director

Review of Operations

The entity recorded a net profit after tax of \$91,032 for the half-year ended 31 March 2012. This net profit was primarily generated from the share of profits from the EP Grain and EP Storage joint ventures. The remaining operations of FREE Eyre have had limited revenue impact during the period and there has been significant enterprise focus upon investigations into feasibility of the proposed Port Spencer grain export terminal and associated up-country infrastructure. The cost of these investigations and negotiations has been expensed during the period.

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

Revenue

Revenue of \$478,207 for the half-year ended 31 March 2012 comprises primarily of a share of net profits from the EP Grain joint venture, the latter having been impacted by market conditions. FREE Eyre's remaining revenue comprises primarily bank interest.

Net Profit

The net profit after tax of \$91,032 for the half-year ended 31 March 2012 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 \$3,771,043 have marginally increased during the half year and reflect FREE Eyre's investment in EP Grain and EP Storage.

Cash Flow

Operating activities used net cash of \$697,216 for the half-year ended 31 March 2012 reflecting payments to contractors and employees.

Future Activities

FREE Eyre will continue to refine the established EP Grain and EP Storage businesses, expand the new FE Fertiliser and FE Fibre agency operations and investigate the potential for Eyre Peninsula farmers to take part in the national Carbon Farming Initiative to revegetate degraded land and participate in a resulting carbon market. It is anticipated that significant resources will continue to be allocated to FREE Eyre's investigations into the proposed Port Spencer grain export terminal and associated up-country storage network.

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
24 May 2012

**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 2012, 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)

23 May 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 MARCH 2012**

		Consolidated Half-Year	
	Note	2012 \$	2011 \$
Revenue			
Revenue from continuing operations		72,603	19,127
Share of net profits of EP Grain joint venture	7b	405,604	1,533,296
Total Revenue		478,207	1,552,423
Expenses			
Administration expenses		(106,832)	(76,775)
Employee expenses		(204,197)	(130,052)
Project costs	2	(124,850)	-
Travel and accommodation		(42,135)	(17,882)
Directors fees		(90,502)	(70,937)
Depreciation expense		(3,240)	(5,646)
Finance costs		(1,320)	(6,162)
Site costs of EP Storage		-	-
Grain shrinkage provision		-	-
Other expenses		(36,906)	(21,526)
Total Expenses		(609,982)	(328,980)
Profit / (loss) before income tax expense from continuing operations		(131,775)	1,223,443
Income tax expense		(75,111)	(396,992)
Profit / (loss) after tax from continuing operations		(206,886)	826,451
Profit / (loss) from discontinued operations	10	297,918	312,379
Net Profit after tax for the half-year		91,032	1,138,830
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		91,032	1,138,830
Profit / (loss) for the half-year is attributable to:			
Owners of FREE Eyre Limited		(22,101)	1,031,258
Non-controlling interest in EP Storage		113,133	107,572
		91,032	1,138,830
Total comprehensive income for the half-year is attributable to:			
Owners of FREE Eyre Limited		(22,101)	1,031,258
Non-controlling interest in EP Storage		113,133	107,572
		91,032	1,138,830

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012**

		Consolidated	
	Note	31 March 2012 \$	30 Sept 2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents		1,035,909	1,012,027
Trade and other receivables		107,285	976,394
Other assets		3,716	5,075
Assets classified as held for sale	10	<u>2,896,754</u>	<u>2,959,478</u>
Total Current Assets		4,043,664	4,952,974
Non-Current Assets			
Plant, plant and equipment		23,875	21,882
Available for sale financial assets		10,630	10,630
Interest in joint venture entity	7a	1,235,495	1,000,459
Deferred tax assets		<u>78,291</u>	<u>95,060</u>
Total Non-Current Assets		1,348,291	1,128,031
TOTAL ASSETS		5,391,955	6,081,005
LIABILITIES			
Current Liabilities			
Trade and other payables		170,859	152,810
Borrowings		-	-
Current income tax liability		113,781	410,619
Provisions		10,681	215,084
Liabilities directly associated with assets classified as held for sale	10	<u>1,322,389</u>	<u>1,716,096</u>
Total Current Liabilities		1,617,710	2,494,609
Non-Current Liabilities			
Borrowings		-	-
Provisions		<u>3,202</u>	<u>-</u>
Total Non-Current Liabilities		3,202	-
TOTAL LIABILITIES		1,620,912	2,494,609
NET ASSETS		3,771,043	3,586,396
EQUITY			
Contributed equity		3,061,561	2,967,946
Retained earnings		<u>493,166</u>	<u>515,267</u>
Capital and reserves attributable to owners of FREE Eyre Limited		3,554,727	3,483,213
Non-controlling interest		<u>216,316</u>	<u>103,183</u>
TOTAL EQUITY		3,771,043	3,586,396

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 2012

	Contributed Equity \$	Retained Earnings \$	Total \$	Non- controlling interest \$	Total Equity \$
At 1 October 2010	2,212,946	(200,447)	2,012,499	27,584	2,040,083
Profit / (loss) for the half year	-	1,031,258	1,031,258	107,572	1,138,830
Total comprehensive income for the half-year	-	1,031,258	1,031,258	107,572	1,138,830
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	755,000	-	755,000	8,200	763,200
Dividends paid	-	-	-	-	-
	755,000	-	755,000	8,200	763,200
At 31 March 2011	2,967,946	830,811	3,798,757	143,356	3,942,113
Profit / (loss) for the half year	-	(109,136)	(109,136)	(56,574)	(165,710)
Total comprehensive income for the half year	-	(109,136)	(109,136)	(56,574)	(165,710)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	-	-	-	16,401	16,401
Dividends provided (Note 3)	-	(206,408)	(206,408)	-	(206,408)
	-	(206,408)	(206,408)	16,401	(190,007)
At 30 September 2011	2,967,946	515,267	3,483,213	103,183	3,586,396
Profit / (loss) for the half year	-	(22,101)	(22,101)	113,133	91,032
Total comprehensive income for the half year	-	(22,101)	(22,101)	113,133	91,032
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs (Note 4)	93,615	-	93,615	-	93,615
Dividends paid	-	-	-	-	-
	93,615	-	93,615	-	93,615
At 31 March 2012	3,061,561	493,166	3,554,727	216,316	3,771,043

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 2012

	Consolidated Half-Year	
	2012	2011
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers including GST	1,393,322	1,216,003
Payments to suppliers and employees including GST	(1,660,486)	(1,884,741)
Interest received	33,616	3,891
Interest paid	(60,416)	(61,641)
Income tax paid	(403,252)	-
Net cash provided by (used in) operating activities	<u>(697,216)</u>	<u>(726,488)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Distribution received from investment in joint venture entity	1,118,428	821,168
Payment for shares in unlisted company	-	(10,630)
Repayment of loans to related parties	-	-
Purchase of property, plant and equipment	(222,011)	(317,532)
Proceeds from sale of property, plant and equipment	50,000	-
Cash attributable to discontinued operations	50,051	-
Net cash provided by (used in) investing activities	<u>996,468</u>	<u>493,006</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	140,671	320,407
Repayment of borrowings	(303,248)	(266,264)
Proceeds from issue of securities	-	763,200
Dividends paid (Note 3)	(112,793)	-
Net cash provided by (used in) financing activities	<u>(275,370)</u>	<u>817,343</u>
Net increase / (decrease) in cash held	23,882	583,861
Cash at beginning of period	<u>1,012,027</u>	<u>46,135</u>
Cash at end of period	<u><u>1,035,909</u></u>	<u><u>629,996</u></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 2012

Note 1 Basis of Preparation of Half-Year Financial Statements

These general purpose financial statements for the half-year reporting period ended 31 March 2012 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 2011 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.

	Half-Year	
	2012	2011
	\$	\$
Note 2 Profit for the Half Year		
Profit for the half year includes the following item:		
Project costs, excluding management costs – Port Spencer	124,850	-
	124,850	-

Note 3 Dividends Paid or Provided

Ordinary Shares

Dividends provided prior to 30 September 2011	206,408	
Dividends paid in cash during this half year	112,793	-
Dividends paid by issue of shares under the Dividend Reinvestment Plan	93,615	-
	206,408	-

Note 4 Equity Securities Issued

Issues of Ordinary Shares during the half year

	Half-Year		Half-Year	
	2012	2011	2012	2011
	Shares	Shares	\$	\$
Issues of shares under an Offer Information Statement	-	377,500	-	755,000
Issue of shares under the FREE Eyre Limited Dividend Reinvestment Plan	46,808	-	93,615	-
	46,808	377,500	93,615	755,000

Note 5 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 6 Contingent Liabilities

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 30 September 2011.

Note 7a Interest in Joint Venture

FREE Eyre has a 50% interest in the net 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.

	Half year ended 31 March 2012 \$	Full year ended 30 Sept 2011 \$
Opening value investment in joint venture entity	1,000,459	1,918,263
Investments made during the period	-	-
Distributions received from joint venture entity	(170,568)	(2,625,278)
Share of net profit in joint venture entity	405,604	1,707,474
	<u>1,235,495</u>	<u>1,000,459</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	1,259,583	1,993,816
Non Current Assets	39,204	50,660
TOTAL ASSETS	<u>1,298,787</u>	<u>2,044,476</u>
Current Liabilities	57,641	1,037,210
Non Current Liabilities	5,651	6,807
TOTAL LIABILITIES	<u>63,292</u>	<u>1,044,017</u>
NET ASSETS	<u>1,235,495</u>	<u>1,000,459</u>

Note 7b Share of joint venture entity's revenue, expenses and results

Revenues	736,683	2,426,430
Expenses	(331,079)	(718,956)
Profit / (loss) before tax	405,604	1,707,447

Note 8 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 9 Events Subsequent to the End of the Reporting Period

Subsequent to the end of the reporting period, FREE Eyre has committed to acquire the remaining 49% interest in EP Storage from the other unitholders. This transaction will require FREE Eyre to issue 200,900 ordinary shares as consideration for the non-controlling interest.

There are no other material events after the reporting period.

Note 10 Discontinued Operation

FREE Eyre announced its intention to sell a portion of its interest in EP Storage as part of the negotiations with a number of significant domestic and multinational grain companies with whom FREE Eyre is seeking to partner in the development of the proposed new port terminal at Port Spencer together with an up-country network including EP Storage Taragoro. It is anticipated that an overall deal including the sale of a portion of EP Storage will be concluded within 12 months.

Financial information relating to the discontinued operation for the half year ended 31 March 2012 and for the half year ended 31 March 2011, net of any intercompany transactions and balances, is set out below:

	Half Year Ended	
	31 March 2012	31 March 2011
	\$	\$
Revenue	1,217,109	1,346,300
Expenses	(919,191)	(1,033,921)
Profit / (loss) from discontinued operation	297,918	312,379

Information relating to the financial position of the discontinued operation at 31 March 2012 and the end of the previous annual reporting period are as set out below:

	31 March 2012	30 Sept 2011
	\$	\$
Cash and cash equivalents	128,887	178,938
Trade and other receivables	344,360	430,061
Other assets	60,801	-
Property, plant and equipment	2,362,706	2,350,479
TOTAL ASSETS	2,896,754	2,959,478
Trade and other payables	225,011	455,975
Borrowings	1,093,684	1,256,251
Provisions	3,694	3,870
TOTAL LIABILITIES	1,322,389	1,716,096
NET ASSETS	1,574,365	1,243,382

DIRECTORS DECLARATION

The directors of the company declare that:

1. The financial statements and notes set out on pages 5 to 11 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 consolidated entity's financial position as at 31 March 2012 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
24 May 2012

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 2012, 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 statement of 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 internal 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 half-year 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 2012 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 2012 and of its performance for the half-year ended on that date
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



BDO (SA)



Gregory R Wiese
Partner

13 June 2012