

# ***Kangaroo Island*** ***PLANTATION TIMBERS***



**Kangaroo Island Plantation Timbers Ltd**

ABN: 19 091 247 166

**Annual Financial Report**

**For the year ended 30 June 2014**

## Corporate Information

### Directors

Paul Lawrence McKenzie (Chairman)  
Frederick Raymond Woollard  
John David Sergeant

### Company Secretary

Victoria Marie Allinson

### Registered Office and Principal Place of Business

79 Angas Street  
Adelaide  
South Australia 5000

Telephone: (08) 8227 2482  
Facsimile: (08) 8223 1685

### Solicitors

Paul Fletcher & Co  
Level 3 45 St George Street  
Perth  
Western Australia 6000

Sheena Jackson Lawyer  
PO Box 318  
Aldgate  
South Australia 5154

### Bankers

National Australia Bank Limited  
22-28 King William Street  
Adelaide  
South Australia 5000

### Auditor

Grant Thornton Audit Pty Ltd  
Level 1, 67 Greenhill Road  
Wayville  
South Australia 5034

### Share Register

Computershare Investor Services Pty Ltd  
Level 2, 45 St George's Terrace  
Perth  
Western Australia 6000  
Telephone: (08) 9323 2000

Kangaroo Island Plantation Timbers Ltd shares are listed on the Australian Securities Exchange (ASX)

### Website

[www.kipt.com.au](http://www.kipt.com.au)

### Australian Securities Exchange Code

KPT

## Directors' Report

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## Directors' Report

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

### Directors

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

### Names, qualifications, experience and special responsibilities

#### **Paul Lawrence McKenzie (appointed 29 April 2005)**

BSc(Agric), BCom, FAICD, AIAST – *Non Executive Chairman*

Paul is the Managing Partner of Agrarian Management, a leading Western Australian agriculture consultancy with offices in Perth and Geraldton. Paul has 22 years experience in agribusiness, management, finance and primary production, and owns broadacre grain properties in WA. He is a member of the WA Agriculture Minister's Agri Advisory Council, Past President of the Australian Association of Agricultural Consultants (WA) Inc, and a director of Rural Financial Counselling Service (WA) ("RFCS") since 2008. RFCS administers a federal government funded program in WA under the Department of Agriculture, Fisheries and Forestry.

Paul was the founding Chairman of Gage Roads Brewing Co ("GRB"), from concept to private company to ASX listing in December 2006 and resigned in May 2008.

Paul is Ferrier Hodgson's WA Agribusiness Specialist for advisory, reconstruction and recovery appointments.

Paul was appointed Chairman of the Group on 1 July 2009.

#### **Frederick Raymond Woollard (appointed 11 March 2008)**

B.Ec, F.Fin, GAICD – *Non Executive Director*

Fred is Managing Director of Samuel Terry Asset Management Pty Ltd, a Sydney-based funds manager.

Fred has worked in stockbroking and funds management for over 30 years in Australia and Europe. Before establishing Samuel Terry, he was a director for Hunter Hall International in London.

Fred was also appointed a director of Hamilton Securities on 14 July 2009, which is listed on the National Stock Exchange.

#### **John Sergeant (appointed 2 March 2013)**

B.Sc. B.A. (Hons I) FAMSRS MAICD - *Non-executive Director*

Mr Sergeant is a private investor and academic from a rural NSW background and holds a BSc in Biological Sciences and a BA in Psychology from the University of Sydney, where he is a lecturer in the Business School, teaching Marketing at the postgraduate level.

He has managed a number of successful research businesses, served on the boards of Australian and multinational professional services firms and, for four years, was the President of the Australian Market and Social Research Society, of which he is a fellow. From 2003 to 2014, Mr Sergeant was the Vice Principal of St Andrew's College, within the University of Sydney.

Mr Sergeant joined the Board of the Company in March 2013. He is currently a member of the boards of a number of private companies.

## Directors' Report

### Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors, either directly or indirectly, in the shares of Kangaroo Island Plantation Timbers Ltd were:

#### Interest in ordinary Shares

	Opening interest at 1 July 2013 <sup>(4)</sup>	Net changes during the year	Issued in lieu of directors fees	Closing interest at 30 June 2014
Paul McKenzie <sup>(1)</sup>	55,840	40,436	33,334	129,610
Frederick Woollard <sup>(2)</sup>	568,070	193,061	22,222	783,353
John Sergeant <sup>(3)</sup>	33,800	30,705	22,222	86,727
<b>Total</b>	<b>657,710</b>	<b>264,202</b>	<b>77,778</b>	<b>999,690</b>

- (1) During the year 40,436 shares were purchased issued under Entitlement Offer dated 27 March 2014 and 33,334 shares were issued in lieu of director's fees totaling \$75,000. 112,943 (2013: 41,951 (pre-consolidation 20,975,337)) of these shares are held by Aminac Pty Ltd AFT Agrarian Management S/F A/C of which Mr McKenzie is the managing Director; and 16,667 (2013: 13,889 (pre-consolidation 6,944,444)) ordinary shares were issued to Agrarian Consulting Pty Ltd <Paul McKenzie family A/C> of which Paul McKenzie is the Managing Director.
- (2) During the year 193,061 shares were purchased issued under Entitlement Offer dated 27 March 2014 and 22,222 shares were issued in lieu of director's fees totaling \$50,000. 136 (2013: 102) are directly held; and 783,217 (2013: 567,968 (pre-consolidation 283,984,107)) of these shares are held by JP Morgan Nominees as custodian of the Samuel Terry Absolute Return Fund. Mr Woollard is Managing Director of Samuel Terry as trustee of the Samuel Terry Absolute Return Fund.
- (3) During the year 31,239 shares were purchased issued under Entitlement Offer dated 27 March 2014; in June 2014, 5,507 shares were acquired and 6,041 disposed; and 22,222 shares were issued in lieu of director's fees totaling \$50,000. The shares are held by:
  - a. Direct interest 40,174 (2013: 10,686 (pre-consolidation 5,342,968)).
  - b. Phalaenopsis Pty Ltd 16,267 shares (2013: nil)
  - c. Sergeant Family Trust 10,776 (2013: 8,216 (pre-consolidation 4,107,977)). Mr Sergeant has effective control of his family trust.
  - d. Sergeant Family Superannuation Fund 14,003 (2013: 11,518 (pre-consolidation 5,758,750)). Mr Sergeant has effective control of his self-managed superannuation fund.
  - e. Ms J Sergeant 5,507 (2013: 3,380 (pre-consolidation 1,690,000)). Ms Sergeant is Mr Sergeant's wife.
- (4) The shares are shown post consolidation of shares on the basis of one share issued for every five hundred held. The pre-consolidation shares held at 30 June 2013 were as follows:

#### Pre-consolidation interest in ordinary shares

30 June 2013	Direct Interest	Indirect Interest	Total
Paul McKenzie	-	27,919,781	27,919,781
Frederick Woollard	51,000	283,984,107	284,035,107
John Sergeant	5,342,968	11,556,727	16,899,695
<b>Total</b>	<b>5,393,968</b>	<b>323,460,615</b>	<b>328,854,583</b>

## Directors' Report

### CFO and Company Secretary

#### Victoria Allinson (appointed 14 May 2013)

FCCA, AGIA

Victoria is a Fellow of The Association of Certified Chartered Accountants and a member of Governance Institute of Australia. She has over 25 years accounting and auditing experience, including senior accounting positions in a number of listed companies and an audit manager for Deloitte Touche Tohmatsu.

Vicky is currently Chief Financial Officer (CFO) for a number of ASX listed exploration companies and a number of other entities. Previously, Vicky has been company secretary and CFO for a number of ASX listed companies including Safety Medical Products Ltd, Centrex Metals Ltd, Adelaide Energy Ltd, Enterprise Energy NL and Island Sky Australia Ltd and a number of unlisted companies.

### Dividends

The directors have resolved not to declare a dividend for the year ended 30 June 2014. No dividends were paid during the previous year.

### Principal activities

The principal activities during the year of entities within the consolidated entity is forestry management.

There have been no other significant changes in the nature of those activities during the year.

### Corporate information

#### Corporate structure

Kangaroo Island Plantation Timbers Ltd is a publicly listed company that is incorporated and domiciled in Australia. Kangaroo Island Plantation Timbers Ltd has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the Group's corporate structure:



## Directors' Report

### Employees

The consolidated entity employed 2 employees at 30 June 2014 (2013: 2 employees).

## Operating and financial review

### Group overview

A strategic review of the Group's operation in 2013 resulted in a complete restructure of the Company's operations, mostly during the latter part of the 2013 financial year, and by the fact that loss-making sawmilling operations were halted in the second half of the 2013 financial year. In particular, the changes listed below each had a material effect on the financial sustainability of the Company.

- The final steps in the termination, by the responsible entity, of all the Company's managed investment schemes were completed early in the 2014 financial year. Part of one of the Company's properties is leased by a former Treecorp Australia MIS but, otherwise, the Company has no remaining involvement in the MIS sector.
- The Company's more streamlined head office arrangements, based in Adelaide, have been in place for the full 2014 financial year. Throughout the year, the two senior officers of the Company have been engaged on a part-time consultancy basis, while two full time staff members are retained on Kangaroo Island.
- On the 28 June 2013, the Company held an Extraordinary General Meeting ("EGM") at which shareholders resolved to approve:
  - Changing the Company name to Kangaroo Island Plantation Timbers Ltd;
  - The Consolidation of shares on a 1 for 500 basis. On the 2 July 2013, the shares were consolidated from 581,819,476 shares to 1,163,711 shares;
  - The issue of shares to directors in lieu of fees. As a result, \$72,917 of fees were paid with 16,152,918 pre-consolidation shares on 28 June 2013; and
  - The offer of shares to former growers, as promised when the Company's schemes were terminated by the responsible entity.

All shares, and all references to shares, disclosed in this report are based on post-consolidated holdings, unless otherwise indicated.

- In addition to these matters directly affecting the financial results, the Company has conducted a successful capital-raising. On 5 May 2014, 401,408 shares were allotted under the Entitlement Offer, raising \$1,003,520.

The Company now approaches 2015 as a more transparent entity, with greatly-reduced on-going costs and a valuable collection of largely-unencumbered assets. The continued strength of the Australian Dollar and continued weakness in both woodchip and lumber prices represents a challenge for the Australian timber industry. While these conditions cannot be expected to last indefinitely, the directors have continued their policy of valuing the Company's standing timber, estimated to exceed 1,070,000 cubic metres, at zero. Any change in \$A timber prices, or reductions in the costs of taking the timber to market, would therefore have a positive impact on the value of the Company's standing timber. In the meantime, it is estimated that the Company's standing timber is increasing by in excess of 65,000 cubic metres per annum.

## Directors' Report

### Operating and financial review (continued)

#### Results of operations

Net comprehensive loss for the period was \$991,000. This is a substantial difference from last year's loss of \$1,519,000. Revenue from ordinary activities from continuing operations for the period decreased by 88% to \$55,000 (2013: \$461,000). Revenue from ordinary activities from continuing and discontinuing operations for the period decreased by 96% to \$55,000 (2013: \$1,335,000). Other income decreased by \$653,000 due to fair value gain of \$nil compared to \$683,000 in 2013. In addition \$197,000 of losses on sale of property, plant and equipment compared to nil in 2013. Overall costs from continuing operations for the period decreased by \$1,499,000, comprising of:

- Cost of sales costs decreased by \$869,000 to \$26,000 (2013: \$895,000) as a result of the Mill closure in 2013 and the final inventory being sold in early 2014.
- Administration costs decreased by \$628,000 to \$1,278,000 (2013: \$1,906,000). This decrease is mostly comprised of the reduced occupancy, staff and other administration costs following the closure of the Perth office in 2013.

#### Corporate Operations

During the year the Company raised \$1.004 million from the issue of 401,408 shares on 5 May 2014. In addition, 77,778 shares were issue in lieu of \$175,000 of directors' fees.

#### Performance indicators

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Revenue from ordinary activities from continuing operations	55	461	280	916
Revenue from ordinary activities from continuing and discontinued operations	55	1,335	1,995	1,682
Profit/(loss) from ordinary activities	(1,231)	(1,302)	(968)	(1,503)
Loss from discontinued operations	-	(852)	(2,974)	n/a
Profit/(loss) attributable to members for the period	(1,231)	(2,154)	(3,942)	(1,503)
Other comprehensive income	240	635	-	2,448
Total comprehensive income/(loss) after tax	(991)	(1,519)	(3,942)	945
Basic earnings per share				
- Post share consolidation	(100) cents	(959) cents	(3,137) cents	n/a
- Pre share consolidation	n/a	(1.92) cents	(6.26) cents	(2.8) cents
-				
Net tangible asset backing per security				
- Post share consolidation	861 cents	1,203 cents	10,100 cents	n/a
- Pre share consolidation	n/a	2.4 cents	20.2 cents	31.0 cents



## Directors' Report

### Significant changes in the state of affairs

The strategic changes effecting the Company and its subsidiaries are set out in Group Overview.

There have been no other significant changes in the state of affairs of the Group.

### Significant events after balance date

In August 2014, the group announced the preliminary port feasibility report findings, whereby the Smith Bay site is favoured over other sites on the north coast of Kangaroo Island

There have been no other significant events after balance date.

### Likely developments

The Group will continue to pursue its principal activities, being forestry and the production of timber on Kangaroo Island.

The Company remains committed to working with other timber producers on Kangaroo Island, and with local and state government, to develop improved shipping arrangements. To this end, the Company acquired a Smith Bay property during the year, with a view to developing a port. On 15 August 2014 the Company announced the preliminary port feasibility report findings, whereby the Smith Bay site is favoured over other sites on the north coast of Kangaroo Island. The key points identified:

- The site's relative proximity to the plantations;
- The site is outside marine habitat protection zones;
- Large quantities of basalt rock from a crown reserve quarry are available on the adjoining land; and
- The site has access to deep water and has already been somewhat degraded, being the site of a former abalone farm. The bathymetric report has revealed that the seabed adjoining the Company's land has been dredged in the past to create a deep channel. A copy of the bathymetry is available on the Company's website.

The Board intends either to develop the export facility (ideally, in conjunction with other timber owners on Kangaroo Island) or to sell its land and timber to a party that is itself willing to complete the development of the export facility. The Company is in discussions with other Kangaroo Island timber owners about the best ownership and financial arrangements under which to develop a path to market for the Island's timber. The Island as a whole may also benefit from the existence of a deep-water port for other inbound and outbound cargoes, such as fuel and grain.

Further work will be done to explore income opportunities by the possible opening of other areas of the mill and other export opportunities of timber off Kangaroo Island.

All of these activities are expected to have a positive impact on the financial results of the Group.

## Directors' Report

### Diversity Report

#### Introduction

The following is the Diversity Report for the financial year ended 30 June 2014 for Kangaroo Island Plantation Timbers Ltd ("the Company") prepared for the purposes of the Company's Annual Report for the year ended 30 June 2014.

The ASX introduced a requirement for all listed companies to adopt a Diversity Policy and a Diversity Strategy by no later than 30 June 2011, to disclose those documents to the shareholders, and to report to the shareholders each year on the current diversity position in the Company including culture, gender and age, and the progress towards achievement of the strategy objectives.

#### Diversity Policy

The Diversity Policy is based upon the recommendations of the ASX and the Australian Institute of Company Directors ("AICD") and as such will include requirements that may not be appropriate for a small company such as Kangaroo Island Plantation Timbers Ltd. As with all matters included in the ASX Corporate Governance Principles and Recommendations, any recommendation that is not considered appropriate for the Company will be disclosed on an "if not why not" basis. The Policy is outlined in the Statement of Corporate Governance on pages 20 to 31 of this Annual Report and is available on the Company's web site.

#### Responsibility

The Remuneration Committee (if formed otherwise the Board) is charged with the responsibility for implementation of the Diversity Policy and the oversight of the Diversity Strategy progress and delegates that responsibility to the CEO. The Company Secretary is charged with the responsibility for reporting to the Committee each year in accordance with the requirements of the Policy.

#### Current Position

As at 30 June 2014 there is an aggregate of 8 staff including Directors, employees and contractors (full and part time) in the Company. Of the aggregate 3 are female (including the Chief Executive Officer and the Chief Financial Officer), 1 is of different ethnic or cultural background, and nil are mature age. There are no female directors. Consequently it could be said that the Company is already aware of the value of diversity and practices its attributes. A number of diversity objectives were not implemented by the Group at this stage given its size and low staff numbers, there are set out in the table below.

#### Diversity Strategy

The Diversity Strategy is also based upon the recommendations of the ASX and the AICD and sets various strategies, initiatives and programs designed to as far as possible achieve the aims and objectives of the Diversity Policy.

The current position with each of the strategy items and the time frame for achievement or otherwise is listed in the following Table 1:

## Directors' Report

### Diversity Report (continued)

Table 1

Strategy, initiative or program	By when	Current position
<b>Phase 1 – Strategies</b>		
1.1(a) The development and adoption of the Policy	June 2013	Completed
1.1(b) Embody within the Statement of Corporate Governance	June 2013	Completed
1.1(c) Assignment of responsibility	June 2013	Completed
<b>Phase 2 - Initiatives and Programs</b>		
At Board / board Committee Level		
1.2(a)(i)(A) Diversity is embedded as a relevant attribute	June 2013	Completed
1.2(a)(i)(B) Any skill / gap analysis matrix includes due regard for the attributes of diversity	As required	Will be prepared when required
1.2(a)(i)(C) Clear statement exists as to the mix of skills and diversity that the Board is looking to achieve	June 2013	Stated below and Included in the Charter for the Board of Directors
1.2(a)(ii) When addressing Board succession planning	June 2013	Included in the Charter for the Board of Directors
1.2(a)(iii) Inclusion of Diversity related KPIs for CEO and senior executives	June 2013	N/A given the size of Group and number of staff
1.2(b)(i) Review the Company's HR policies	June 2013	N/A given the size of Group and number of staff
1.2(b)(ii) Review the Company's physical environment & cultural practices to ensure compliance with the Policy	June 2013	N/A given the size of Group and number of staff
1.2(b)(iii) Ensure that the Company's recruitment practices follow the Policy requirements	As required	Will be prepared when required
1.2(c)(i) Commit to career development	June 2013	N/A given the size of Group and number of staff
1.2(c)(ii) Develop standing program and provide budget for career development	Annual	As required

Notes:

- The size and nature of the group limits the number of initiatives and programs that are viable, this will be reviewed as the group changes.
- It should be noted that the ASX recognises that there is an historical "skewed" pipeline of qualified and experienced personnel in the market and accordingly the gender diversity targets must be regarded as "soft" and subject to the overriding caveat stated at Item 8 in the Diversity Policy. The gender diversity targets are detailed at Item 2(c) of the Diversity Strategy.

"Since good governance principles require independence, transparency, diversity and flexibility, the Board acknowledges the importance of Board structure and, as a consequence, the Board seeks to use the following provisions as guidance when implementing an effective governance structure in the Company."

## Directors' Report

### Diversity Report (continued)

#### Board Skills

The Board shall contain a relevant blend of expertise and diversity attributes as appropriate for a Company of its size in:

- Forestry
- Accounting;
- Finance;
- Business;
- Financial instruments;
- Legal matters (especially when not present in the Company Secretary); and
- Marketing.

#### Diversity at Board Level and Generally

The Board respects the values and the competitive advantage of culture, gender, ethnicity and age "diversity", and the benefits of its integration throughout the Group. The Board has adopted a specific Diversity Policy in order to enrich the Group's perspective, improve corporate performance, increase shareholder value, and enhance the probability of achievement of the Group's objectives.

When addressing Board succession planning (and other appointments throughout the Company) the Board has ensured that the Diversity Policy is respected, efforts are made to identify prospective appointees who have Diversity attributes and efforts are made for any short list of prospective appointees to include at least one male and one female candidate."

#### Compliance

Having regard to the size of the Group and the nature of its business, it is considered that the Company complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations in respect to diversity.

### Environmental regulation and performance

The Group's operations are subject to environmental regulations pursuant to the conditions of tree farm planning permissions and the requirements of planning and regulatory approvals of local government councils. To the best of the director's knowledge, the group has complied with all environmental regulations relating to its activities during the year.

### Indemnification and insurance of directors and officers

During the financial year the controlled entity, on behalf of the Group, paid insurance premiums in respect of directors' and officers' liability insurance against liability, except wilful breach of duty, of a nature that is required to be disclosed under section 300(8) of the Corporations Act 2001. In accordance with the insurance policy, further details of the nature of the liabilities insured against and the amount of the premium are prohibited from being disclosed.

## Directors' Report

### Proceedings of behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### Directors' meetings

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	<b>Number of Directors Meetings Held while in office</b>	<b>Directors Meetings attended</b>
Paul McKenzie	12	12
Frederick Woollard	12	12
John Sergeant	12	12

	<b>Audit &amp; Compliance Meetings</b>	<b>Remuneration Meetings</b>
<b>Number of meetings held</b>	<b>3</b>	-
<b>Number of meetings attended:</b>		
Paul McKenzie	3	-
Frederick Woollard	3	-
John Sergeant	3	-

### Committee membership

As at the date of this report, the Company had an Audit and Compliance Committee and a Remuneration Committee of the Board of Directors. All directors act on both of these committees.

The remuneration committee did not hold any meeting as there are no current plans to change any remuneration packages or directors fees. The remuneration committee will meet if circumstances change.

### 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 ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

## Directors' Report

### Auditor independence and non-audit services

The directors have received the auditors' independence declaration, which is included on page 19 of this report. The declaration forms part of the Directors' report.

No director of the Group is currently or was formerly a partner of Grant Thornton Audit Pty Ltd.

### Non-Audit Services

Grant Thornton Audit Pty Ltd were appointed as auditors on 28 August 2013 and the appointment confirmed by shareholders at a General Meeting held on 28 August 2013.

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Compliance Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Compliance Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and

The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The amounts received or due and receivable by Grant Thornton Auditors Pty Ltd for:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
An audit or review of the financial report of the entity and any other entity in the consolidated entity		
Grant Thornton	<b>32,500</b>	23,000
Ernst & Young	-	20,600
Taxation services Grant Thornton	<b>2,000</b>	21,150
	<b>34,500</b>	64,750

## Directors' Report

### Remuneration report (audited)

This 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”) of the Group 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 purpose of this report, the term “executive” encompasses the Chief Executive Officer and Chief Financial Officer of the Parent and the Group.

### Shareholders AGM votes on Remuneration Report

Kangaroo Island Plantation Timbers Ltd received 100% of ‘yes’ votes on its Remuneration Report for the financial year ending 30 June 2013. The Company receives no specific feedback on its Remuneration Report at the Annual General Meeting.

### Key management personnel

Key management personnel are as follows:

#### Directors

Paul McKenzie (appointed 29 April 2005)	Chairman - Non-executive Director
John Sergeant (appointed 2 March 2013)	Non-executive Director
Fred Woollard (appointed 11 March 2008)	Non-executive Director

#### Executives

Victoria Allinson (appointed 14 May 2013)	Company Secretary, Chief Financial Officer
Jess Domaschencz (appointed 12 July 2013)	Chief Executive Officer

There have been no changes to Key Management Personnel after the reporting date and before the date the financial accounts were authorised for issue.

### Remuneration committee

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing remuneration arrangements for the directors and executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

The Committee did not meet and did not use the professional services of Remuneration Consultants during the year.

### Remuneration philosophy and structure

The Company has structured remuneration packages for its executives and directors in order to attract and retain people with the necessary qualifications, skills and experience to assist the Company in achieving its desired results.

## Directors' Report

### Remuneration report (audited) (continued)

The following table shows the EPS and share price of the Group for the past 6 years:

	Net tangible assets	Earnings per share	Share price at 30 June
2014	\$8.61	(\$1.002)	\$3.00
2013	\$12.03	(\$0.959)	\$0.004
<i>Pre share consolidation</i>			
2013	\$0.02	(\$0.002)	\$0.004
2012	\$0.21	(\$0.062)	\$0.06
2011	\$0.31	(\$0.028)	\$0.16
2010	\$0.31	(\$0.014)	\$0.12
2009	\$0.30	(\$0.051)	\$0.14

Remuneration is usually reviewed on an annual basis, taking into consideration both qualitative and quantitative performance indicators, with reference to industry benchmarks. A review has not been conducted in the period of this annual report as Board are of the opinion that remuneration should only be changed once the Group's strategic plans are further developed.

Overall performance of the directors and the two executives of the Company are considered against:

- Timely production of Company accounts and records;
- Management of the portfolio of loans against acceptable write off and performance standards
- Maintenance/improvement of the Net Tangible Assets of the Company;
- Control of costs;
- Investor relations;
- Assessment of new opportunities; and
- Employee performance.

Remuneration is recommended by the Remuneration Committee to the Board and is set at around the mid point for professional personnel as measured by knowledge of the members of the Remuneration Committee and augmented by reference to reports produced by professional Human Resources consultants.

### Non-executive director remuneration

#### Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

#### Structure

The total amount paid to non-executive directors is determined by the Board from time to time for presentation to and resolution by shareholders at the Annual General Meeting. The current maximum aggregate remuneration paid to non-executive directors is fixed at \$250,000 pa.

The non-executive directors are paid a set amount per year. They are not eligible for any additional payments, other than reimbursement of expenses incurred on behalf of the Group. No director is employed under contract.

The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.



## Directors' Report

### Remuneration report (audited) (continued)

Details of the nature and amount of remuneration of each non-executive director of the Company and the consolidated entity for the financial year are as follows:

Year	Short term		Bonus \$	Post employment	Short term	
	Salary & Fees \$	Paid in shares \$		Super \$		Salary & Fees \$
Paul McKenzie <sup>(1)</sup>	2014	-	75,000	-	-	75,000
	2013	29,688	28,409	-	-	58,097
Fred Woollard <sup>(2)</sup>	2014	-	50,000	-	-	50,000
	2013	26,585	18,939	-	2,752	48,276
John Sergeant <sup>(3)</sup>	2014	-	50,000	-	-	50,000
	2013	-	16,667	-	-	16,667
Ian Olson <sup>(4)</sup>	2014	-	-	-	-	-
	2013	23,958	7,788	-	-	31,746
Total	2014	-	175,000	-	-	175,000
	2013	80,231	71,803	-	2,752	154,786

During the year the following remuneration paid in shares:

- (1) During the year 33,334 (2013: 6,944,444) ordinary shares were issued in lieu of \$75,000 (2013: \$28,409) Directors Fees, to Aminac Pty Ltd ATF Agrarian Management S/F A/C of which Paul McKenzie is the Managing Director.
- (2) During the year 22,222 (2013: 4,629,630) ordinary shares were issued in lieu of \$50,000 (2013: \$18,939) Directors Fees, to JP Morgan Australia Ltd as custodian of the Samuel Terry Absolute Return Fund, Fred Woollard is the Managing Director of Samuel Terry Assets Management Pty Ltd as trustee for Samuel Terry Absolute Return Fund.
- (3) During the year 22,222 (2013: 3,652,968) ordinary shares were issued in lieu of \$50,000 (2013: \$16,667) Directors Fees.
- (4) During the year nil (2013: 925,926) ordinary shares were issued in lieu of (2013: \$3,788) Directors Fees. Ian Olson resigned as a director on 26 February 2013. In addition, in the prior year \$6,000 of remuneration related to 100,000 shares that were granted on 30 June 2012 but were not issued until 24 July 2012. At 30 June 2012 the shares were valued at \$0.06, however the value was increased to \$0.10 on issue resulting in \$6,000 being charged in 2012 and \$4,000 in 2013.

No options were granted as part of remuneration during the year.

### Executive remuneration

#### Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities with the Company so as to:

- Align the interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

## Directors' Report

### Remuneration report (audited) (continued)

#### Structure

The Company has reviewed its staffing requirements as part of the strategic restructure, as a result the Company only has two employees at the date of this report. The two employees are based on Kangaroo Island. The Company's Chief Financial Officer ("CFO") Victoria Allinson and Chief Executive Officer ("CEO") Jessica Domaschenz both provided their services as contractors:

- Allinson Accounting Solutions Pty Ltd is engaged to provide the Company's financial, administrative and company secretarial functions; and
- Forestech Management Pty Ltd is engaged to provide the services of Jessica Domaschenz.

Until the current year executives were employed under normal statutory contractual employment terms. Termination payments are paid as per statutory termination arrangements. There were no termination obligations with any of the executives. The total amount paid to executives is determined by the Board on an annual basis as part of the annual performance review of executives conducted by the Board based on KPI's set by the Board each year for the executives. The amount of salary and fees and the payment of cash bonuses, if any, are at the Board's ultimate discretion.

The following people are executives of the Company and the consolidated entity receiving the highest remuneration for the financial year:

Year	Short term (a)		Post employment	Long term	Share-based payment		Total
	Salary & fees	Cash bonus	Other non-monetary benefits	Long service leave	Executive share loan plan	Shares	
	\$	\$	\$	\$	\$	\$	\$
Jessica Domaschenz <sup>(1)</sup> 2014	14,400	-	-	-	-	-	14,400
2013	6,200	-	-	-	-	-	6,200
Victoria Allinson <sup>(2)</sup> 2014	86,506	-	-	-	-	1,000	87,506
2013	6,152	-	-	-	-	1,000	7,152
John Ipsen <sup>(3)</sup> 2014	-	-	-	-	-	-	-
2013	218,151	-	4,707	18,345	-	4,000	245,203
Scott Wallace <sup>(3)</sup> 2014	-	-	-	-	-	-	-
2013	151,527	-	4,707	14,298	599	4,000	175,131
Graham Seppelt <sup>(4)</sup> 2014	-	-	-	-	-	-	-
2013	7,789	-	-	-	-	-	7,789
Total 2014	100,906	-	-	-	-	1,000	101,906
2013	389,819	-	9,414	32,643	599	9,000	441,475

(1) Jessica Domaschenz has provided professional forester services since May 2013 and was appointed as CEO on 12 July 2013. During the year \$14,400 (2013: \$6,200) of professional services were invoiced by Forestech Management Pty Ltd, of which Jessica Domaschenz is an employee.

(2) Victoria Allinson was appointed as CFO and Company Secretary on 14 May 2013. During the year the professional accounting and company secretarial fees of \$87,506 (2013: \$7,152) were invoiced by Allinson Accounting Solutions Pty Ltd, of which Victoria Allinson is Managing Director and shareholder. During the year, \$1,000 of invoiced fees were paid in shares, the remaining \$86,506 (2013: \$6,152) were paid or payable.

## Directors' Report

### Remuneration report (audited) (continued)

- (3) During the year ended 30 June 2012 cash bonus and 100,000 shares each (value \$10,000) were granted on 30 June 2012 to John Ipsen and Scott Wallace. These shares were not issued until 24 July 2012. At 30 June 2012 the shares were valued at \$0.06. However, the value was increased to \$0.10 on issue resulting in \$6,000 each being charged in 2012 and \$4,000 each in 2013. John Ipsen and Scott Wallace resigned on 8 June 2013 and 15 April 2013 respectively.
- (4) Graham Seppelt was appointed as Company Secretary on 15 April 2013 and resigned on 14 June 2013.

No options were granted as part of remuneration during the year.

### Option holdings of key management personnel

There are no option holdings for the Group.

### Shareholdings of key management personnel

	Beginning of period	Granted as remuneration <sup>(6)</sup>	Share consolidation <sup>(9)</sup>	Net change other	End of period
<b>30 June 2014</b>					
<b>Directors</b>					
Paul McKenzie <sup>(1)</sup>	27,919,781	33,334	(27,863,941)	40,436	129,610
Frederick Woollard <sup>(2)</sup>	284,035,107	22,222	(283,467,037)	193,061	783,353
John Sergeant <sup>(3)</sup>	16,899,695	22,222	(16,865,895)	30,705	86,727
<b>Executives</b>					
Victoria Allinson <sup>(4)</sup>	333,333	391	(332,666)	-	1,058
Jessica Domaschcz <sup>(5)</sup>	8,333	-	(8,316)	-	17
	<b>329,196,249</b>	<b>78,169</b>	<b>(328,537,855)</b>	<b>264,202</b>	<b>1,000,765</b>
<b>30 June 2013</b>					
<b>Directors</b>					
Paul McKenzie <sup>(1)</sup>	2,166,667	6,944,444	-	18,808,670	27,919,781
Frederick Woollard <sup>(2)</sup>	17,678,287	4,629,630	-	261,727,190	284,035,107
John Sergeant <sup>(3)</sup>	1,213,323	3,652,968	-	12,033,404	16,899,695
Ian Olson <sup>(6)(8)</sup>	771,622	925,926	-	(1,697,548)	-
<b>Executives</b>					
John Ipsen <sup>(7)(8)</sup>	2,500,000	100,000	-	(2,600,000)	-
Victoria Allinson <sup>(4)</sup>	-	333,333	-	-	333,333
Jessica Domaschcz <sup>(5)</sup>	8,333	-	-	-	8,333
Scott Wallace <sup>(7)(8)</sup>	600,000	100,000	-	(700,000)	-
	<b>24,938,232</b>	<b>16,686,301</b>	<b>-</b>	<b>287,571,716</b>	<b>329,196,249</b>

- (1) During the year 40,436 shares were purchased issued under Entitlement Offer dated 27 March 2014 and 33,334 shares were issued in lieu of director's fees totaling \$75,000. 112,943 (2013: 41,951 (pre-consolidation 20,975,337)) of these shares are held by Aminac Pty Ltd AFT Agrarian Management S/F A/C of which Mr McKenzie is the managing Director; and 16,667 (2013: 13,889 (pre-consolidation 6,944,444)) ordinary shares were issued to Agrarian Consulting Pty Ltd <Paul McKenzie family A/C> of which Paul McKenzie is the Managing Director.

## Directors' Report

### Remuneration report (audited) (continued)

- (2) During the year 193,061 shares were purchased issued under Entitlement Offer dated 27 March 2014 and 22,222 shares were issued in lieu of director's fees totaling \$50,000. 136 (2013: 102) are directly held; and 783,217 (2013: 567,968 (pre-consolidation 283,984,107)) of these shares are held by JP Morgan Nominees as custodian of the Samuel Terry Absolute Return Fund. Mr Woollard is Managing Director of Samuel Terry as trustee of the Samuel Terry Absolute Return Fund.
- (3) During the year 31,239 shares were purchased issued under Entitlement Offer dated 27 March 2014; in June 2014, 5,507 shares were acquired and 6,041 disposed; and 22,222 shares were issued in lieu of director's fees totaling \$50,000. The shares are held by:
  - a. Direct interest 40,174 (2013: 10,686 (pre-consolidation 5,342,968)).
  - b. Phalaenopsis Pty Ltd 16,267 shares (2013: nil)
  - c. Sergeant Family Trust 10,776 (2013: 8,216 (pre-consolidation 4,107,977)). Mr Sergeant has effective control of his family trust.
  - d. Sergeant Family Superannuation Fund 14,003 (2013: 11,518 (pre-consolidation 5,758,750)). Mr Sergeant has effective control of his self-managed superannuation fund.
  - e. Ms J Sergeant 5,507 (2013: 3,380 (pre-consolidation 1,690,000)). Ms Sergeant is Mr Sergeant's wife.
- (4) Victoria Allinson was appointed as CFO and Company Secretary on 14 May 2013. These shares were issued to Allinson Family Trust, of which Victoria Allinson is a trustee and beneficiary. The 391 (2013: 667 (pre-consolidation 333,333)) shares were in payment of professional fees invoices by Allinson Accounting Solutions Pty Ltd.
- (5) Jessica Domaschenz has provides professional forester services since May 2013 and was appointed as CEO on 12 July 2013.
- (6) During the year 777,778 (2013: 16,152,968 of shares were issued to Directors and 391 (2013: 1067 (pre-consolidation 533,333)) to Executives, for further details refer to Notes 29(a) and 31.
- (7) During the prior year the executives John Ipsen and Scott Wallace were granted 100,000 shares each as part of their remuneration package for 2011/12. These were issued on 24 July 2012.
- (8) Ian Olson, John Ipsen and Scott Wallace were made redundant in 2013.
- (9) The shares are shown post consolidation of shares on the basis of one share issued for every five hundred held.

### Share options

As at the date of this report, there were no options issued.

End of Remuneration Report

Signed in accordance with a resolution of the directors



Paul McKenzie  
Chairman

Dated this 18<sup>th</sup> day of September 2014

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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF KANGAROO ISLAND PLANTATION TIMBERS  
LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Kangaroo Island Plantation Timbers Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



S K Edwards  
Partner – Audit & Assurance

Adelaide, 18 September 2014

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## Corporate Governance Statement

Kangaroo Island Plantation Timbers Ltd (“Company”) and the Board of Directors are responsible the Corporate Governance of the Group and is committed to achieving the highest standard of Corporate Governance, business integrity and professionalism with due regard to the interests of all stakeholders. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has used its best endeavours to follow the Principles and Recommendations set out by the Australian Securities Exchange’s (“ASX”) Corporate Governance Council.

The ASX Corporate Governance Council released revised Corporate Governance Principles and Best Practice Recommendations on 27 March 2014 to take effect for the first full financial year commencing on or after 1 July 2014. Companies are encouraged to adopt the revised Principles and Recommendations earlier if they wish. The Company has not yet adopted the revised Principles and Recommendations and accordingly this Statement complies with the second edition Principles and Recommendations except where otherwise noted.

Kangaroo Island Plantation Timbers Ltd’s corporate governance practices were in place throughout the year ended 30 June 2014, except where noted; having considered the Company’s size and nature it is considered that it complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council’s Principles and Recommendation unless otherwise stated in the Statement.

All corporate governance documents noted in this Statement are available on the Company’s website [www.kipt.com.au](http://www.kipt.com.au)

This Statement summarises the Company’s primary corporate governance practices and its compliance with the ASX Corporate Governance Council’s Principles and Recommendation as appropriate.

## CHARTER FOR THE BOARD OF DIRECTORS

An important and basic corporate governance policy is the Charter for the Board of Directors, which is regularly reviewed. The Charter is a composite document which deals with all of the ASX principles of good corporate governance and is available on the Company’s website.

The Charter, as supported by the Directors’ Code of Conduct detailed at Principle 3, sets out the following requirements:

- The role of the Board;
- The Board structure;
- The skills required on the Board; and
- The Directors’ general roles.

The relevant references in the Charter are noted under each of the principles listed below.

## ASX CORPORATE GOVERNANCE PRINCIPLES

The following is a summary of the 8 Corporate Governance Principles, including comments where applicable on the Recommendations, and extracts from the policies adopted by the Company which demonstrate how compliance has been achieved.

## Corporate Governance Statement

### PRINCIPLE 1: Lay solid foundations for management and oversight

#### Board Function

The Board is responsible for the overall corporate governance of the Group including its strategic direction, establishing goals and responsibilities for management and monitoring the achievement of these goals.

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board. To assist in the execution of its responsibilities, the Board has established an Audit and Compliance Committee and a Remuneration Committee. Due to the size of the Group, the two committee's members currently include all non-executive directors, this will be reviewed when the number of board members increases.

The responsibility for the operation and administration of the Company is delegated, by the Board, to the CEO and executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the executive management team, which was undertaken in the last reporting period.

Whilst there is ongoing interaction between the Board and Management, the Board functions independently of management to establish the policy framework of the Company from which management works to perform the daily functions of the business

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

#### The Board's Responsibilities

The primary responsibilities of the Board include:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity
- Working with management to develop strategic and business plans to achieve those strategic plans; and
- Implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- Setting the criteria for Board membership, continuity and reviewing the composition of the Board;
- Conducting an annual review of the Board Charter.
- Establishing the long term goals of the Group, and working with management to develop strategic and business plans to achieve those goals;
- Monitoring implementation of the Group's strategic and business plans and its financial performance;
- Appointing, and assessing the performance of, the senior management team, ensuring a clear relationship between performance and remuneration;
- Approving major corporate initiatives;

## Corporate Governance Statement

### PRINCIPLE 1: Lay solid foundations for management and oversight (continued)

- Enhancing and protecting the reputation of the organisation;
- Reporting to shareholders and the market;
- Approval of the annual and interim financial reports;
- Approving and monitoring the progress of capital management, acquisitions and divestitures;
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored;
- Reporting to shareholders;
- Establishing and monitoring the Company's capital management strategy, including any dividend payments;
- Assessing the Company's funding requirements; and
- Monitoring borrowings from financial institutions.

At all times the Board retains full responsibility for guiding and monitoring the Company. Due to the size of the Board and Company, apart from an Audit Committee and Remuneration Committee, there are no other separate committees of the Board, the Board maintaining full responsibility on matters of finance and treasury with assistance from the CEO and CFO.

#### Board Meetings

The Board holds 10 to 12 formal meetings a year. Additional meetings are held as required. A meeting is held each year to review and approve the strategy and financial plan for the next financial year. The Board also meets with Executive Management to consider matters of strategic importance to the Group.

#### Senior Management Team's Responsibilities

Due to the Groups size and nature there is no Executive Director. The CEO and CFO ("senior management team") are responsible for running the affairs of the Company under delegated authority from the Board and for implementing the policies and strategy set by the Board. In carrying out their responsibilities the CFO and CEO must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial position and operational results. Clear lines of communication between the Chair and the CEO and CFO are established and both consults with the Chair, in the first place, on matters which are sensitive, extraordinary or of a strategic nature.

The role of the senior management team is to implement the running of the general operations and financial business of the Group, in accordance with the delegated authority of the Board. The CFO and CEO are responsible for the implementation of the Group's strategic and business plans, they are not involved in the setting of the Group's strategic and business plans. The Audit and Compliance Committee have delegated certain financial risk management duties to Frederick Woollard. The Board are of the opinion that these duties do not effect Fred's non-executive status as a director of the Company.

#### Performance of Key Executives

The performance of the Company's most senior executives has been assessed this year in accordance with the process adopted by the Board.



## Corporate Governance Statement

### PRINCIPLE 2: Structure the Board to add value

#### Composition and membership

The Board comprises three non-executive directors, being Fred Woollard, Paul McKenzie, and John Sergeant; the Directors' Report sets out the details of their experience and qualifications. Paul McKenzie and John Sergeant were previously independent non-executive directors. However, they are no longer 'independent', as defined by the ASX, due to their substantial shareholding in the Company and Paul McKenzie's length of service. The Board unanimously agrees that Paul McKenzie and John Sergeant continue to act in the best interest of all shareholders. Best practice recommends that the majority of the non-executive board members, and in particular, should be independent. The Board believes that the current board membership is effective in the current strategic development stage of the Company. The board membership is reviewed annually and an independent non-executive director could be recruited once the development of a port commences or the mill operations recommence, in order to expand the board's experience and qualifications as the Company transitions into the next development stage.

Directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement; and are not a substantial shareholder of 5% or more in the Company.

The full Board is responsible for establishing criteria for Board membership, reviewing Board membership and identifying and nominating directors. Board membership is reviewed annually to ensure the Board has an appropriate mix of qualifications, skills and experience. External advisors may be used to assist in this process.

The terms and conditions of appointment and retirement of non-executive directors are set out in a letter of appointment that includes the recommendation outlined in Principle 1. The Company has also developed a company pack and induction program suitable for new directors and senior management.

In view of the size of the parent entity, the directors have considered that establishing a remuneration committee for new Board members would contribute little to its effective management and accordingly all directors participate in decisions regarding the nomination and election of new Board members. In addition, as a result of the Board size director performance reviews are in the form of informal self-review and discussion with the other directors.

Officers and executives until June 2013 were given the opportunity to receive their emoluments in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the consolidated entity. Since June 2013, the Directors' remuneration is paid in shares in lieu of cash and all the CFO and CEO are primarily paid cash. See the Remuneration Report in the attached Directors' Report for details of remuneration policies.

The overall objective is to ensure maximum shareholder benefit from the retention of a quality Board and Senior Management Team.

#### Independent professional advice

In fulfilling their duties, the Directors may obtain independent professional advice at the Company's expense.

#### Remuneration philosophy and structure

The Company has structured remuneration packages for its executives and directors in order to attract and retain people with the necessary qualifications, skills and experience to assist the Company in achieving its desired results.

## Corporate Governance Statement

### PRINCIPLE 3: Promote ethical and responsible decision-making

#### Ethical standards

The Board acknowledges the importance of ethical behaviour from the Company's directors, management and employees. The Board's policy is for the directors, management and employees to conduct themselves with the highest ethical standards and the best practices of corporate governance.

#### Code of Conduct

In September 2013, Board adopted a revised Director's Code of Conduct. This code provides more guidance on the standards of ethical behaviours required of directors. The code is available on the Company's website.

Kangaroo Island Plantation Timbers Ltd aims to deliver superior long-term total shareholder return, taking proper account of employees, customers and others with whom we do business as well as the communities and environments in which Kangaroo Island Plantation Timbers Ltd operates. In striving to achieve these aims, we should not compromise our ethics or principles. Kangaroo Island Plantation Timbers Ltd places great importance on honesty, integrity, quality and trust.

This Code of Conduct sets ethical standards for the Non-Executive Directors of Kangaroo Island Plantation Timbers Ltd Limited. Kangaroo Island Plantation Timbers Ltd has an Employee Code of Conduct and a Conduct and Ethics Policy Framework (made up of company policies and procedures) which further support these standards. Non-Executive Directors will pursue the highest standards of ethical conduct in carrying out their duties and responsibilities.

A Code of Conduct sets standard to ensure directors:

- act in Group's best interest and value Groups reputation;
- act with honesty and integrity;
- treat others with respect and value differences;
- respect and maintain privacy and confidentiality;
- identify conflicts of interest and manage them responsibly; and
- do not make or review improper payments, benefits or gains.

#### Diversity Policy

The Board has always been aware of the advantages that may flow from diversity in respect to gender, age, ethnicity and cultural background and has taken those factors into account when considering new appointments at all levels within the Company.

At present there is an aggregate of eight staff including directors, employee and contactors (full and part time); these include 3 females including the CFO, CEO and 1 employee is of differing ethnic or cultural background. There are no mature age employee and no female directors.

The Diversity Policy adopted by the Board is as follows:

#### 1. General Purposes and Principles

- (a) The Group respects and values the competitive advantage of "Diversity", and the benefits of its integration throughout the Group, in order to enrich the Group's perspective, improve corporate performance, increase shareholder value, and enhance the probability of achievement of the Group's objectives ('Principle').

## Corporate Governance Statement

### PRINCIPLE 3: Promote ethical and responsible decision-making (continued)

- (b) This Principle will manifest itself in the following areas:
- (i) strategic and operational:
    - (A) being attuned to diverse strategies to deliver the Group's objectives;
    - (B) being attuned to diverse corporate, business and market opportunities; and
    - (C) being attuned to diverse tactics and means to achieve those strategies in (A) and to take advantage of those opportunities in (B).
  - (ii) management:
    - (A) adding to, nurturing and developing the collective relevant skills, and diverse experience and attributes of personnel within the Group;
    - (B) ensuring the Group's culture and management systems are aligned with and promote the attainment of the Principle, including having regard for domestic responsibilities.

Note: in the context of this paragraph 1(b)(ii) "Diversity" constitutes people at relevant levels within the Group (including board, senior executive, management and otherwise) with a diverse blend of skills, experiences, perspectives, styles and attributes gained from life's journey, including on account of their culture, gender, age or otherwise.

- (c) The Group will develop strategies, initiatives and programs to promote the Principle, including the achievement of gender diversity with respect to the matters referred to in paragraph 1(b)(ii).
- (d) In particular, the Group will set measurable objectives, and targets or key performance indicators (KPIs), for the strategies, initiatives and programs to achieve gender diversity with respect to the matters referred to in paragraph 1(b)(ii).
- (e) The Group will implement the strategies, initiatives, programs and measurable objectives referred to in (c) and (d).
- (f) Management will monitor, review and report to the Board (including via the Remuneration Committee if established) on the achievement of gender diversity with respect to the matters referred to in paragraph 1(b)(ii), and the Group's progress under this policy.

#### 2. Responsibility for the Policy

- (a) Although the Board retains ultimate accountability for this Policy, the Board has delegated responsibility for Policy implementation to the CEO.
- (b) In turn the CEO has delegated to the Group Secretary responsibility for administration of this Policy, including its reporting to the Board, or its relevant sub-committee, as appropriate.

#### 3. Measurable Objectives, targets and Key Performance Indicators (KPIs) - Gender Diversity

With respect to gender diversity, management will:

- (a) develop, for approval by the Board or its relevant sub-committee, as appropriate:
  - (i) measurable objectives concerning the strategies, initiatives and programs referred to in paragraph 1(c);
  - (ii) targets or KPIs to verify progress towards attainment of those measurable objectives.
- (b) measure performance against those targets and KPIs;
- (c) report from time to time on the progress of the matters referred to in (a) and (b).

## Corporate Governance Statement

### PRINCIPLE 3: Promote ethical and responsible decision-making (continued)

#### 4. Compliance Requirements

- (a) The Group will meet its obligations with respect to the issue of "Diversity", as may be required under the ASX Corporate Governance Principles and Recommendations (2nd Edition) ("ASX Principles") and other regulatory requirements (if any) including by:
  - (i) establishing this Policy as a compliant policy under ASX Guideline 3.2(a) by:
    - (A) establishing measurable objectives for achieving gender diversity;
    - (B) the Board assessing annually the measurable objectives for achieving gender diversity and the progress in achieving them.
  - (ii) disclosing this policy or a summary of it under ASX Guideline 3.2 (b)
  - (iii) in its annual report, and in the terms of ASX Guideline 2.4, disclosing the processes the Board adopts and the criteria the Board takes into consideration in its selection of prospective new Board members;
  - (iv) in its annual report, and in the terms of ASX Principles 3.3 and 3.4, disclosing:
    - (A) the measurable objectives for achieving gender diversity set by the Board in the terms of this Policy;
    - (B) the progress from time to time towards achieving them;
    - (C) the proportions in the Group (relative to their male counterparts) of:
      - female employees;
      - females in senior executive positions;
      - females on the Board
  - (v) incorporating in the corporate governance statement in the Group's annual report a statement as to the mix of skills and diversity that the Board is looking to achieve in membership of the Board, in the terms of ASX Guideline 2.6.
- (b) The Company Secretary will assume line responsibility to ensure the Group meets its compliance and reporting obligations referred to in (a), including by collecting and collating all relevant data and ensuring that management processes and systems are adequate and effective for such reporting obligations to be met.

#### 5. Communication

The Group commits to the communication of this policy within the Group, to its shareholders and the market, including via its website:

- (i) by way of transparency and accountability; and
- (ii) to better promote the prospects of attainment of the Principle.

#### 6. Accountability

- (a) Reporting and accountability in the terms of this Policy will be a periodic item on the Board agenda.
- (b) At least annually the Remuneration Committee will report to the Board on progress towards attainment of the Principle with respect to the matters referred to in paragraph 1(b)(ii), and otherwise to facilitate the Board in meeting its Compliance requirements under paragraph 4.

## Corporate Governance Statement

### PRINCIPLE 3: Promote ethical and responsible decision-making (continued)

#### 7. Addenda to this Policy

The following shall constitute addenda to this Policy as if set out in this Policy:

- (a) approved strategies, initiatives and programs and measurable objectives, targets and KPIs referred to in paragraph 1(c); and
- (b) approved measurable objectives, targets and KPIs referred to in paragraph 1(d); as may apply from time to time.

#### 8. Overriding Caveat

Nothing in this policy shall be taken, interpreted or construed so as to endorse:

- (a) the principle criteria for selection and promotion of people to work within the Group, other than their overall relative prospect of adding value to the Group and enhancing the probability of achievement of the Group's objectives;
- (b) any discriminatory behaviour by or within the Group contrary to the law, or any applicable codes of conduct or behaviour for the Group or its personnel;
- (c) any existing person within the Group in any way feeling threatened or prejudiced by this policy in their career development or otherwise, merely because of their Diversity attributes at any time may be more, rather than less, common than others.

#### Diversity Strategy

The Diversity Strategy lists the strategies, initiatives and programs, measurable objectives, targets and KPIs adopted by the Board. Most of the strategies, initiatives and programs have already been achieved or put in place, and the necessary amendments have been made to the Charter for the Board of Directors and to the Terms of Reference for the Remuneration Committee. The amended documents may be viewed on the Company's web site.

The Strategy includes initiatives and programs designed to foster Diversity at Board level, at executive and management level and generally, commensurate with the nature and size of the Group. Progress with achievement of the Diversity Strategy will be reviewed by the Remuneration Committee (if formed, otherwise by the Board) on an annual basis and the result reported to the Board. Progress will also be reported each year in the Directors' Report section of the Annual Report.

#### Trading Policy

The long-term holding of the Company's securities by designated persons is encouraged. However, under the Company's Securities Trading Policy, a designated person must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

## Corporate Governance Statement

### PRINCIPLE 3: Promote ethical and responsible decision-making (continued)

Also, they must not give such information to any other person who is likely to:

- use this information to trade in the Company's securities; and/or
- pass this information on to another person who may use this information to trade in the Company's securities.

Before commencing to trade in the Company's securities:

- A director must first obtain the written approval of the Chairman; and
- An executive must first obtain the written approval of the Company Secretary.

In the instance that the Chairman wishes to trade in the Company's securities, he/she must obtain the written approval of all other members of the board.

#### Closed Period

Designated persons are prohibited from trading in the Company's securities during the following periods:

- From 1 July to one day after the release of the Company's final results;
- From 1 January to one day after the release of the Company's half-year results; and
- Any other periods as may be determined by the Board and communicated to designated persons.

#### Exemptions

Only in exceptional circumstances will approval for the disposal of the Company's securities during this closed period be forthcoming. Examples of such circumstances are:

- Where severe financial difficulty or hardship can be demonstrated.
- By Order of a Court of Australia.

At no time will approval for the purchase of the Company's securities be granted to designated employees during the closed period.

#### Notification of Dealings by Directors

As required by the ASX Listing Rules, the Company is required to report any transaction conducted by Directors in the securities of the Company to the ASX within 5 business days after the date of the transaction.

Directors are required to report these transactions to the Company Secretary the day following the transaction so the appropriate disclosure can be made and to ensure the Company's compliance with the ASX listing rules.

## Corporate Governance Statement

### PRINCIPLE 4: Safeguard integrity in financial reporting

#### Financial Reports

The CFO ensures that the Company's financial reports are prepared in accordance with relevant accounting standards and that monthly financial reports are distributed to the Board. The annual and interim financial reports, and any other financial reports for release to the market, are presented for review by the Audit and Compliance Committee prior to their adoption by the Board.

All annual and interim financial reports presented to the Board have been reviewed by the CEO and CFO who confirm in writing to the Board that the relevant report represents a true and fair view of the Company's financial position in all material respects and is in order for adoption by the Board.

#### Audit and Compliance Committee

The Board has established an Audit and Compliance committee, which comprises all non-executive directors and operates under a charter approved by the Board. Therefore, ultimately it is the Board's responsibility to ensure that an effective internal control framework exists within the entity and for establishing and maintaining this framework of internal control and ethical standards of the Group.

From time to time the Company's senior management team and the Company's auditors, may be invited to attend meetings of the committee.

The number of meetings held during the year and the number of meetings attended by each director were as follows:

	Number of meetings attended	Number of meetings held during the year
John Sergeant (Chairman)	3	3
Paul McKenzie	3	3
Frederick Woollard	3	3

The responsibilities of the Audit and Compliance Committee are contained within its charter and include:

- Assessment and monitoring of internal control adequacy.
- Monitoring the activities and effectiveness of the internal audit function.
- Overseeing and monitoring integrity of financial reporting.
- Review draft annual and interim financial statements with management and external auditors and make recommendations to the full board.
- Review and monitor the Company's compliance with laws and ASX Listing Rules.
- Review performance against the Company's Code of Conduct.
- Report regularly to the Board on its activities and findings.
- Other responsibilities as required by the Board or considered appropriate.

#### CEO and CFO Certification

The Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board that:

- Their view provided on the Company's financial report is founded on a system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects

## Corporate Governance Statement

### PRINCIPLE 5: Make timely and balanced disclosure

Kangaroo Island Plantation Timbers Ltd is an ASX listed company, and as such is a disclosing entity under the Corporation Act 2001. Under the Corporation Act 2001 and ASX Listing Rules the Board has a number of disclosure obligations. The Board adopted a new Disclosure Policy in September 2013 to ensure that all disclosure obligations are met.

#### Disclosure Policy

Kangaroo Island Plantation Timbers Ltd is committed to ensuring that our shareholders and the market are provided with full and timely information about us.

This Policy provides a framework of principles which empower our people to make decisions on behalf of Kangaroo Island Plantation Timbers Ltd. The Disclosure Policy is available on the Company website.

#### Policy Objectives

1. To establish a vetting and authorisation process designed to ensure that Company announcements:
  - are made in a timely manner;
  - are factual;
  - do not omit material information; and
  - are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.
2. To establish a process to promote understanding of compliance within the Company.
3. To safeguard the confidentiality of corporate information to avoid premature disclosure.

In respect to Periodic Disclosure, the Listing Rules and guidelines require that the Board will ensure that the Security Holders and the market are periodically provided with all information necessary to assess the performance of the Company and the Directors. Information to allow investors to monitor the performance of the Company is communicated by means of:

- the Annual Report which is available for distribution to all Shareholders;
- the Interim Report which is available for distribution to all Shareholders;
- periodic reports and special reports when matters of material interest arise; the Annual General Meeting and other meetings called to obtain approval of any Board action as required; and
- The Company's website.

### PRINCIPLE 6: Respect the rights of Shareholders

#### Shareholder Communication Policy

This Policy aims to ensure that effective communication between Kangaroo Island Plantation Timbers Ltd (the "Company") and its security holders (the "shareholders") is maintained, and ready, equal and timely access to clear and balanced information about the Company (including its financial performance, strategic plans, material developments, governance and risk profile) is available to the shareholders to enable them to exercise their rights in an informed manner.

The board of directors of the Company (the "Board") is responsible for maintaining an on-going dialogue with, and promoting effective and timely dissemination of information, to the shareholders and the investing public. This Policy will be regularly reviewed to ensure its effectiveness

#### General Meetings

The Company holds its AGM each year. Shareholders are encouraged to participate in general meetings. Shareholders who are unable to attend a General Meeting in person are encouraged to vote on the proposed motions by appointing a proxy.



## Corporate Governance Statement

### PRINCIPLE 7: Recognise and manage risk

#### Risk

The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- Establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- Continuously identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- Formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls;
- Monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and control, including an annual assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- Effectiveness and efficiency in the use of the Company's resources;
- Compliance with applicable laws and regulations;
- Preparation of reliable published financial information.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management.

### PRINCIPLE 8: Remunerate fairly and responsibly

#### Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive Team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives;
- Attraction of high quality management to the Company; and
- Performance incentives that allow executives to share in the success of Kangaroo Island Plantation Timbers Ltd.

For a full discussion of the Company's remuneration philosophy and framework, details of the remuneration committee and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits to non-executive directors.

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Lease and management fees		23	22
Timber sales		19	395
Rent		5	5
Bank interest		8	39
<b>Revenue</b>		<b>55</b>	<b>461</b>
Cost of sales		<b>(26)</b>	<b>(895)</b>
<b>Gross profit</b>		<b>29</b>	<b>(434)</b>
<b>Other income</b>			
	6a	113	766
Sale of assets	6b	718	-
Cost of assets sold	6b	<b>(915)</b>	-
<b>(Loss)/Profit on assets sold</b>	6b	<b>(197)</b>	-
Forestry expenses		<b>(389)</b>	(73)
Marketing expenses		<b>(1)</b>	(2)
Administrative expenses		<b>(80)</b>	(929)
Occupancy expenses		<b>(2)</b>	(98)
Other expenses	6c	<b>(783)</b>	(791)
Finance costs	6d	<b>(23)</b>	(13)
<b>Profit/(loss) before income tax</b>		<b>(1,333)</b>	(1,574)
Income tax benefit/(expense)	8	<b>102</b>	272
<b>Net profit/(loss) for the period</b>		<b>(1,231)</b>	(1,302)
<b>Discontinuing operations</b>			
Profit/(loss) from discontinuing operations	32	-	(852)
		<b>(1,231)</b>	(2,154)
<b>Other comprehensive income</b>			
<i>Items that will not be classified subsequently to profit or loss</i>			
Net fair value gain in property, plant and equipment		<b>240</b>	635
<b>Other comprehensive income for the period net of tax</b>		<b>240</b>	635
<b>Total comprehensive income/(loss) for the period attributable to members of the parent</b>		<b>(991)</b>	(1,519)
<b>Post-share consolidation</b>		<b>EPS in cents</b>	<b>EPS in cents</b>
Basic earnings per share from continuing and discontinued operations	9	(100)	(959)
Basic earnings per share from continuing operations	9	(100)	(580)
Diluted earnings per share from continuing and discontinued operations	9	(100)	(959)
Diluted earnings per share from continuing operations	9	(100)	(580)
<b>Pre-share consolidation</b>			
Basic profit/(loss) per share from continuing and discontinued operations	9	n/a	(1.92)
Basic profit/(loss) per share from continuing operations	9	n/a	(1.16)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

As at 30 June 2014

		Consolidated	
Notes	2014	2013	
	\$'000	\$'000	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	704	405
Trade and other receivables	11	16	74
Term deposits		-	65
Inventories	12	-	21
Other current assets	13	6	27
		726	592
Assets classified as held for sale	14	400	-
<b>Total current assets</b>		<b>1,126</b>	592
<b>Non-current assets</b>			
Property, plant and equipment	16	12,482	11,798
Investment properties	17	727	1,955
Other non-current assets	18	5	5
<b>Total non-current assets</b>		<b>13,214</b>	13,758
<b>TOTAL ASSETS</b>		<b>14,340</b>	14,350
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19	87	229
Interest-bearing liabilities	20	58	58
<b>Total current liabilities</b>		<b>145</b>	287
<b>Non-current liabilities</b>			
Interest-bearing liabilities	20	5	63
<b>Total non-current liabilities</b>		<b>5</b>	63
<b>TOTAL LIABILITIES</b>		<b>150</b>	350
<b>NET ASSETS</b>		<b>14,190</b>	14,000
<b>EQUITY</b>			
Contributed equity	21	12,631	11,450
Reserves	22	3,595	3,355
Retained earnings		(2,036)	(805)
<b>TOTAL EQUITY</b>		<b>14,190</b>	14,000

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

## Consolidated Statement of Cash Flows

For the year ended 30 June 2014

		<b>Consolidated</b>	
<b>Notes</b>	<b>2014</b>	<b>2013</b>	
	<b>\$'000</b>	<b>\$'000</b>	
<b>Cash flows from operating activities</b>			
	<b>220</b>	390	
Receipts from customers			
	<b>(875)</b>	(2,130)	
Payments to suppliers and employees			
	<b>8</b>	39	
Interest received			
	<b>(23)</b>	(13)	
Borrowing costs			
	<b>(670)</b>	(1,714)	
Net cash flows (used in)/from continuing operations			
	<b>-</b>	(316)	
Net cash flows (used in)/from discontinued operations			
<b>Net cash flows (used in)/from operating activities</b>	<b>25</b>	<b>(670)</b>	<b>(2,030)</b>
<b>Cash flows from investing activities</b>			
	<b>65</b>	-	
Release of term deposits			
	<b>700</b>	14	
Proceeds from sale of investment properties			
	<b>(16)</b>	(100)	
Purchase of investment properties			
	<b>18</b>	-	
Proceeds from sale of plant and equipment			
	<b>(745)</b>	(91)	
Purchase of property, plant and equipment			
<b>Net cash flows from/(used in) investing activities</b>	<b>22</b>	<b>(177)</b>	
<b>Cash flows from financing activities</b>			
	<b>1,005</b>	1,446	
Proceeds from capital raising			
	<b>(358)</b>	(71)	
Repayment of borrowings			
	<b>300</b>	10	
Proceeds from borrowings			
<b>Net cash flows from/(used in) financing activities</b>	<b>947</b>	<b>1,385</b>	
	<b>299</b>	(822)	
<b>Net increase/(decrease) in cash and cash equivalents</b>			
	<b>405</b>	1,227	
Cash and cash equivalents at beginning of year			
<b>Cash and cash equivalents at end of year</b>	<b>10</b>	<b>704</b>	<b>405</b>

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

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Issued Capital \$'000	Treasury Shares \$'000	Property, plant & equipment Revaluation Reserve	Option Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 July 2012</b>	10,348	(450)	2,448	272	1,349	13,967
Loss for the period	-	-	-	-	(2,154)	(2,154)
Other comprehensive income	-	-	635	-	-	635
Total comprehensive income	-	-	635	-	(2,154)	(1,519)
Issue of shares	1,446	-	-	-	-	1,446
Share-based payment	106	-	-	-	-	106
<b>Balance at 30 June 2013</b>	<b>11,900</b>	<b>(450)</b>	<b>3,083</b>	<b>272</b>	<b>(805)</b>	<b>14,000</b>
<b>Balance at 1 July 2013</b>	11,900	(450)	3,083	272	(805)	14,000
Loss for the period	-	-	-	-	(1,231)	(1,231)
Other comprehensive income	-	-	240	-	-	240
Total comprehensive income	-	-	240	-	(1,231)	(991)
Issue of shares	1,006	-	-	-	-	1,006
Share-based payment	185	-	-	-	-	185
Share issue costs	(10)	-	-	-	-	(10)
<b>Balance at 30 June 2014</b>	<b>13,081</b>	<b>(450)</b>	<b>3,323</b>	<b>272</b>	<b>(2,036)</b>	<b>14,190</b>

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

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 1. Corporate information

The financial report for Kangaroo Island Plantation Timbers Ltd for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 18 September 2014.

Kangaroo Island Plantation Timbers Ltd is a company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' report.

### 2. Basis of preparation and accounting policies

#### a) 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 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for investment properties, freehold land that have been measured at fair value. Kangaroo Island Plantation Timbers Ltd is a for-profit entity for the purposes of preparing the financial report.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

#### b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

There is no impact of new accounting standards and interpretations applied during the year.

#### c) New accounting standards and interpretations

##### ***New and amended standards adopted by the Group***

The accounting policies adopted are consistent with those of the previous financial year except as follows:

##### **AASB 10 Consolidated Financial Statements**

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

#### **AASB 11 Joint Arrangements**

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AAS 131) and AASB Interpretation 113 Jointly Controlled Entities- Non-Monetary-Contributions by Venturers. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates). The Group has no joint arrangements within the scope of AASB 11. AASB 11 requires the use of equity accounting for joint ventures.

The application of AASB 11 did not have a material impact on the financial statement including cash flows nor on the earnings per share for the year ended 30 June 2014.

#### **AASB 12 Disclosure of interests in Other Entities**

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. There are no such investments in the current year.

#### **Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures**

AASB 127 now only addresses separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

#### **AASB 13 Fair Value Measurement**

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 Financial Instruments: Disclosures.

The Group has applied AASB 13 for the first time in the current year, see Note 14.

These amendments have had no material impact on the Group.

#### **Amendments to AASB 119 Employee Benefits**

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- Eliminate the 'corridor method' and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- Change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability; and



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

- Enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

Under the amendments, employee benefits ‘expected to be settled wholly’ (as opposed to ‘due to be settled’ under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in ‘other long-term benefit’ and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 *Presentation of Financial Statements*.

AASB 119 has been applied retrospectively in accordance with its transitional provisions, change has had no impact on the presentation of annual leave.

These amendments have had no material impact on the Group.

#### Accounting standards issued but not yet effective and not been adopted early by the Group

The Group notes the following Accounting Standards which have been issued but are not yet effective at 30 June 2014. These standards have not been adopted early by the Group. The Group’s assessment of the impact of these new standards and interpretations is set out below:

- (i) ***AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2010-10 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2018), AASB 2013-9 Amendments to Australian Accounting Standards – conceptual framework, Materiality and Financial Instruments and AASB 201-1 Amendments to Australian Accounting Standards.***

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- 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; and (2) the characteristics of the contractual cash flows.
- 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 (instead of in profit or loss).
- 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.
- 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.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows;

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and;
- The remaining change is presented in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

#### **(ii) AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities**

AASB 2012-3 adds application guidance to AASB 132 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.

When AASB 2012-3 is first adopted for the year ended 30 June 2015, there will be no impact on the Group as this standard merely clarifies existing requirements in AASB 132.

#### **(iii) AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets**

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets.

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.

#### **(iv) AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting**

AASB 2013-4 makes amendments to AASB 139 Financial Instruments: Recognition & Measurement to permit the continuation of hedge accounting in 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.

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

**(v) AASB 1031 Materiality (December 2013)**

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn.

When the revised AASB 1031 is first adopted for the year ending 30 June 2015, it is unlikely to have any significant impact on the entity.

**(vi) AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality)**

Part B of AASB 2013-9 deletes references to AASB 1031 in various Australian Accounting Standards (including Interpretations).

**(vii) When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity. AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments)**

These amendments:

- add a new chapter on hedge accounting to AASB 9 Financial Instruments, substantially overhauling previous accounting requirements in this area;
- allow the changes to address the so-called ‘own credit’ issue that were already included in AASB 9 to be applied in isolation without the need to change any other accounting for financial instruments; and
- defer the mandatory effective date of AASB 9 from ‘1 January 2015’ to ‘1 January 2017’.

Note that, subsequent to issuing these amendments, the AASB has issued AASB 2014-1 which defers the effective date of AASB 9 to ‘1 January 2018’.

The entity has not yet assessed the full impact of these amendments.

**(viii) AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)**

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

- (a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and
- (b) amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.

#### **(ix) AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119))**

Part B of AASB 2014-1 makes amendments to AASB 119 Employee Benefits to incorporate the IASB's practical expedient amendments finalised in International Financial Reporting Standard Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) in relation to the requirements for contributions from employees or third parties that are linked to service.

The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by paragraph 70 of AASB 119 for the gross benefit.

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.

#### **(x) AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality)**

Part C of AASB 2014-1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 Materiality, which historically has been referenced in each Australian Accounting Standard.

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

**(xi) AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14)**

Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.

When these amendments are first adopted for the year ending 30 June 2017, they are unlikely to have any significant impact on the entity.

**(xii) AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)**

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements.

The entity has not yet assessed the full impact of these amendments.

**(xiii) IFRIC Interpretation 21 Levies**

IFRIC 21 addressed how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

When this interpretation is adopted for the first time for the year ending 30 June 2015, there will be no significant impact on the financial statements as the Group is not subject any levies addressed by this interpretation.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

#### **(xiv) IFRS 15 Revenue from Contracts with Customers**

Superseded: IAS 18 Revenue IAS 11 Construction Contracts IFRIC 13 Customer Loyalty Programmes IFRIC 15 Agreements for the Construction of Real Estate IFRIC 18 Transfer of Assets from Customers. IFRS 15:

- replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related Interpretations
- establishes a new control-based revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue.

In the Australian context, the Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian Standard (AASB 15 Revenue from Contracts with Customers) by December 2014.

The entity has not yet assessed the full impact of these amendments.

#### **(xv) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)**

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two limited circumstances:

- the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The Australian Accounting Standards Board (AASB) have issued the equivalent Australian amendment AASB 2014-4.

When these amendments are first adopted for the year ending 30 June 2017, they are unlikely to have any significant impact on the entity.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

#### *(xvi) Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*

The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 Business Combinations, should:

- apply all of the principles on business combinations accounting in AASB 3 and other AASBs except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by AASB 3 and other AASBs.

The Australian Accounting Standards Board (AASB) had issued the equivalent Australian amendment AASB 2014-3.

The entity has not yet assessed the full impact of these amendments.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective and has not yet assessed the impact of these standards.

#### **d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Kangaroo Island Plantation Timbers Limited and its subsidiaries and as at and for the period ended 30 June each year (the Group).

The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

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.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

Investments in subsidiaries held by Kangaroo Island Plantation Timbers Ltd are accounted for at cost in 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. See note 30 for parent entity information.

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 acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit disposal 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.

#### e) 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.

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



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

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”.

There have been no changes from prior period in the measurement methods used to determine reported segment profit or loss.

#### f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

#### h) Biological Assets

##### *Timber plantations*

Biological assets which include mature and immature radiata pine and eucalypt plantations are stated at fair value less estimated point of sale costs. The Board has estimated this as zero in respect of all timber plantations that it has no present intention to remediate for reversion to agricultural use.

Net movement in fair value less estimated point of sale costs of biological assets are included in profit or loss in the year they arise.

#### i) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year-end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investment not at fair value through profit or loss, directly attributable transaction costs.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

#### **Recognition and Derecognition**

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

#### (ii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

#### **j) Property, plant and equipment**

##### **Plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	<u>Straight Line</u>
Plant and equipment	6-33%
Mobile plant and vehicles	20%
Buildings	3%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

##### **Freehold land and buildings**

Freehold land is measured at fair value, less any impairment losses recognised at the date of revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Freehold land is not depreciated.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

Buildings are depreciated on a straight line basis over the estimated useful life of the asset.

Any revaluation increment is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit and loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in the profit and loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss within other income or expenses.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Certain leasehold land, held under perpetual crown leases, is treated in the same manner as freehold land.

#### **Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

#### **k) Investment properties**

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance date. Gains or losses arising from changes in the fair values of investment properties are included in the profit and loss in the year in which they arise. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from an investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under *Property, plant and equipment* up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

#### l) Inventories

Inventories are valued at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw Materials: purchase costs on a first in, first out basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing 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.

#### m) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels of which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

#### n) Trade and other payables

Trade payables and other payables are carried at amortised cost due to their short-term nature they are not discounted. They 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. The amounts are unsecured and are usually paid within 30 days of recognition.

#### o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

#### **Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

#### p) Provisions and employee leave benefits

Provisions are recognised 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.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

#### **Employee Leave Benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

#### **q) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **r) Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### **Rendering of services/Unearned income**

This represents lease and management fees that are invoiced annually in advance in June each year. This income is brought to account on a monthly basis. Lease and management fees are recognised as they accrue under the relevant lease and management agreement.

#### **Timber sales**

Timber sales are recognised when the Group has transferred to the buyer the significant risk and reward of ownership, generally when the customer has taken delivery of the goods.

#### **Interest**

Revenue is recognised as the interest accrues (using the effective interest 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.

#### **Rent**

Rent is recognised as it accrues under the relevant rental agreement.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

#### s) Financial Instruments

##### **Recognition, Initial Measurement and Derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### **Classification and Subsequent Measurement of Financial Assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at Fair Value Through Profit or Loss ('FVTPL')
- Held-To-Maturity ('HTM') investments; or
- Available-For-Sale ('AFS') financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

##### **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

##### **Financial Assets at FVTPL**

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

#### **HTM Investments**

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity. The Group currently hold not HTM investments.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

#### **AFS financial assets**

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include freehold land held for sale.

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

#### **Classification and subsequent measurement of financial liabilities**

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### **t) Non-current assets classified as held for sale**

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within twelve (12) months is highly probable, the asset or disposal group is classified as 'held for sale' and presented separately in the statement of financial position. Liabilities are classified as 'held for sale' and presented as such in the statement of financial position if they are directly associated with a disposal group.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

Assets classified as 'held for sale' are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some 'held for sale' assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's accounting policy for those assets.

#### u) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

#### **Tax consolidation legislation**

Kangaroo Island Plantation Timbers Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2004.

The head entity, Kangaroo Island Plantation Timbers Ltd and the controlled entities in the tax consolidation Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

In addition to its own current and deferred tax amounts, Kangaroo Island Plantation Timbers Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and tax credits assumed from controlled entities in the tax consolidation Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in Note 7.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

#### **Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **v) Profit or loss from discontinued operations**

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of profit or loss and other comprehensive income.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 2. Basis of preparation and accounting policies (continued)

#### w) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to member of the parent adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### x) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

#### y) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates, and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

#### ***Valuation of investment properties and freehold land***

Investment properties and freehold land are stated at the Board's estimate of fair value, based on an assumed average value of \$2,329 per arable hectare for Kangaroo Island farmland, discounted for remoteness and soil quality. Uncleared land and structural and other improvements are carried at zero. The figure of \$2,329 is derived from sales of similar land on the Island.

#### ***Recoverability of grower loans – impairment allowance***

All loans to former growers are now considered fully impaired and completely uncollectable.

#### ***Recovery of deferred tax assets***

Deferred tax assets are recognised for deductible temporary differences if management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

#### ***Impairment of non-financial assets other than goodwill***

The Group assesses impairment of all assets at each reporting date by evaluation of conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. Management has considered the triggers for impairment and concludes that the only impairment in the year to 30 June 2013 was to the Mill, as a consequence of the February fire, as determined by the insurance assessor.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 3. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Primary responsibility for identification and control of financial risks is shared between the board members and executive management.

#### Risk Exposures and Responses

##### Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest bearing liabilities and short-term deposits. The level of debt is disclosed in Note 19.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk that are not designated in cash flow hedges:

	Consolidated	
	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	704	405
Term deposits	-	65
	704	470
<b>Financial liabilities</b>		
Interest bearing liabilities	-	-
	-	-
Net exposure	704	470

The Group has no outstanding debt exposed to variable rates of interest.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance 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 and equity would have been affected as follows:

	Post tax profit Higher/(lower)		Equity Higher/(lower)	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Judgements of reasonably possible movements:				
<b>Consolidated</b>				
+1%	7	5	-	-
-0.5%	(4)	(2)	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 3. Financial risk management objectives and policies (continued)

#### Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Company aims to minimise concentrations of credit risk in relation to trade receivables and loans to growers by undertaking transactions with a large number of customers.

Cash at bank is held at the National Australia Bank, which has an S&P (Standard & Poors) rating of AA.

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days for receivables other than loans to growers
- a regular risk review takes place on all receivables and loan balances
- a thorough assessment process is used for all growers loans

The Chief Financial Officer has direct responsibility of the recovery of outstanding accounts. All overdue accounts are now sent directly to the Group's lawyers for legal action after all other avenues of recovery have been exhausted.

Legal action on those particular accounts where the matter is being defended are dealt with directly by the Chief Financial Officer and the lawyers involved.

The Chief Financial Officer regularly reports to the Board of Directors on these matters.

Refer to Note 10 for ageing analysis of receivables.

#### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other available credit lines.

The table below reflects all contractually fixed settlements and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2014.

Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014.

The remaining contractual maturities of the Group's financial liabilities are:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
6 months or less	<b>(87)</b>	(229)
6-12 months	<b>(58)</b>	(58)
1-5 years	<b>(5)</b>	(63)
Over 5 years	-	-
	<b>(150)</b>	<b>(350)</b>

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 3. Financial risk management objectives and policies (continued)

#### Maturity analysis of financial assets and liability based on management's expectations

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Kangaroo Island Plantation Timbers Ltd has established risk reporting covering its business that reflects expectations of management of expected settlement of financial assets and liabilities.

Year ended 30 June 2014	< 6 months \$'000	6-12 months \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	704	-	-	-	<b>704</b>
Trade and other receivables	16	-	-	-	<b>16</b>
Other financial assets	-	-	5	-	<b>5</b>
	<b>720</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>725</b>
<b>Financial Liabilities</b>					
Trade and other payables	(87)	-	-	-	<b>(87)</b>
Interest bearing loans and borrowings	(42)	(16)	(5)	-	<b>(63)</b>
	<b>(129)</b>	<b>(16)</b>	<b>(5)</b>	<b>-</b>	<b>(150)</b>
<b>Net Maturity</b>	<b>591</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>575</b>
<b>Year ended 30 June 2013</b>					
	< 6 months \$'000	6-12 months \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	405	-	-	-	405
Term deposits	65	-	-	-	65
Trade and other receivables	74	-	-	-	74
Other financial assets	-	-	5	-	5
	<b>544</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>549</b>
<b>Financial Liabilities</b>					
Trade and other payables	(229)	-	-	-	(229)
Interest bearing loans and borrowings	(42)	(16)	(63)	-	(121)
	<b>(271)</b>	<b>-</b>	<b>(63)</b>	<b>-</b>	<b>(350)</b>
<b>Net Maturity</b>	<b>273</b>	<b>(16)</b>	<b>(58)</b>	<b>-</b>	<b>199</b>

#### Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

#### Price risk

The Group's exposure to commodity and equity securities price risk is minimal as the Group no longer holds investments in equity securities.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 4. Fair value measurement of non-financial instruments

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 June 2014:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2014</b>				
<b>Property, plant and equipment</b>				
Land held for production in Australia	-	-	11,621	11,621
<b>Investment property</b>				
Land held for sale in Australia	-	-	727	727
<b>30 June 2013</b>				
<b>Property, plant and equipment</b>				
Land held for production in Australia	-	-	10,781	10,781
<b>Investment property</b>				
Land held for sale in Australia	-	-	1,955	1,955

Fair value of the Group's main property assets is estimated based on by the directors with reference to the average selling price of arable land on Kangaroo Island in the last two years. See Note 17 for further details. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and Audit Committee at each reporting date.

Further information is set out below.

#### *Land held for production in Australia (Level 3)*

The review was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

Arable land property with a fair value of \$170,000 has been sold for \$170,000, contracts were exchanged in June 2014 and settlement is expected once the subdivision from its tree farm has been approved

#### *Land held for sale in Australia (Level 3)*

An investment property with a fair value of \$230,000 has been sold for \$230,000, contracts were exchanged in December 2013 and settlement is expected once the subdivision has been approved. The remaining land is expected to be sold in the next financial year.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 5. Segment reporting

The Group's primary segment reporting format is business segments as the Group's risks and returns are affected predominately by differences in the products and services produced.

#### Year ended 30 June 2014

The Group has operations in one business segment, forestry management.

The forestry management segment primarily involves the management of timber plantations and, should favourable conditions exist, milling operations.

All operations are conducted in Australia.

<b>30 June 2014</b>	<b>Forestry \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>		
Revenue from external customers	55	55
Total segment revenue	55	55
<b>Result</b>		
Segment result	(1,310)	(1,310)
Profit/(loss) before tax and finance costs	(1,310)	(1,310)
Finance costs		(23)
Income tax benefit/(expense)		102
Profit after tax		(1,231)
<b>Assets and liabilities</b>		
Segment assets	14,340	14,340
Total assets	14,340	14,340
Segment liabilities	150	150
Total liabilities	150	150
Group net assets from continuing operations		14,190
<b>Other segment information</b>		
Depreciation	182	182

#### Year ended 30 June 2013

During the year the MIS operations were terminated and the Schemes were being wound up. In addition, the Milling operations ceased following the Mill fire. The Group still owns the Mill and maintains the equipment. The Group now only has operations in one business segment, forestry management.

The forestry management segment primarily involves the management of timber plantations and, should favourable conditions exist, milling operations.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 5. Segment reporting (continued)

	Forestry	Finance and Forestry (Discontinued operations)	Total
	\$'000	\$'000	\$'000
<b>30 June 2013</b>			
<b>Revenue</b>			
Revenue from external customers	461	-	461
Revenue from discontinued operations	-	874	874
Total segment Revenue	461	874	1,335
<b>Result</b>			
Segment result	(1,561)	(852)	(2,413)
Profit/(loss) before tax and finance costs	(1,561)	(852)	(2,413)
Finance costs			(13)
Income tax benefit/(expense)			272
Profit after tax			(2,154)
<b>Assets and liabilities</b>			
Segment assets	14,350	-	14,350
Total assets	14,350	-	14,350
Segment liabilities	350	-	350
Total liabilities	350	-	350
Group net assets from continuing operations			14,000
<b>Other segment information</b>			
Impairment of receivables	-	990	990
Depreciation	170	-	170

The continued forestry segmental results include certain head office costs that have been significantly reduced as a result of the Group strategic restructure. The primary changes are:

- Number of employees have reduced from 10 to 5 including 3 directors. The staff costs are expected to reduce by \$500,000.
- The directors are being paid by shares in lieu of cash, as approved by the shareholders at the 28 June 2013 EGM;
- There are no property lease costs, in the current year these costs amounted to \$291,000.
- The Perth Office was closed reducing operating lease costs by \$65,000 per annum.

#### Revenue

During the year revenue from timber sales to Tarmac amounted to \$18,962 (2013: \$301,832), being 34% (2013: 22%) of total revenue. In addition, discontinued revenue from Primary Securities management and lease fees amounted to \$nil (2013: \$477,328) being Nil% (2013: 35%) of total revenue



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 6. Revenue and expenses

	Consolidated	
	2014 \$'000	2013 \$'000
<b>(a) Other income</b>		
Fair value gain on sale of investment properties	-	683
Other –bad debts recovered	<b>113</b>	-
Other – insurance recoveries	-	83
Other income from continued operations	<b>113</b>	766
<b>(b) Sale of assets</b>		
Sale of investment properties	<b>700</b>	-
Cost of investment properties sold	<b>(910)</b>	-
(Loss)/profit on investment properties sold	<b>(210)</b>	-
Sale of motor vehicles	<b>18</b>	-
Cost of assets sold	<b>(5)</b>	-
(loss)/profit on assets sold	<b>13</b>	-
Total (loss)/profit on assets sold	<b>(197)</b>	-
<b>(c) Other expenses</b>		
Share-based payment	<b>186</b>	106
Audit fees (including scheme audit fees)	<b>46</b>	58
Property, plant and equipment impaired	<b>104</b>	75
ASIC fees	<b>8</b>	7
Depreciation	<b>182</b>	170
ASX/share registry fees	<b>35</b>	40
Directors fees	-	68
Legal fees	<b>73</b>	15
Professional fees	<b>141</b>	235
Other corporate expenses	<b>8</b>	17
Other expenses from continued operations	<b>783</b>	791
<b>(d) Finance costs</b>		
Loan interest	<b>23</b>	13
Finance costs from continued operations	<b>23</b>	13
<b>(e) Employee benefits expense</b>		
<b><i>From Continuing Operations</i></b>		
Wages and salaries	<b>116</b>	627
Share based payment	<b>178</b>	48
Defined contributions superannuation	<b>11</b>	60
	<b>305</b>	735
<b><i>From Discontinued Operations</i></b>		
Wages and salaries	-	80
Superannuation costs	-	6
	-	86
<b>(f) Other costs</b>		
Cost of goods sold	<b>26</b>	783
Operating leases	-	65
Plantation lease fees from discontinued operations	-	291

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 7. Financial Assets and Liabilities

#### *Categories of financial assets and liabilities*

The accounting policies provide a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

#### 30 June 2014

		Consolidated				
	Notes	Available- for-sale (AFS) \$'000	Cash & cash equivalents \$'000	Held-to- -maturity (HTM) \$'000	Loans and Receivables \$'000	Total \$'000
<b>Financial assets</b>						
Cash and cash equivalents	10	-	704	-	-	704
Trade and other receivables	11	-	-	-	16	16
<b>Total</b>		-	<b>704</b>	-	<b>16</b>	<b>720</b>

		Consolidated				
	Notes	Derivative used for hedging \$'000	Designated as FVTPL \$'000	Other liabilities at FVTPL \$'000	Other liabilities \$'000	Total \$'000
<b>Financial liabilities</b>						
Trade and other payables	19	-	-	-	87	87
Interest-bearing liabilities	20	-	-	-	63	63
<b>Total</b>		-	-	-	<b>150</b>	<b>150</b>

#### 30 June 2013

		Consolidated				
	Notes	Available- for-sale (AFS) \$'000	Cash & cash equivalents \$'000	Held-to- -maturity (HTM) \$'000	Loans and Receivables \$'000	Total \$'000
<b>Financial assets</b>						
Cash and cash equivalents	10	-	405	-	-	405
Trade and other receivables	11	-	-	-	74	74
Term deposits		-	-	65	-	65
<b>Total</b>		-	<b>405</b>	<b>65</b>	<b>74</b>	<b>544</b>

		Consolidated				
	Notes	Derivative used for hedging \$'000	Designated as FVTPL \$'000	Other liabilities at FVTPL \$'000	Other liabilities \$'000	Total \$'000
<b>Financial liabilities</b>						
Trade and other payables	19	-	-	-	229	229
Interest-bearing liabilities	20	-	-	-	121	121
<b>Total</b>		-	-	-	<b>350</b>	<b>350</b>

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 7. Financial Assets and Liabilities (continued)

#### **Borrowing**

Borrowings at amortised cost

Other interest-bearing liabilities are secured by property, plant and equipment owned by the Group (see Note 20). Current interest rates are fixed at 9% (2013: 9%). The carrying amount of the other interest-bearing liabilities is considered to be a reasonable approximation of the fair value.

#### **Other financial instruments**

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- trade and other receivables
- cash and cash equivalents
- trade and other payables

### 8. Income tax

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>a) Income tax expense</b>		
The major components of income tax expense are:		
Income Statement		
<i>Adjustments in relation to previous income tax</i>	-	-
<i>Deferred income tax</i>		
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	<b>(102)</b>	(272)
Income tax expense/(benefit) reported in income statement	<b>(102)</b>	(272)
Accounting profit/(loss) before tax from continuing and discontinued operations	<b>(1,333)</b>	(2,426)
At the statutory income tax rate of 30% (2013: 30%)	<b>(400)</b>	(728)
Non-deductible expenses/capital gain on sale of land	<b>178</b>	53
Other deductions	<b>(22)</b>	(22)
Tax loss not brought to accounts as a deferred tax asset	<b>142</b>	425
Income tax expense/(benefit) reported in income statement	<b>(102)</b>	(272)
<b>b) Amounts charged or credited to equity</b>		
Deferred income tax related to items charged (credited) to equity		
Net gain on property, plant and equipment	<b>102</b>	272
Income tax expense reported in equity	<b>102</b>	272

#### **Tax Consolidation**

The Company and its 100% owned controlled entities have formed a tax consolidation Group. Members of the Consolidated Entity have entered into a tax sharing arrangement in order to allocate income tax expenses to the wholly owned controlled entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated Group is Kangaroo Island Plantation Timbers Ltd.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 8. Income tax (continued)

#### Tax effect accounting by members of the tax consolidated Group

Members of the tax consolidated Group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated Group. Deferred taxes are allocated to members of the tax consolidated Group in accordance with a Group allocation approach which is consistent with the principles of AASB 112 Income Taxes.

The allocation of taxes under the tax funding agreement is recognised as an increase/(decrease) in the member entities' intercompany accounts with the tax consolidated Group head company, Kangaroo Island Plantation Timbers Ltd. In this regard the Company has assumed the benefit of tax losses from the member entities as of the balance date. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

#### Tax losses not recognised

The gross value of tax losses not recognised at 30 June 2014 amount to \$11,035,449 (2013: \$6,843,127).

#### Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>CONSOLIDATED</i>						
Trade and other receivables	(833)	(833)	1,137	1,137	304	304
Property, plant and equipment	(1,018)	(1,298)	1,828	1,828	810	530
Trade and other payables	(17)	(15)	-	-	(17)	(15)
Tax losses	(1,097)	(819)	-	-	(1,097)	(819)
Tax (assets)/liabilities	(2,965)	(2,965)	2,965	2,965	-	-
Set off of tax	2,965	2,965	(2,965)	(2,965)	-	-
Net tax (assets)/liabilities	-	-	-	-	-	-

#### Deferred income tax

Deferred income tax at 30 June 2014 relates to the following:

Movements in temporary differences during the year	Balance 1/7/13 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 30/6/14 \$'000
Property, plant and equipment	530	178	102	810
Trade and other receivables	304	-	-	304
Trade and other payables	(15)	(2)	-	(17)
Tax losses	(819)	(278)	-	(1,097)
	-	(102)	102	-

Movements in temporary differences during the year	Balance 1/7/12 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 30/6/13 \$'000
Property, plant and equipment	1,487	(1,229)	272	530
Inventory	(24)	24	-	-
Trade and other receivables	461	(157)	-	304
Trade and other payables	(36)	21	-	(15)
Tax losses	(1,888)	1,069	-	(819)
	-	(272)	272	-

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 9. Earnings per share

The following reflects the income and share data used in the total operation's basic and diluted earnings per share computations:

**a) Earnings used in calculating earnings per share**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Continuing Net loss attributable to ordinary equity holders of the parent	<b>(1,231)</b>	(1,302)
Continuing and Discontinuing net loss attributable to ordinary equity holders of the parent	<b>(1,231)</b>	(2,154)

**b) Weighted average number of shares**

	<b>2014</b>	<b>2013</b>
	<b>Thousands</b>	<b>Thousands</b>
<i>Weighted average number of ordinary shares for basic earnings per share</i>	<b>1,229</b>	112,348
Effect of dilution:		
Share options	-	-
<i>Weighted average number of ordinary shares adjusted for the effect of dilution</i>	<b>1,229</b>	112,348

**Post-consolidation**

On the 2 July 2013 the shares were consolidated on a 1 for 500 basis, the consolidated weighted average number of share is as follows:

	<b>2014</b>	<b>2013</b>
	<b>Thousands</b>	<b>Thousands</b>
<i>Post -consolidation weighted average number of ordinary shares for basic earnings per share</i>	<b>1,229</b>	225
Effect of dilution:		
Share options	-	-
<i>Weighted average number of ordinary shares adjusted for the effect of dilution</i>	<b>1,229</b>	225

There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 10. Current assets – Cash and cash equivalents

#### Reconciliation to Cash Flow Statement

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Cash at bank and in hand	<b>704</b>	405
	<b>704</b>	405

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

### 11. Current assets – Trade and other receivables

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Trade receivables (a)	<b>16</b>	74
Interest receivable from Growers (c)	<b>1,680</b>	1,784
Loans to Growers (b)	<b>982</b>	991
Allowance for impairment loss (e)	<b>(2,662)</b>	(2,775)
	-	-
Grower management fee (d)	-	-
Allowance for impairment loss (e)	-	-
	-	-
Carrying amount of trade and other receivables	<b>16</b>	74

#### a) Terms of trade

Trade debtors are non-interest bearing and generally on 30-day terms.

#### b) Loans to growers

The above amount represents the portion of loans to growers that is due within the next 12 months. The MIS schemes have been terminated; therefore a provision has been made against all outstanding loans.

#### c) Interest receivable

Represents outstanding interest charged on loans to growers. It is due and payable immediately. The MIS schemes have been terminated; therefore a provision has been made against all outstanding interest.

#### d) Grower management fees

Represents grower lease and management fees invoiced and charged to date. These amounts are immediately due and payable. The MIS schemes have been terminated; therefore a provision has been made against all outstanding fees and any prepaid fees were refunded during the prior year.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 11. Current assets – Trade and other receivables (continued)

#### e) Allowance for impairment loss

An impairment loss is recognised when there is objective evidence that a trade receivable is impaired. An allowance for impairment loss of \$nil (2013: \$763,000) has been recognised by the Group in Discontinued Operations for the current year for specific debtors and debtors assessed on a collective basis, as described in Note 2(g), for which such evidence exists. During the year, \$nil (2013: \$164,000) of the allowance was written off against the outstanding provision and the loan and/or lease and management fees.

At 30 June 2014 the MIS were all terminated.

At 30 June, the ageing analysis of trade receivables is as follows:

Consolidated		Total	61-90 Days	61-90 Days	+ 91 Days	+ 91 Days
			PDNI*	CI*	PDNI*	CI*
2014	Trade and other Receivables	16	16	-	-	-
	Interest receivable	1,680	-	-	-	1,680
	Loans to growers	982	-	-	-	982
		<b>2,678</b>	<b>16</b>	-	-	<b>2,662</b>
2013	Trade and other Receivables	74	74	-	-	-
	Interest receivable	1,784	-	-	-	1,784
	Loans to growers	991	-	-	-	991
	Other current assets	27	27	-	-	-
		<b>2,876</b>	<b>101</b>	-	-	<b>2,775</b>

\*PDNI – Past due not impaired – represents the portion of the outstanding amount that the grower/borrower is servicing under a mutually agreed repayment plan, but is more than 90 days past due.

\*CI – Considered impaired

#### f) Credit risk and effective interest rate risk and fair values

Details regarding the credit risk and effective interest rate of current receivables are disclosed in Note 2(s). The net carrying amount of trade and other receivables is assumed to approximate their fair value.

Movements in the allowance for impairment loss were as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
<i>Loans receivable</i>		
At 1 July	<b>2,775</b>	2,012
(Credit)/Charge for the year	<b>(113)</b>	763
At 30 June	<b>2,662</b>	2,775
<i>Lease and Management fees receivable</i>		
At 1 July	-	164
Amounts written off	-	(164)
At 30 June	-	-

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 12. Inventories

	Consolidated	
	2014	2013
	\$'000	\$'000
Finished goods (at cost or net realisable value)	-	21
	-	21

### 13. Current assets – Other

	Consolidated	
	2014	2013
	\$'000	\$'000
Prepayments	6	27
	6	27

### 14. Assets Classified as Held for Sale

During the year the Company sold two properties that are in the process of being subdivided and settlement is expected to occur in late 2014. The properties sold comprised:

- Part of the investment property known as Vinkepas was sold for \$230,000 (book value \$230,000).
- Part of the land known as Lycurgus was sold for \$170,000 (book value \$170,000).

The carrying amounts of assets classified as held for sale are as follows:

	Consolidated	
	2014	2013
	\$'000	\$'000
Property, plant & equipment assets classified as held for sale	170	-
Investments assets classified as held for sale	230	-
	400	-

### 15. Non-current assets – Trade and other receivables

	Consolidated	
	2014	2013
	\$'000	\$'000
Loans to growers (a)	4,263	4,263
Allowance for impairment loss (b)	(4,263)	(4,263)
	-	-

#### a) Loans to Growers

Loans to Growers are interest bearing with principal repayable at harvest. The MIS schemes have been terminated; therefore a provision has been made against all outstanding loans.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 15. Non-current assets – Trade and other receivables (continued)

**b) Allowance for impairment loss**

An impairment loss of \$Nil (2013: \$227,000) has been recognised by the Group in Discontinued Operations for the current year. The MIS schemes are all terminated; therefore a provision has been made against all outstanding loans.

**c) Fair values**

The net carrying amount of loans to growers is assumed to approximate their fair value.

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Loans to growers	<b>4,263</b>	4,263
Allowance for impairment loss	<b>(4,263)</b>	(4,263)
	<b>-</b>	-

### 16. Non-current assets – Property, plant and equipment

**a) Reconciliation of carrying amounts at the beginning and end of the period**

	Freehold land \$'000	Plant and equipment \$'000	<b>Total \$'000</b>
<b>Year ended 30 June 2014</b>			
At 1 July 2013 net of accumulated depreciation and impairment	10,781	1,017	<b>11,798</b>
Additions	697	2	<b>699</b>
Disposals	-	(30)	<b>(30)</b>
Adjustment in accumulated depreciation in relation to disposals	-	25	<b>25</b>
Depreciation charge for year	(29)	(153)	<b>(182)</b>
Assets classified as held for sale (Note 14)	(170)	-	<b>(170)</b>
Revaluations	342	-	<b>342</b>
At 30 June 2014 net of accumulated depreciation and impairment	<b>11,621</b>	861	<b>12,482</b>
<b>At 30 June 2014</b>			
Cost or fair value	11,720	1,251	<b>12,971</b>
Accumulated depreciation and impairment	(99)	(390)	<b>(489)</b>
Net carrying amount	<b>11,621</b>	861	<b>12,482</b>

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 16. Non-current assets – Property, plant and equipment (continued)

	Freehold land \$'000	Plant and equipment \$'000	Total \$'000
<b>Year ended 30 June 2013</b>			
At 1 July 2012 net of accumulated depreciation and impairment	5,085	902	5,987
Additions	91	17	108
Assets received in lieu of loan	-	246	246
Transfer from investment properties	4,734	-	4,734
Disposals	-	(117)	(117)
Adjustment in accumulated depreciation in relation to disposals	-	104	104
Depreciation charge for year	(35)	(135)	(170)
Revaluations	906	-	906
At 30 June 2013 net of accumulated depreciation and impairment	<u>10,781</u>	<u>1,017</u>	<u>11,798</u>
<b>At 30 June 2013</b>			
Cost or fair value	10,851	1,279	12,130
Accumulated depreciation and impairment	(70)	(262)	(332)
Net carrying amount	<u>10,781</u>	<u>1,017</u>	<u>11,798</u>

#### b) Freehold land acquired during the year and revaluations

The responsible entity has terminated the Company's MIS and, as a result, in the prior year \$4,734,000 of land has been transferred from investment property to freehold land. In addition, \$697,000 (2013: \$91,000) of land was acquired on Kangaroo Island and classified as property held for production, as opposed to investment properties.

Freehold land acquired is carried at fair value, which has been determined by the Directors with reference to the average sale price of arable land on Kangaroo Island in the last two years. See Note 17 for further commentary on the determination of fair value.

If the cost model had been used, the carrying amounts of the re-valued land would be \$3,425,262 (2013: \$2,727,291).

During the year \$170,000 of land was sold with completion expected in late 2014. The assets has been reclassified as assets held for sale.

Included in freehold land is \$302,966 of encumber land that is leased to Treecorp Pty Ltd; the lease ends on 6 June 2030. The fair value of this land has been adjusted to account for the encumbrance.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 17. Non-current assets – Investment properties

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
At Fair value		
Investment properties at 1 July	<b>727</b>	1,955
	<b>727</b>	1,955

Investment properties are carried at fair value, which has been determined by the Directors with reference recent land sales on Kangaroo Island.

In the year ended 30 June 2011 independent valuations were conducted on the Group's landholdings in May/June 2011 by Colliers International, who are industry specialists in valuing these types of investment properties and who also reviewed and confirmed their valuation in year ended 30 June 2012.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller at an arm's length transaction at the date of valuation.

In determining fair value for the Kangaroo Island land, the following main inputs have been used:

- Plantation land has been assessed at \$2,329 (2013: \$2,274) per arable hectare (after allowances for fencing and other costs);
- No value has been ascribed to uncleared land under natural vegetation;

These inputs have been referenced to market information.

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<i>Investment Properties</i>		
Opening balance as at 1 July	<b>1,955</b>	5,850
Acquisitions	<b>16</b>	156
Transferred as a result of MIS termination	-	(4,734)
Assets classified as held for sale (Note 14)	<b>(230)</b>	-
Disposals	<b>(910)</b>	-
Fair value adjustment	<b>(104)</b>	683
Closing balance as at 30 June	<b>727</b>	1,955

During the year \$230,000 of land was sold with completion expected in late 2014. The assets has been reclassified as assets held for sale.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 18. Non-current assets - Other

	Consolidated	
	2014 \$'000	2013 \$'000
Other receivables (a)	368	368
Allowance for impairment	(368)	(368)
	-	-
Other	5	5
	<b>5</b>	<b>5</b>

#### (a) Other receivables

This relates to expenses incurred in relation to a property development, and paid by the Group. It had previously been reported that the property development was conducted by the third party that purchased the Group's Toocalup and Myamba properties. However, it has since been disclosed that a company of which Peter Kinnear (the former CEO) and George Gear (the former Chairman) were then directors purchased the development from the third party. The Group is pursuing the recovery of part or all of the incurred expenses from that company and has reserved its rights to take action against those individuals involved.

### 19. Current liabilities – Trade and other payables

	Consolidated	
	2014 \$'000	2013 \$'000
Trade payables (a)	69	200
Other payables (b)	16	22
Goods and Services tax payable	-	4
PAYE tax payable	2	3
	<b>87</b>	<b>229</b>

#### a) Trade payables

Trade payables are non-interest bearing and are normally settled on 30-day terms.

#### b) Other payables

Represent annual leave entitlements of employees within the Group and are non-interest bearing.

#### c) Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 20. Interest-bearing liabilities

	Consolidated	
	2014	2013
	\$'000	\$'000
<b>Current</b>		
Chattel mortgage agreements (a)	58	58
	<b>58</b>	<b>58</b>
<b>Non-current</b>		
Chattel mortgage agreements (a)	5	63
	<b>5</b>	<b>63</b>

- a) Chattel mortgage agreements relate to three goods mortgages with De Lage Landen for the purchase of a 70,000 litre diesel fuel tank, a Volvo loader and a Nissan Navara. Security for these loans extends only to the three assets subject to the agreement. The agreements for the fuel tank and Volvo Loader are to be repaid in 4 annual instalments with the Nissan paid monthly over a four year term ending in July 2015.
- b) The carrying amount of interest bearing liabilities approximates their fair value.

### 21. Contributed equity

	Consolidated	
	2014	2013
	\$'000	\$'000
a) <b>Issued and paid up capital</b>		
Ordinary shares fully paid	12,631	11,450

Fully paid ordinary shares carry one vote per share and carry the right to dividends

#### b) Movements in shares on issue

	2014		2013	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of financial year	581,819,476	11,450	66,131,354	9,898
Consolidation of shares 1:500 basis	(580,655,765)	-	-	-
Issue of shares on 15 October 2014	1,126	2	-	-
Issue of shares on 5 May 2014	401,408	1,004	-	-
Issue of shares in prior year	-	-	498,235,155	1,446
Share-based payment	81,951	185	17,452,967	106
Share issue costs	-	(10)	-	-
End of the financial year	<b>1,648,196</b>	<b>12,631</b>	581,819,476	11,450

#### c) Capital management

Capital consists of share capital and borrowings of \$12.694 million (2013: \$11.571 million).

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 21. Contributed equity (continued)

Management monitor capital through the gearing ratio (net debt/total capital). The gearing ratios at 30 June 2014 and 30 June 2013 were as follows:

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Trade and other payables	<b>87</b>	229
Interest bearing liabilities	<b>63</b>	121
Less cash and cash equivalents	<b>(704)</b>	(470)
Net debt	<b>(554)</b>	(120)
Total equity	<b>14,190</b>	14,000
Total capital	<b>13,636</b>	13,880
Gearing Ratio	<b>(4.06%)</b>	(0.86%)

The Group is not subject to any externally imposed capital requirements.

### 22. Reserves

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Option reserve (a)	<b>272</b>	272
Property, plant and equipment reserve (b)	<b>3,323</b>	3,083
	<b>3,595</b>	3,355

#### a) Option reserve

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Opening balance at 1 July	<b>272</b>	272
Movement	-	-
Closing balance at 30 June	<b>272</b>	272

The option reserve is used to recognise the grant date fair value of options issued to employees but not yet exercised.

#### b) Property, plant and equipment revaluation reserve

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Opening balance at 1 July	<b>3,083</b>	2,448
Net fair value gain on property, plant and equipment	<b>240</b>	635
Closing balance at 30 June	<b>3,323</b>	3,083

The property, plant & equipment revaluation surplus is used to record increments and decrement on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 23. Contingent liabilities

The Company is aware that a former director of the Company has made verbal representations on a without prejudice basis to the effect that he is considering suing the Company and its directors for various alleged actions and omissions relating to past capital raisings and its management of plantations in which he formerly had an interest. He has further indicated, again on a without prejudice basis, that, in settlement of his claims, he would accept a tranche of Company shares equivalent to approximately 3-4% of the Company's issued capital and the payment of a sum of approximately \$350,000. The directors have made no provision in respect of this contingency, on the basis that the matter has no chance of success. In the unlikely event that a solicitor could be found who would agree to commence proceedings, they would be vigorously defended and, in the directors' opinion, would be likely to result in a costs order against the plaintiff.

The directors are not aware of any other matter or circumstance not otherwise dealt with in the report or consolidated financial statements that has significantly or may significantly affect the operations of the consolidated entity.

#### *Prior year*

The Group had issued a guarantee of \$50,000 to ASIC in relation to the financial services license issued to an unrelated party. No liability is expected to arise. This deposit was refunded to the Company after the schemes were terminated. In addition, a \$23,100 guarantee was issued to Alessandrino Property Group in relation to the lease for the Company's offices in East Perth, which was released in 2014.

### 24. Contingent assets

The directors are not aware of any contingent assets.

### 25. Cash flow statement reconciliation

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	<b>\$'000</b>
The fair value of cash and cash equivalents is \$703,733 (2013: \$405,220).		
<b>Reconciliation from the net profit after tax to the net cash flows from operations</b>		
Net profit/(loss)	<b>(1,231)</b>	(2,154)
<i>Adjustments for</i>		
Depreciation	<b>182</b>	170
Loss on sale of property, plant and equipment	<b>197</b>	-
Unearned income	-	973
Fair value decrease/(increase) in investment properties	<b>104</b>	(683)
Tax on increase in fair value on property, plant and equipment	<b>(102)</b>	(272)
Share-based payment	<b>185</b>	106
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables and other debtors	<b>70</b>	1,384
(Increase)/decrease in stock	<b>21</b>	232
Increase/(decrease) in accounts payable	<b>(96)</b>	(672)
Increase/(decrease) in unearned lease fee income	-	(1,114)
<b>Net cash (used in)/from operating activities</b>	<b>(670)</b>	(2,030)

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 26. Events after balance date

In August 2014, the group announced the preliminary port feasibility report findings, whereby the Smith Bay site is favoured over other sites on the north coast of Kangaroo Island

There have been no other significant events after balance date.

### 27. Auditor remuneration

The auditor of Kangaroo Island Plantation Timbers Ltd is Grant Thornton Audit Pty Ltd.

	Consolidated	
	2014	2013
	\$	\$
Amounts received or due and receivable by auditors for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity		
Grant Thornton	32,500	23,000
Ernst & Young	-	20,600
Taxation services Grant Thornton	2,000	21,150
	<b>34,500</b>	<b>64,750</b>

### 28. Key management personnel

#### (a) Compensation of key management personnel

	Consolidated	
	2014	2013
	\$	\$
<b>Directors</b>		
Short-term employee benefits	-	80,231
Post-employment benefits	-	2,752
Share-based payment <sup>(1)</sup>	175,000	71,803
	<b>175,000</b>	<b>154,786</b>
<b>Executives</b>		
Short-term employee benefits	-	340,531
Fees <sup>(2)</sup>	100,906	20,141
Post-employment benefits	-	32,643
Other non-monetary benefits	-	9,414
Long Service leave paid on termination	-	29,147
Long service leave	-	599
Share-based payment <sup>(2)</sup>	1,000	9,000
	<b>101,906</b>	<b>441,475</b>
<b>Total</b>	<b>276,906</b>	<b>596,261</b>

(1) During the year the following remuneration paid in shares:

- During the year 33,334 (2013: 6,944,444) ordinary shares were issued in lieu of \$75,000 (2013: \$28,409) Directors Fees, to Aminac Pty Ltd ATF Agrarian Management S/F A/C of which Paul McKenzie is the Managing Director.
- During the year 22,222 (2013: 4,629,630) ordinary shares were issued in lieu of \$50,000 (2013: \$18,939) Directors Fees, to JP Morgan Australia Ltd as custodian of the Samuel Terry Absolute Return Fund, Fred Woollard is the Managing Director of Samuel Terry Assets Management Pty Ltd as trustee for Samuel Terry Absolute Return Fund.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 28. Key management personnel (continued)

- During the year 22,222 (2013: 3,652,968) ordinary shares were issued in lieu of \$50,000 (2013: \$16,667) Directors Fees. John Sergeant was appointed a director on 2 March 2013.
  - During the year nil (2013: 925,926) ordinary shares were issued in lieu of (2013: \$3,788) Directors Fees. Ian Olson resigned as a director on 26 February 2013. In addition, in the prior year \$6,000 of remuneration related to 100,000 shares that were granted on 30 June 2012 but were not issued until 24 July 2012. At 30 June 2012 the shares were valued at \$0.06, however the value was increased to \$0.10 on issue resulting in \$6,000 being charged in 2012 and \$4,000 in 2013.
- (2) During the year the professional fees were incurred in respect of:
- Jessica Domaschitz has provided professional forester services since May 2013 and was appointed as CEO on 12 July 2013. During the year \$14,400 (2013: \$6,200) of professional services were invoiced by Forestech Management Pty Ltd, of which Jessica Domaschitz is an employee.
  - Victoria Allinson was appointed as CFO and Company Secretary on 14 May 2013. During the year the professional accounting and company secretarial fees of \$87,506 (2013: \$7,152) were invoiced by Allinson Accounting Solutions Pty Ltd, of which Victoria Allinson is Managing Director and shareholder. During the year, \$1,000 (2013: \$1,000) of invoiced fees were paid in shares, the remaining \$86,506 (2013: \$6,152) were paid or payable.
  - During the year ended 30 June 2012 cash bonus and 100,000 shares each (value \$10,000) were granted on 30 June 2012 to John Ipsen and Scott Wallace. These shares were not issued until 24 July 2012. At 30 June 2012 the shares were valued at \$0.06, however the value was increased to \$0.10 on issue resulting in \$6,000 each being charged in 2012 and \$4,000 each in 2013. John Ipsen and Scott Wallace resigned on 8 June 2013 and 15 April 2013 respectively.

The directors and executives have been reimbursed for Company expenses incurred during the year.

There have been no other transactions with directors or executives.

### 29. Related party disclosures

#### Ultimate parent

The ultimate parent entity is Kangaroo Island Plantation Timbers Ltd, a publicly listed company domiciled and incorporated in Australia.

#### Subsidiaries

The consolidated financial statements include the financial statements of Kangaroo Island Plantation Timbers Ltd and the subsidiaries listed in the following table:

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity	
		2014 %	2013 %
Cineria Pty Ltd <sup>(1)</sup>	Australia	100	-
APR Pty Ltd	Australia	100	100
RuralAus Plantation Management Pty Ltd <sup>(2)</sup>	Australia	100	100
RuralAus Finance Limited <sup>(2)</sup>	Australia	100	100
RuralAus Landholdings Limited <sup>(2)</sup>	Australia	100	100
RuralAus Plantation Timber Pty Ltd <sup>(2)</sup>	Australia	100	100

<sup>(1)</sup> Cineria Pty Ltd was incorporated on 29 January 2014 as is a wholly owned subsidiary of Kangaroo Island Plantation Timbers Ltd

<sup>(2)</sup> These wholly owned subsidiaries' immediate parent entity is APR Pty Ltd, a wholly owned subsidiary of Kangaroo Island Plantation Timbers Ltd.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 29. Related party disclosures (continued)

#### Key management personnel

Details relating to key management personnel, are included in Note 28.

#### Transactions with related parties

Transactions between Kangaroo Island Plantation Timbers Ltd and other entities in the wholly owned group during the period consisted of:

- Loans advanced by Kangaroo Island Plantation Timbers Ltd; and
- Loans advanced to Kangaroo Island Plantation Timbers Ltd.

Loans provided by the Company to wholly owned entities are made on an interest free basis and are repayable on demand.

All inter-entity transactions and balances are eliminated in the consolidated financial statements.

During the year, Agrarian Consulting Pty Ltd, a company controlled by Paul McKenzie, a non-executive director of the Company entered into a loan agreement. The loan totalled \$300,000 with the initial draw down in November 2013. Interest is charged at 9% per annum payable on the maturity date. The loan's maturity date of 28 February 2014 was extended to 1 June 2014 and was secured on the land know as Kelly East (CT Volume 5959 Folio's 961 and 965 has a carrying value of \$692,000). The loan of \$310,319 including interest was repaid in full in May 2014.

### 30. Parent Entity disclosures

Information relating to Kangaroo Island Plantation Timbers Ltd

	2014 \$'000	2013 \$'000
Current assets	866	416
Non-current assets	3,826	4,778
Intercompany loan	4,836	4,312
<b>Total assets</b>	<b>9,528</b>	<b>9,506</b>
Current liabilities	68	164
<b>Total liabilities</b>	<b>68</b>	<b>164</b>
<b>Total net assets</b>	<b>9,460</b>	<b>9,342</b>
Issued capital	12,631	11,450
Option reserve	272	272
Property, plant and equipment reserve	800	843
Retained earnings	(4,243)	(3,223)
<b>Total shareholders' equity</b>	<b>9,460</b>	<b>9,342</b>
Profit/(loss) of the parent entity	(1,020)	209
Net fair value (loss)/gain in property, plant and equipment	(43)	843
<b>Total comprehensive income/(loss)</b>	<b>1,063</b>	<b>1,052</b>

#### Parent entity guarantees, commitments and contingent liabilities

The directors are not aware of any guarantees, commitments or contingent liabilities of the parent entity.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 31. Share-based Payment

#### Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Expense arising from equity-settled share-based payment transactions	<b>186</b>	106
Total expense from share-based payment transactions	<b>186</b>	106

Equity-settled share-based payment transactions during the year:

- (a) During the year the following \$175,000 (2013: \$71,803) of directors remuneration was paid in shares:
- 33,334 shares were issued in lieu of Paul McKenzie 's director's fees totaling \$75,000.
  - 22,222 shares were issued in lieu of Frederick Woollard' director's fees totaling \$50,000.
  - 22,222 shares were issued in lieu of John Sergeants' director's fees totaling \$50,000.
  - During the year nil (2013: 925,926) ordinary shares were issued in lieu of \$nil (2013: \$3,788) Directors Fees. Ian Olson resigned as a director on 26 February 2013. During the prior year 100,000 shares were granted on 30 June 2012 to Ian Olson. These shares were not issued until 24 July 2012. At 30 June 2012 the shares were valued at \$0.06, however the value was increased to \$0.10 on issue resulting in \$6,000 being charged in 2012 and \$4,000 in 2013.
- (b) Victoria Allinson was appointed as CFO and Company Secretary on 14 May 2013. These shares were issued to Allinson Family Trust, of which Victoria Allinson is a trustee and beneficiary. The 391 (2013: 667 (pre-consolidation 333,333)) shares were in payment of \$1,000 (2013: \$1,000) professional fees invoiced by Allinson Accounting Solutions Pty Ltd.
- (c) \$2,000 (2013: \$2,000) were paid to employees during the year under the Executive & Employee Share Loan Scheme (EESP). Under the EEPs two employees were issued 391 (2013: 667 (pre-consolidation 333,333) shares each.
- (d) 3,000 (2013: nil) Ordinary Shares issued on 13 June 2014 in exchange for removing profit à prendre on part of the Company's land at Roo Lagoon. The shares were issued at a deemed value of \$8,100 (\$2.70 per share).

### 32. Discontinued operations

The 100% subsidiary, RuralAus Plantations Management Pty Ltd was the manager of five managed investment schemes ("MIS") involving blue gum and pine plantations. The MIS were located on Kangaroo Island, South Australia and Bremer Bay, Western Australia. During the prior year, the decision was made by the responsible entity and the growers to terminate the five MIS and, as a result, the Bremer Bay lease was terminated. RuralAus Finance Limited marketed the timber investment through the raising of and provision of finance to investors in the MIS projects.

The profit and loss of the five MIS and related management, investor loans and property costs has been reported in these financial statements as a discontinued operation.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 32. Discontinued operations (continued)

Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

#### a. Financial Performance

	2014 \$'000	2013 \$'000
Revenue	-	874
Expenses	-	(1,726)
Profit before income tax	-	(852)
Income tax expense	-	-
Loss after income tax of discontinued operations	-	(852)
Loss on termination of operation	-	-
Loss from discontinued operations	-	(852)

#### b. Details of assets and liabilities

At 30 June 2014, all asset balances relating to the managed investment schemes were fully impaired and there were no liabilities in relation to discontinued operations.

### 33. Commitments

#### Leasing commitments

##### Operating lease commitments – Group as lessee

The Group financed a motor vehicle, wheel loader and fuel tank at the sawmill in the previous year. All agreements are repayable over four years from commencement. The amounts are shown as liabilities under Note 20.

##### Operating lease commitments – Group as lessor

The Group previously entered into commercial property leases on its investment properties in relation to growers under the five managed investment schemes that the Group manages. These leases have remaining terms of between three and 14 years.

During the prior year these leases were terminated as part of the change in Group's strategic direction, as a result there are no such commitments at 30 June 2014 or 30 June 2013.

There are no other commitments at 30 June 2014.

## Directors' Declaration

In accordance with a resolution of the directors of Kangaroo Island Plantation Timbers Ltd, I state that:

- In the opinion of the directors:
  - The consolidated financial statements and notes of Kangaroo Island Plantation Timbers Ltd for the financial year ended 30 June 2014 are in accordance with the Corporations Act 2001, including:
    - Giving a true and fair view of its financial position as at 30 June 2014 and of its performance for the financial year ended on that date;
    - Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
  - The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and
  - 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 has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

On behalf of the Board



Chairman

Dated this 18<sup>th</sup> day of September 2014

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KANGAROO ISLAND PLANTATION TIMBERS LIMITED**

### **Report on the financial report**

We have audited the accompanying financial report of Kangaroo Island Plantation Timbers Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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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 judgement, 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 control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. 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.

### **Auditor's opinion**

In our opinion:

- a the financial report of Kangaroo Island Plantation Timbers 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 the notes to the financial statements.

### **Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Kangaroo Island Plantation Timbers Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



S K Edwards  
Partner – Audit & Assurance

Adelaide, 18 September 2014



## Supplementary Information for Investors as at 15 September 2014

The information contained below is to be read in conjunction with the annual report of Kangaroo Island Plantation Timbers Ltd dated 30 June 2014. The share are stated on a post-consolidation basis.

### Details of top 20 shareholders

The following is a list of the top 20 shareholders of the Company:

Rank	Name	Number of shares held	% of total shares issued
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,048,457	63.61
2.	AMINAC PTY LTD <AGRARIAN MANAGEMENT S/F A/C>	129,610	7.84
3.	CONSTABLE INVESTMENTS GROUP LIMITED	51,550	3.13
4.	MR JOHN DAVID SERGEANT	37,174	2.26
5.	A&M SALTER NOMINEES PTY LTD <ALF SALTER & ASSOC S/F A/C>	34,517	2.09
6.	MR GRAHAM IAN HOLDAWAY + MRS KRISTINA MARY IRVING HOLDAWAY <G & K SUPER FUND A/C>	30,700	1.86
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	29,000	1.76
8.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	27,200	1.65
9.	MR JOHN DAVID SERGEANT <SERGEANT FAMILY S/F A/C> LOCOPE PTY LTD	21,510	1.31
10.	MAJ PTY LTD <WALLACE SUPER FUND A/C>	20,400	1.24
11.	LOCOPE PTY LTD	20,000	1.21
12.	KELIRI PTY LTD <KEN RICHARDS FAMILY S/F A/C>	17,000	1.03
13.	PHALAENOPSIS PTY LTD	16,267	0.99
14.	MR DAVID HALSTEAD BREWSTER + MS CHRISTINE EVELYN NEWMAN	14,336	0.87
15.	MR GILES CAMERON CRAIG MRS VICKI PATRICIA CRAIG <CRAIG FAMILY TRUST>	11,040	0.67
16.	GADBY PTY LTD <GADBY SUPER A/C>	10,880	0.66
17.	MR JOHN DAVID SERGEANT <SERGEANT FAMILY A/C>	10,776	0.65
18.	MR TIMOTHY EDWARD HOBILL COLE + MRS FIONA CAROLINE HOBILL COLE <VAMEKE SUPER FUND A/C>	10,019	0.61
19.	OMNIVEST PTY LTD <THE CLEGG SUPER FUND A/C>	10,000	0.61
20.	KAREN LOUISE IPEN <IPSEN FAMILY TRUST>	5,200	0.32
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)</b>		<b>1,555,636</b>	<b>94.37</b>
<b>Total Remaining Holders Balance</b>		<b>92,560</b>	<b>5.63</b>
<b>Total</b>		<b>1,648,196</b>	<b>100.00</b>

## Supplementary Information for Investors as at 15 September 2014 (continued)

### Details of substantial shareholders

The following is a list of substantial shareholders of the Company and their associates:

Name of substantial shareholder	Registered holder of the shares	Number of shares held	% of total shares	Associate of substantial shareholder
Samuel Terry Asset Management Pty Ltd	JP Morgan Nominees	783,353	47.61%	Fred Woollard, Nigel Burgess
Supervised Investments Limited	JP Morgan Nominees	265,104	16.08%	Ida Constable
	HSBC Custody Nominees	29,000	1.76%	Ida Constable
		294,104	17.84%	
John Sergeant	Phalaenopsis Pty Ltd	16,267	0.99%	John Sergeant
	Sergeant Family Trust	10,776	0.65%	John Sergeant
	Sergeant Family Superannuation Fund	21,510	1.11%	John Sergeant
	John David Sergeant	37,174	2.26%	John Sergeant
	Jennifer Sue-Ellen Rosalie Sergeant	1,000	0.28%	John Sergeant
		86,727	5.26%	
Paul McKenzie	Aminac Pty Ltd <Ararian Management S/F A/C>	129,610	7.88%	Paul McKenzie

### Distribution of shareholder numbers

Number of shares held	Number of shareholders
1 – 1,000	398
1,001, - 5,000	25
5,001 – 10,000	2
10,001 – 100,000	16
More than 100,001	2

### Number of shareholders with less than a marketable parcel of securities

As at 15 September 2014, there were a total of 356 shareholders with less than a marketable parcel of securities held in Kangaroo Island Plantation Timbers Ltd.

### Unlisted options

There are no unlisted options.

### Types of securities and voting rights

There is one class of ordinary shares. Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

### Number and class of shares held in escrow

There are currently no shares held in escrow.

### On-Market Buy Backs

There is no current on-market buy back at the date of this report.

### Securities Exchange

The Company is listed on the Australian Securities Exchange.