# Kangaroo Island Plantation Timbers Ltd

ACN 091 247 144

# Results for Announcement to the Market
# Appendix 4D

**Current reporting period: Half-year ended 31 December 2013**
**Previous corresponding reporting period: Half-year ended 31 December 2012**

## Results for Announcement to the Market

| | Percentage Change % | Amount $'000 |
|---|---|---|
| Revenue from ordinary activities – continued operations | 81% decrease | 49 |
| Revenue from ordinary activities – discontinued operations | 100% decrease | - |
| Loss from ordinary activities after tax – continued operations | 43% decrease | (649) |
| Loss from ordinary activities after tax – continued and discontinued operations | 65% decrease | (649) |
| Net loss attributable to members | 65% decrease | (649) |

## Dividends paid or proposed

No dividends have been paid or proposed during the period.

## Brief explanation of revenue and net profit/(loss)

The Group experienced an decrease in revenue for the period from continuing operation as compared to the same time last year of 81.2% to $49,000 (2012: $261,000). This was attributable to decreased timber sales from sawmill on Kangaroo Island, decreasing from $237,000 in 2012 to $19,000 in this period following the fire and closure of the Mill. Income from interest on loans and from lease and management fees from growers are $nil as a result of the termination of the MIS (2012: Interest from loans to growers $337,000 and Lease and management fees $473,000).

Losses from continuing and discontinued operations are down by $1,221,000 as a result of terminated MIS operations (2012: $729,000 loss) and lower head office costs.

## NTA backing

| | Half-year Ended 31 December 2013 | Half-year Ended 31 December 2012 |
|---|---|---|
| Net tangible asset backing per security | $11.17 | $91.50 |

The pre-share consolidation NTA backing amounted to 18.3 cents in the half year ended 31 December 2012.

## Details of entities over which control has been gained or lost during the period

The Group has not gained or lost control of any entities during the half-year ended 31 December 2013.

## Details of dividends

Not applicable

## Details of associates or joint ventures

Not applicable

## Audit dispute or qualification

We are not aware of any audit dispute or qualification for the accounts for the half-year ending 31 December 2013.

The half-year financial report should be read in conjunction with the annual report for the year ended 30 June 2013.

Kangaroo Island PLANTATION TIMBERS

# Kangaroo Island Plantation Timbers Ltd

ABN 19 091 247 166

***Half-year Financial Report***

**31 December 2013**

Kangaroo Island PLANTATION TIMBERS

# Contents

# Notes to the Consolidated Financial Statements continued

For the half-year ended 31 December 2013

## Directors Report

Your directors submit their report for the half-year ended 31 December 2013.

### Directors

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

- Paul McKenzie – Non Executive Chairman
- Fred Woollard – Non Executive
- John Sergeant – Non Executive

### Review and results of operations

The Group experienced an decrease in revenue for the period from continuing operation as compared to the same time last year of 81% to $49,000 (2012: $261,000). This was attributable to decreased timber sales from sawmill on Kangaroo Island, up from $237,000 in 2012 to $19,000 in this period following the fire and closure of the Mill. Income from interest on loans and from lease and management fees from growers are $nil as a result of the termination of the MIS (2012: Interest from loans to growers $337,000 and Lease and management fees $473,000).

The net loss for the period was significantly lower than the same time last year, down by 43% on continued operation and 65% on continued and discontinued operation. This is largely due to decreased MIS costs as a result of the termination of the schemes and lower head office costs as a result of a strategic restructure in early 2013.

### Events after balance date

In January 2014, the $150,000 loan maturity date was extended to 28 May 2014.

During the year the company signed agreements to sell two properties whereby settlement is expected in the 2014:

- St Andrews was sold for $250,000; and
- Part of Vinkepas was sold for $230,000.

### 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.

### Dividends

No dividends have been declared or paid in this financial period.

### Auditor independence and non-audit services

The directors have received the auditor's independence declaration, which is included on page 5 of this report and forms part of this report.

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

Signed in accordance with a resolution of the directors.

Paul McKenzie
Chairman
Dated this 4th February 2014

Grant Thornton

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Kangaroo Island Plantation Timbers Ltd for the half-year ended 31 December 2013, 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 review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S K Edwards
Partner – Audit & Assurance

Adelaide, 4 February 2014

Kangaroo Island PLANTATION TIMBERS

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2013

| | Notes | Consolidated 31 December 2013 $'000 | 31 December 2012 $'000 |
|---|---|---|---|
| Timber sales | | **19** | 237 |
| Rent | | **25** | 3 |
| Bank interest | | **5** | 21 |
| **Revenue** | | **49** | 261 |
| Cost of sales | | **(25)** | (372) |
| **Gross profit** | | **24** | (111) |
| | | | |
| Other income | 3 | **3** | 8 |
| | | | |
| Property expenses | | **(120)** | (56) |
| Administrative expenses | | **(52)** | (93) |
| Occupancy expenses | | **(1)** | (44) |
| Other expenses | 3 | **(495)** | (837) |
| Finance costs | | **(8)** | (8) |
| **Loss before income tax** | | **(649)** | (1,141) |
| Income tax benefit/(expense) | 4 | **-** | - |
| **Net loss for the period from continuing operations** | | **(649)** | (1,141) |
| | | | |
| **Discontinuing operations** | | | |
| Profit/(loss) from discontinuing operations | 5 | **-** | (729) |
| **Profit/(loss) for the year attributable to members of the parent** | | **(649)** | (1,870) |
| **Other comprehensive income** | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Net fair value gain/loss) in property, plant and equipment | | **(61)** | - |
| **Other comprehensive income for the year net of tax** | | **(61)** | - |
| **Total comprehensive income/(loss) for the year attributable to members of the parent** | | **(710)** | (1,870) |
| | | | |
| ***Post-share consolidation*** | | **EPS in cents** | **EPS in cents** |
| Basic profit/(loss) per share from continuing and discontinued operations | 6 | (55.75) | (860.84) |
| Basic profit/(loss) per share from continuing operations | 6 | (55.75) | (1,410.84) |
| ***Pre-share consolidation*** | | **EPS in cents** | **EPS in cents** |
| Basic profit/(loss) per share from continuing and discontinued operations | 6 | (0.11) | (2.81) |
| Basic profit/(loss) per share from continuing operations | 6 | (0.11) | (1.72) |

Kangaroo Island PLANTATION TIMBERS

# Consolidated Statement of Financial Position

As at 31 December 2013

| | Notes | Consolidated 31 December 2013 $'000 | 30 June 2013 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 187 | 405 |
| Trade and other receivables | | - | 74 |
| Term deposits | | - | 65 |
| Inventories | | - | 21 |
| Other current assets | | 64 | 27 |
| **Total current assets** | | 251 | 592 |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 11,626 | 11,798 |
| Investment properties | 10 | 1,821 | 1,955 |
| Other non-current assets | | 5 | 5 |
| **Total non-current assets** | | 13,452 | 13,758 |
| **TOTAL ASSETS** | | 13,703 | 14,350 |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 74 | 229 |
| Interest-bearing liabilities | 11 | 208 | 58 |
| **Total current liabilities** | | 282 | 287 |
| | | | |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities | 11 | 41 | 63 |
| Deferred tax liabilities | | - | - |
| **Total non-current liabilities** | | 41 | 63 |
| **TOTAL LIABILITIES** | | 323 | 350 |
| **NET ASSETS** | | 13,380 | 14,000 |
| **EQUITY** | | | |
| Contributed equity | 12 | 11,540 | 11,450 |
| Reserves | | 3,294 | 3,355 |
| Retained earnings | | (1,454) | (805) |
| **TOTAL EQUITY** | | 13,380 | 14,000 |

Kangaroo Island PLANTATION TIMBERS

# Consolidated Statement of Cash Flows

For the half-year ended 31 December 2013

| | Notes | Consolidated 31 December 2013 $'000 | 31 December 2012 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **93** | 237 |
| Payments to suppliers and employees | | **(465)** | (987) |
| Interest received | | **5** | 21 |
| Borrowing costs | | **(8)** | (8) |
| Net cashflow from continuing operations | | **(375)** | (737) |
| Net cashflow from discontinuing operations | | **-** | (18) |
| **Net cash flows (used in)/from operating activities** | | **(375)** | (755) |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceed/(payment) for term deposit | | **65** | (25) |
| Proceeds from sale of plant and equipment | | **3** | |
| Purchase of plant and equipment | | **(40)** | (16) |
| **Net cash flows from/(used in) investing activities** | | **28** | (41) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | **2** | - |
| Proceeds from borrowings | | **150** | - |
| Repayment of borrowings | | **(23)** | (63) |
| **Net cash flows used in financing activities** | | **129** | (63) |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **(218)** | (859) |
| Cash and cash equivalents at beginning of period | | **405** | 1,227 |
| **Cash and cash equivalents at end of period** | | **187** | 368 |

## Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2013

| | Issued Capital $'000 | Treasury Shares $'000 | Property, plant & equipment Revaluation Reserve | Option Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2013** | **11,900** | **(450)** | **3,083** | **272** | **(805)** | **14,000** |
| Profit/(loss) for the period | - | - | - | - | (649) | (649) |
| Other comprehensive income | - | - | (61) | - | - | (61) |
| Total comprehensive income | - | - | (61) | - | (649) | (710) |
| Issue of shares | 2 | - | - | - | - | 2 |
| Share based payment | 88 | - | - | - | - | 88 |
| **Balance at 31 December 2013** | **11,990** | **(450)** | **3,022** | **272** | **(1,454)** | **13,380** |

For the half-year ended 31 December 2012

| | Issued Capital $'000 | Treasury Shares $'000 | Property, plant & equipment Revaluation Reserve | Option Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2012** | **10,348** | **(450)** | **2,448** | **272** | **1,349** | **13,967** |
| Profit/(loss) for the period | - | - | - | - | (1,870) | (1,870) |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | (1,870) | (1,870) |
| Issue of shares | - | - | - | - | - | - |
| Share based payment | 30 | - | - | - | - | 30 |
| **Balance at 31 December 2012** | **10,378** | **(450)** | **2,448** | **272** | **(521)** | **12,127** |

# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2013

## 1. Corporate information

The financial report of Kangaroo Island Plantation Timbers Ltd ("the Company") and its controlled entities ("the Group" or "Consolidated Entity") for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 4 February 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 Stock Exchange.

## 2. Basis of preparation and accounting policies

### a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include full note disclosures of the type normally included within the annual financial report. Accordingly, it should be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Kangaroo Island Plantation Timbers Ltd during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules.

There is no change in accounting policy during the current period, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

### b) Going concern assumption

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

During the period ended 31 December 2013, the Group incurred a net loss after tax of $648,747 and a net cash outflow used in operating activities of $374,951. The cash and cash equivalents balance, as at 31 December 2013 was $187,041. The consolidated entity's net current liability position at 31 December 2013 was $30,987.

The Group's primary focus is consolidation and rationalisation of the Group's operations on Kangaroo Island. This will require operational cost control and the sale of non-core assets.

The Directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be successful in securing the additional funds through the previously announced sale of non-core assets at St Andrews $250,000 and Vinkepas $230,000. The sales agreements were both signed in late 2013 and the completion is expected in the early part of 2014.

Should the Group not achieve the matter set out above, there is uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

### c) Changes in accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2013, except for the application of the following standards as of 1 January 2013:

- AASB 10 *Consolidated Financial Statements*;
- AASB 11 *Joint Arrangements*;
- AASB 13 *Fair Value Measurement*; and
- AASB 119 *Employee Benefits* (September 2011)

Management has reviewed the new requirements of the above standards and has concluded that there is no effect on the classification or presentation of balances as the group has no arrangements within the scope of the above standards.

# Notes to the Consolidated Financial Statements continued

For the half-year ended 31 December 2013

## 3. Other income and expenses

| | Consolidated | |
|---|---|---|
| | **31 December 2013 $'000** | 31 December 2012 $'000 |
| **Other income** | | |
| Change in fair value of investment properties | **-** | - |
| Other | **3** | 8 |
| | **3** | 8 |
| **Expenses** | | |
| Impairment of receivables | **104** | 75 |
| Salaries and wages | **66** | 413 |
| Professional fees | **84** | 47 |
| Legal fees | **13** | 3 |
| Directors fees | **87** | 73 |
| ASX/Share registry fees/ASIC fees | **23** | 13 |
| Audit fees | **22** | 24 |
| Depreciation | **93** | 90 |
| Other | **3** | 99 |
| | **495** | 837 |

## 4. Income tax (expense)/benefit

| | Consolidated | |
|---|---|---|
| | **31 December 2013 $'000** | 31 December 2012 $'000 |
| Accounting loss before tax from continuing and discontinued operations | **(649)** | (1,870) |
| At the statutory income tax rate of 30% | **(195)** | (561) |
| Non deductible expenditure | **-** | 22 |
| Amounts charged to equity | **-** | (19) |
| Add: temporary differences not recognised | **3** | 3 |
| Tax losses not brought to account as a DTA | **192** | 555 |
| Income tax expense/(benefit) reported in the income statement | **-** | - |

## 5. 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 year, the decision was made 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 (continued)

For the half-year ended 31 December 2013

## 5. 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

| | **31 December 2013 $'000** | 31 December 2012 $'000 |
|---|---|---|
| Revenue | - | 828 |
| Expenses | - | (1,557) |
| Profit before income tax | - | (729) |
| Income tax expense | - | - |
| Loss after income tax of discontinued operations | - | (729) |
| Loss on termination of operation | - | |
| Loss from discontinued operations | - | (729) |

### b. Details of assets and liabilities

At 31 December 2013 and 30 June 2013, all asset balances relating to the managed investment schemes were fully impaired and there were no liabilities in relation to discontinued operations.

## 6. 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

| | **Consolidated** | |
|---|---|---|
| | **31 December 2013 $'000** | 31 December 2012 $'000 |
| Continuing Net loss attributable to ordinary equity holders of the parent | **(649)** | (1,141) |
| Continuing and Discontinuing net loss attributable to ordinary equity holders of the parent | **(649)** | (1,870) |

### b) Weighted average number of shares

| | ***No.*** | *No.* |
|---|---|---|
| *Weighted average number of ordinary shares for basic earnings per share* | **1,164,044** | 132,545 |
| Effect of dilution: | | |
| Share options | **-** | - |
| *Weighted average number of ordinary shares adjusted for the effect of dilution* | **1,164,044** | 132,545 |

# Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2013

## 6. Earnings per share (continued)

| | Consolidated | |
|---|---|---|
| | **31 December 2013 $'000** | 31 December 2012 $'000 |
| ***Pre-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 | | |
| | ***Thousands*** | *Thousands* |
| *Post -consolidation weighted average number of ordinary shares for basic earnings per share* | **582,022** | 66,273 |
| Effect of dilution: | | |
| Share options | **-** | - |
| *Weighted average number of ordinary shares adjusted for the effect of dilution* | **582,022** | 66,273 |

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.

## 7. Dividends paid and proposed

No dividends have been paid during the current period and no dividends have been proposed. No dividends were paid during the prior period.

## 8. Cash and cash equivalents

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2013.

| | Consolidated | |
|---|---|---|
| | **31 December 2013 $'000** | 30 June 2013 $'000 |
| Cash at bank and in hand | **187** | 405 |

# Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2013

## 9. 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 | Total $'000 |
|---|---|---|---|
| **Half Year ended 31 December 2013** | | | |
| At 1 July 2012 net of accumulated depreciation and impairment | 10,781 | 1,017 | 11,798 |
| Decrease in value | (61) | - | (61) |
| Stamp duty adjustment | (18) | - | (18) |
| Disposals | - | (3) | (3) |
| Adjustment in accumulated depreciation in relation to disposals | | 3 | 3 |
| Depreciation charge for year | (18) | (75) | (93) |
| At 31 Decmeber 2013 net of accumulated depreciation and impairment | 10,684 | 942 | 11,626 |
| | | | |
| **At 31 December 2013** | | | |
| Cost or fair value | 10,833 | 1,276 | 12,109 |
| Accumulated depreciation and impairment | (149) | (334) | (483) |
| Net carrying amount | 10,684 | 942 | 11,626 |
| | | | |
| **Year ended 30 June 2013** | | | |
| 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 (Note 14) | - | 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 | 10,781 | 1,017 | 11,798 |
| | | | |
| **At 30 June 2013** | | | |
| Cost or fair value | 10,851 | 1,279 | 12,130 |
| Accumulated depreciation and impairment | (70) | (262) | (332) |
| Net carrying amount | 10,781 | 1,017 | 11,798 |

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

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 and a recent independent valuation of land acquired in April 2013 that was required to determine stamp duty valuations.

# Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2013

## 10. Non-current assets – Investment properties

| | Consolidated | |
|---|---|---|
| | **31 December 2013 $'000** | 30 June 2013 $'000 |
| At fair value – Investment properties | **1,821** | 1,955 |
| At beginning of period | **1,955** | 5,850 |
| Acquisitions (at cost) | **-** | 156 |
| Stamp duty adjustment | **(30)** | - |
| Fair value adjustment | **(104)** | 683 |
| Transferred as a result of MIS termination | **-** | (4,734) |
| At end of period | **1,821** | 1,955 |

Investment properties are carried at fair value, which has been determined by the Directors with reference recent land sales on Kangaroo Island and a recent independent valuation of land acquired in April 2013 that was required to determine stamp duty valuations.

The fair value adjustment relates to the property know as St Andrews which has been valued at sale agreement proceeds of $250,000 (as announced on 15 November 2013).

## 11. Interest bearing liabilities

| | Consolidated | |
|---|---|---|
| | **31 December 2013 $'000** | 30 June 2013 $'000 |
| **Current** | | |
| Director Loan (a) | **150** | - |
| Chattel mortgage agreements (b) | **58** | 58 |
| **Total loans (c)** | **208** | 58 |
| **Non current** | | |
| Chattel mortgage agreements (b) | **41** | 63 |
| **Total loans (c)** | **41** | 63 |

a) During the period Paul McKenzie, a non-executive director of the Company entered into a loan agreement, the principal sum of $150,000 was drawn down in November 2013. An increase to the principal sum can be made on or before 1 February 2014 for up to $150,000. Interest is charged at 9% per annum payable on the maturity date. The loan's maturity date is 28 February 2014 and is secured on the land know as Kelly East (CT Volume 5959 Folio's 961 and 965 has a carrying value of $692,000). In January 2014, the loan repayment date was extended to 1 June 2014.

b) 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.

c) The carrying amount of interest bearing liabilities approximates their fair value.

# Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2013

## 12. Contributed equity

| | Consolidated | |
|---|---|---|
| | **31 December 2013 $'000** | 30 June 2013 $'000 |
| *Ordinary shares* | | |
| Issued and fully paid | **11,540** | 11,450 |

| | 31 December 2013 | | 30 June 2013 | |
|---|---|---|---|---|
| | **Number of shares** | **$'000** | Number of shares | $'000 |
| *Movements in ordinary shares on issue* | | | | |
| Beginning of period | **581,819,476** | **11,450** | 66,131,354 | 9,898 |
| Issue of shares [(1)] | **1,126** | **2** | 498,235,155 | 1,495 |
| Consolidation of shares 1:500 [(2)] | **(580,655,765)** | **-** | - | - |
| Share-based payment [(3)] | **38,889** | **88** | 17,452,967 | 106 |
| Share issue costs | **-** | **-** | - | (49) |
| At end of period | **1,203,726** | **11,540** | 581,819,476 | 11,450 |

(1) The issue of 1,126 shares to former growers at $1.50 per share, approved by shareholder on 28 June 2013 at an Extraordinary General Meeting ("EGM")

(2) On the 2 July 2013, the shares were consolidated from 581,819,476 shares to 1,163,711 shares; and

(3) The issue of shares to directors in lieu of wages, as a result $87,500 of fees were paid with 38,889 shares at $2.25 per share on 31 December 2013. The issue was approved by shareholders at the 2013 AGM.

## 13. Share-based Payment

**Recognised share-based payment expenses**

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

| | Consolidated | |
|---|---|---|
| | **31 December 2013 $'000** | 31 December 2012 $'000 |
| Expense arising from equity-settled share-based payment transactions | **88** | 30 |
| Total expense from share-based payment transactions | **88** | 30 |

Equity-settled share-based payment transactions:

During the current period the following $87,500 (31 December 2012: $30,000) of directors remuneration was paid in shares:

- On 31 December 2013 16,667 ordinary shares were issued to Paul McKenzie in lieu of director's fees amounting to $37,500 (net of GST), to Agrarian Consulting Pty Ltd <Paul McKenzie family A/C) of which Paul McKenzie is the Managing Director.
- On 31 December 2013 11,111 ordinary shares were issued to Fred Woollard in lieu of director's fees amounting to $25,000 (net of GST), 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.
- On 31 December 2013 11,111 ordinary shares were issued to John Sergeant in lieu of director's fees amounting to $25,000 (net of GST).

During the prior year to 30 June 2013 the company issued:

- shares to directors in lieu of wages, as a result $72,917 of fees were paid with 16,152,918 pre-consolidation shares on 28 June 2013

# Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2013

## 13. Share-based Payment (continued)

- 300,000 shares were issued on 24 July 2012, 100,000 each to Ian Olson, John Ipsen and Scott Wallace part of their remuneration package for 2011/12. In the prior year the shares were valued at $0.06 and $6,000 was charged for each 100,000 issue; on the issue of the shares they were valued at $0.10 resulting in a $10,000 share each or $30,000 in total in the year ended 30 June 2013.

## 14. Commitments

There are no operating lease commitments at 31 December 2013 or 30 June 2013.

## 15. Contingent assets and liabilities

**31 December 2013**
Since the last annual reporting date the guarantee and term deposit have been released and there are no contingent assets or contingent liabilities at 31 December 2013.

**30 June 2013**
The Group has 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 will be refunded to the Company once the schemes are 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 is expected to be released in the next few months.

## 16. Operating segments

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.

During the year the MIS operations were terminated and the Schemes are 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.

The accounting policy used by the Group in reporting segments internally are the same as those contained in Note 2 to the accounts and in the prior period.
All operations are conducted in Australia.

| | **Half-year ended 31 December 2013** | | | Half-year ended 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | Forestry $'000 | Finance & Forestry (Discontinued operations) $'000 | Total $'000 | Forestry $'000 | Finance & Forestry (Discontinued operations) $'000 | Total $'000 |
| Revenue from external customers | 49 | - | 49 | 261 | 828 | 1,089 |
| Total segment revenue | 49 | - | 49 | 261 | 828 | 1,089 |
| Unallocated | | | - | | | - |
| | | | 49 | | | 1,089 |

# Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2013

## 16. Operating segments (continued)

| | **Half-year ended 31 December 2013** | | | Half-year ended 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | Forestry | Finance & Forestry (Discontinued operations) | Total | Forestry | Finance & Forestry (Discontinued operations) | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Result** | | | | | | |
| Segment result | (641) | - | (641) | (1,133) | (729) | (1,862) |
| Profit/(loss) before tax and finance costs | (641) | - | (641) | (1,133) | (729) | (1,862) |
| Unallocated | | | - | | | - |
| Finance costs | | | (8) | | | (8) |
| Income tax benefit/(expense) | | | - | | | - |
| Net profit/(loss) for the period | | | (649) | | | (1,870) |

| | **As at 31 December 2013** | | | As at 30 June 2013 | | |
|---|---|---|---|---|---|---|
| | Forestry | Finance & Forestry (Discontinued operations | Total | Forestry | Finance & Forestry (Discontinued operations | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Assets and liabilities** | | | | | | |
| Segment assets | 13,703 | - | 13,703 | 14,350 | - | 14,350 |
| Total segment assets | 13,703 | - | 13,703 | 14,350 | - | 14,350 |
| Unallocated | | | - | | | - |
| Total assets | | | 13,703 | | | 14,350 |
| | | | | | | |
| Segment liabilities | 323 | - | 323 | 350 | - | 350 |
| Total segment liabilities | 323 | - | 323 | 350 | - | 350 |
| Unallocated | | | - | | | - |
| Deferred tax liabilities | | | - | | | - |
| Total liabilities | | | 323 | | | - |
| Net assets | | | 13,380 | | | 14,000 |
| | | | | | | |
| Impairment of assets | 104 | - | 104 | - | 990 | 990 |
| Depreciation | 93 | - | 93 | 170 | - | 170 |

## 17. Events after balance date

In January 2014, the $150,000 loan maturity date was extended to 28 May 2014.

During the year the company signed agreements to sell two properties whereby settlement is expected in the early 2014:

- St Andrews was sold for $250,000
- Part of Vinkepas was sold for $230,000

# Notes to the Consolidated Financial Statements continued

For the half-year ended 31 December 2013

## 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:

a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
   i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;
   ii) Comply with Accounting Standards AASB 134 Interim Financial Reporting; and
b) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Paul McKenzie
Chairman

Dated this 4th day of February 2014

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## INDEPENDENT AUDITOR'S REVIEW REPORT
## TO THE MEMBERS OF KANGAROO ISLAND PLANTATION TIMBERS LTD

We have reviewed the accompanying half-year financial report of Kangaroo Island Plantation Timbers Ltd ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

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

### Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Kangaroo Island Plantation Timbers Ltd consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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As the auditor of Kangaroo Island Plantation Timbers Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kangaroo Island Plantation Timbers Ltd is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**Material uncertainty regarding going concern**

Without qualification to the conclusion expressed above, we draw attention to Note 2(b) in the financial report which indicates that the consolidated entity incurred a net loss of $649,000 and total cash outflows from operating activities of $375,000 during the period ended 31 December 2013. These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S K Edwards
Partner – Audit & Assurance

Adelaide, 4 February 2014