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 2014
Previous corresponding reporting period: Half-year ended 31 December 2013

Results for Announcement to the Market

	Percentage Change %	Amount $'000
Revenue from ordinary activities – continued operations	14% increase	56
Loss from ordinary activities after tax – continued operations	42% decrease	(377)
Net loss attributable to members	42% decrease	(377)

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 increase in revenue for the period from continuing operation as compared to the same time last year of 14% to $56,000 (2013: $49,000). This was attributable to increased plantation management fees from $nil in 2013 to $23,000 in this period.

Losses from continuing operations are down by $272,000 as a result of lower plantation costs and lower head office costs.

NTA backing

	Half-year Ended 31 December 2014	Half-year Ended 31 December 2013
Net tangible asset backing per security	$8.38	$11.17

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 2014.

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 2014.

The half-year financial report should be read in conjunction with the annual report for the year ended 30 June 2014.

Kangaroo Island Plantation Timbers Ltd

ABN 19 091 247 166

Half-year Financial Report

31 December 2014

Contents

Directors' Report

For the half-year ended 31 December 2014

Your directors submit their report for the half-year ended 31 December 2014.

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 Director
- John Sergeant – Executive Director

Mr John Sergeant was appointed as a Non Executive Director on 2 March 2013. On the 1 January 2015, Mr Sergeant was appointed as an Executive Officer following the resignation of the Chief Executive Officer, Jess Domaschenz.

Review and results of operations

The Company continued to follow its two-track strategy of a) pursuing a trade sale of its land and timber assets and b) working with other timber interests to develop a deep water port on Kangaroo Island. It is considered that demonstrable progress towards a port will create an uplift in the value of the Company's assets as the Company's standing timber, currently exceeding 1.1 million tonnes and valued in the Company's accounts at $0 per tonne. While the Company is working on these two strategies, the emphasis of the Company's ongoing operations is on stewardship of the assets and cost-containment.

Events after balance date

On the 12 January 2015, the Company issued 21,875 shares at $4.00 per share to directors in lieu of directors' fees totalling $87,500. The share issue was approved by shareholders at the 18 November 2014 AGM.

In February 2015, the Company repaid all amounts outstanding in relation to its hire purchase obligations ahead of schedule. As at the date of this interim report, the Company is therefore debt-free.

The company have signed agreements prior to period end, to sell two properties whereby settlement is expected in the 2015:

- Part of Lycurgus was sold for $250,000; and
- Part of Vinkepas was sold for $230,000; and remainder for $550,000.

The Company is not aware of any other significant events occurring after 31 December 2014.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $'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 25th February 2015

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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 review of Kangaroo Island Plantation Timbers Limited for the half-year ended 31 December 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 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, 25 February 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2014

	Notes	Consolidated 31 December 2014 $'000	31 December 2013 $'000
Timber sales		**-**	19
Rent		**27**	25
Bank interest		**6**	5
Plantation management		**23**	-
Revenue		**56**	49
Cost of sales		**-**	(25)
Gross profit		**56**	24
Sale of property plant and equipment	3	**2**	-
Other income	3	**45**	3
Property expenses		**(84)**	(120)
Administrative expenses		**(55)**	(52)
Occupancy expenses		**-**	(1)
Other expenses	3	**(336)**	(495)
Finance costs		**(5)**	(8)
Loss before income tax		**(377)**	(649)
Income tax benefit/(expense)	4	**-**	-
Net loss for the period from continuing operations		**(377)**	(649)
Profit/(loss) for the period attributable to members of the parent		**(377)**	(649)
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 period net of tax		**-**	(61)
Total comprehensive income/(loss) for the period attributable to members of the parent		**(377)**	(710)
Earnings per share		**EPS in cents**	**EPS in cents**
Basic profit/(loss) per share from continuing operations	5	(22.87)	(55.75)
Diluted profit/(loss) per share from continuing operations	5	(22.87)	(55.75)

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 31 December 2014

	Notes	Consolidated 31 December 2014 $'000	30 June 2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**391**	704
Trade and other receivables		**33**	16
Other current assets		**26**	6
		450	726
Assets classified as held for sale	8	**950**	400
Total current assets		**1,400**	1,126
Non-current assets			
Property, plant and equipment	9	**12,385**	12,482
Investment properties	10	**200**	727
Other non-current assets		**5**	5
Total non-current assets		**12,590**	13,214
TOTAL ASSETS		**13,990**	14,340
LIABILITIES			
Current liabilities			
Trade and other payables		**154**	87
Interest-bearing liabilities	11	**23**	58
Total current liabilities		**177**	145
Non-current liabilities			
Interest-bearing liabilities	11	**-**	5
Total non-current liabilities		**-**	5
TOTAL LIABILITIES		**177**	150
NET ASSETS		**13,813**	14,190
EQUITY			
Contributed equity	12	**12,631**	12,631
Reserves		**3,595**	3,595
Retained earnings		**(2,413)**	(2,036)
TOTAL EQUITY		**13,813**	14,190

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2014

	Notes	Consolidated 31 December 2014 $'000	31 December 2013 $'000
Cash flows from operating activities			
Receipts from customers		**52**	93
Payments to suppliers and employees		**(306)**	(465)
Interest received		**6**	5
Borrowing costs		**(6)**	(8)
Net cash flows (used in)/from operating activities		**(254)**	(375)
Cash flows from investing activities			
Proceed/(payment) for term deposit		**-**	65
Proceeds from sale of plant and equipment		**5**	3
Purchase of plant and equipment		**(1)**	(40)
Net cash flows from/(used in) investing activities		**4**	28
Cash flows from financing activities			
Proceeds from issue of shares		**-**	2
Proceeds from borrowings		**-**	150
Repayment of borrowings		**(63)**	(23)
Net cash flows (used in)/from financing activities		**(63)**	129
Net increase/(decrease) in cash and cash equivalents		**(313)**	(218)
Cash and cash equivalents at beginning of period		**704**	405
Cash and cash equivalents at end of period		**391**	187

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2014

	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
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
Balance at 1 July 2013	13,081	(450)	3,323	272	(2,036)	14,190
Loss for the period	-	-	-	-	(377)	(377)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(377)	(377)
Issue of shares	-	-	-	-	-	-
Balance at 31 December 2014	**13,081**	**(450)**	**3,323**	**272**	**(2,413)**	**13,813**

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

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 2014 was authorised for issue in accordance with a resolution of the directors on 25 February 2015. 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 2014 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 2014 and any public announcements made by Kangaroo Island Plantation Timbers Ltd during the half-year ended 31 December 2014 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 2014, the Group incurred a net loss after tax of $376,891 and a net cash outflow used in operating activities of $253,597. The cash and cash equivalents balance, as at 31 December 2014 was $391,126. The consolidated entity's net current asset position at 31 December 2014 was $1,222,956.

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 Lycurgus $170,000 and Vinkepas (in two parts) $230,000 and $550,000, totalling $950,000. The sales agreements were all signed prior to period end and the completion is expected in 2015.

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 2014, except for the application of the following standards as of 1 July 2014:

- *AASB 1031: Materiality*
- *AASB 2013-9, Conceptual Framework, Materiality and Financial Instruments*
- *AASB 2014-2, Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements*
- *AASB 2014-1, Amendments to Australian Accounting Standards Part A, B and C*

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2014

2. Basis of preparation and accounting policies (continued)

These standards make changes to a number of existing Australian Accounting Standards and are not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports.

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.

3. Other income and expenses

	Consolidated	
	31 December 2014 $'000	31 December 2013 $'000
Sale of assets		
Sale of plant and equipment	**5**	-
Net book value of asset sold	**(3)**	-
	2	-
Other income		
Net change in fair value of investment properties	**23**	-
Agistment	**14**	-
Other –bad debts recovered	**8**	3
	45	3
Expenses		
Impairment of receivables	**-**	104
Salaries and wages	**67**	66
Professional fees	**46**	84
Legal fees	**8**	13
Directors fees	**87**	87
ASX/Share registry fees/ASIC fees	**17**	23
Audit fees	**15**	22
Depreciation	**96**	93
Other	**-**	3
	336	495

4. Income tax (expense)/benefit

	Consolidated	
	31 December 2014 $'000	31 December 2013 $'000
Accounting loss before tax from continuing and discontinued operations	**(377)**	(649)
At the statutory income tax rate of 30%	**(113)**	(195)
Non deductible expenditure	**-**	-
Amounts charged to equity	**-**	-
Add: temporary differences not recognised	**2**	3
Tax losses not brought to account as a DTA	**111**	192
Income tax expense/(benefit) reported in the income statement	**-**	-

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2014

5. 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 2014 $'000	31 December 2013 $'000
Continuing Net loss attributable to ordinary equity holders of the parent	**(377)**	**(649)**

b) Weighted average number of shares

	No.	**No.**
Weighted average number of ordinary shares for basic earnings per share	**1,648,196**	**1,164,044**
Effect of dilution:		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,648,196**	**1,164,044**

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.

6. 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.

7. Cash and cash equivalents

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2014.

	Consolidated	
	31 December 2014 $'000	30 June 2014 $'000
Cash at bank and in hand	**391**	704

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2014

8. Assets Classified as Held for Sale

During the current and prior period the Company sold two properties that are in the process of being subdivided and settlement is expected to occur in 2015. The properties sold comprised:

- Part of the investment property known as Vinkepas was sold for $230,000 (book value $230,000) in the prior period, and the remainder for $550,000 (book value $550,000); and
- Part of the land known as Lycurgus was sold for $170,000 (book value $170,000) in the prior period.

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

	Consolidated	
	31 December 2014 $'000	30 June 2014 $'000
Property, plant & equipment assets classified as held for sale	**170**	170
Investments assets classified as held for sale	**780**	230
	950	400

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 2014			
At 1 July 2014 net of accumulated depreciation and impairment	11,621	861	12,482
Additions	-	1	1
Disposals	-	(14)	(14)
Adjustment in accumulated depreciation in relation to disposals	-	12	12
Depreciation charge for period	(14)	(82)	(96)
At 31 December 2014 net of accumulated depreciation and impairment	**11,607**	**778**	**12,385**
At 31 December 2014			
Cost or fair value	11,720	1,251	12,971
Accumulated depreciation and impairment	(113)	(473)	(586)
Net carrying amount	**11,607**	**778**	**12,385**
Year ended 30 June 2014			
At 1 July 2013 net of accumulated depreciation and impairment	10,781	1,017	**11,798**
Additions	697	2	**699**
Disposals	-	(30)	**(30)**
Adjustment in accumulated depreciation in relation to disposals	-	25	**25**
Depreciation charge for period	(29)	(153)	**(182)**
Assets classified as held for sale (Note 8)	(170)	-	**(170)**
Revaluations	342	-	**342**
At 30 June 2014 net of accumulated depreciation and impairment	11,621	861	**12,482**

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2014

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

	Freehold land $'000	Plant and equipment $'000	Total $'000
At 30 June 2014			
Cost or fair value	11,720	1,251	**12,971**
Accumulated depreciation and impairment	(99)	(390)	**(489)**
Net carrying amount	11,621	861	**12,482**

If the cost model had been used, the carrying amounts of the re-valued land would be $3,335,122 (2014: $3,425,262).

During the period nil (June 2014: $170,000) of land was sold with completion expected in 2015. The assets has been reclassified as assets held for sale, refer to Note 8 for further details.

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.

b) Freehold land acquired during the period and revaluations

No land was acquired during the period.

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 periods. See Note 10 for further commentary on the determination of fair value.

10. Non-current assets – Investment properties

	Consolidated	
	31 December 2014 $'000	30 June 2014 $'000
At Fair value		
Investment properties at 1 July	**200**	727
	200	727

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); and
- No value has been ascribed to uncleared land under natural vegetation, except for those specifically approved for subdivision.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2014

10. Non-current assets – Investment properties (continued)

These inputs have been referenced to market information.

	Consolidated	
	31 December 2014 $'000	30 June 2014 $'000
Investment Properties		
Opening balance as at 1 July	**727**	**1,955**
Acquisitions	**-**	**16**
Assets classified as held for sale (Note 8)	**(550)**	**(230)**
Disposals	**-**	**(910)**
Fair value adjustment	**23**	**(104)**
Closing balance	**200**	**727**

During the period $550,000 (2014: $230,000) of land was sold with completion of both expected in 2015. The assets has been reclassified as assets held for sale, refer to Note 8 for further details.

11. Interest bearing liabilities

	Consolidated	
	31 December 2014 $'000	30 June 2014 $'000
Current		
Chattel mortgage agreements (a)	**23**	58
Total loans (b)	**23**	58
Non current		
Chattel mortgage agreements (a)	**-**	5
Total loans (b)	**-**	5

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 agreement for the Volvo Loader was repaid in full during the period. The amounts owing for the fuel tank 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.

12. Contributed equity

a) Issued and paid up capital	Consolidated	
	31 December 2014 $'000	30 June 2014 $'000
Ordinary shares fully paid	**12,631**	12,631

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2014

12. Contributed equity (continued)

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

b) Movements in shares on issue

	31 December 2014		30 June 2014	
	Number of shares	**$'000**	Number of shares	$'000
Beginning of financial period	**1,648,196**	**12,631**	581,819,476	11,450
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
Share-based payment	**-**	**-**	81,951	185
Share issue costs	**-**	**-**	-	(10)
End of the financial period	**1,648,196**	**12,631**	1,648,196	12,631

c) Capital management

Capital consists of share capital and borrowings of $12.654 million (June 2014: $12.694 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.

Management monitor capital through the gearing ratio (net debt/total capital). The gearing ratios at 31 December 2014 and 30 June 2014 were as follows:

	Consolidated	
	31 December 2014 $'000	30 June 2014 $'000
Trade and other payables	**154**	87
Interest bearing liabilities	**23**	63
Less cash and cash equivalents	**(391)**	(704)
Net (assets)/debt	**(214)**	(554)
Total equity	**13,813**	14,190
	13,599	13,636
Gearing Ratio	**(1.57%)**	(4.06%)

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

13. Share-based Payment

Recognised share-based payment expenses

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

	Consolidated	
	31 December 2014 $'000	31 December 2013 $'000
Expense arising from equity-settled share-based payment transactions	**-**	88
Total expense from share-based payment transactions	**-**	88

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2014

13. Share-based Payment (continued)

Equity-settled share-based payment transactions:
During the current period the following $nil (31 December 2013: $87,500) of directors remuneration was paid in shares. The directors' remuneration for the current period was paid in shares in January 2015.
Prior period:

- 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).

14. Commitments

There are no operating lease commitments at 31 December 2014 or 30 June 2014.

15. Contingent assets and 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.

There are no other contingent assets or contingent liabilities at 31 December 2014.

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.

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.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2014

16. Operating segments (continued)

	Half-year ended 31 December 2014		Half-year ended 31 December 2013	
	Forestry $'000	**Total $'000**	Forestry $'000	Total $'000
Revenue from external customers	56	**56**	49	49
Total segment revenue	56	**56**	49	49
Unallocated		**-**		-
		56		49
Result				
Segment result	(372)	(372)	(641)	(641)
Profit/(loss) before tax and finance costs	(372)	(372)	(641)	(641)
Unallocated		-		-
Finance costs		(5)		(8)
Income tax benefit/(expense)		-		-
Net profit/(loss) for the period		(377)		(649)

	As at 31 December 2014		As at 30 June 2014	
	Forestry $'000	**Total $'000**	Forestry $'000	Total $'000
Assets and liabilities				
Segment assets	13,990	13,990	14,340	14,340
Total segment assets	13,990	13,990	14,340	14,340
Segment liabilities	177	177	150	150
Total segment liabilities	177	177	150	150
Net assets		13,813		14,190
Depreciation	96	96	182	182

17. Events after balance date

On the 12 January 2015, the Company issued 21,875 shares at $4.00 per share to directors in lieu of directors' fees totalling $87,500. The share issue was approved by shareholders at the 18 November 2014 AGM.

As announced prior to the period end, Mr John Sergeant a Non Executive is to be appointed as an Executive director following the Chief Executive Officer, Jess Domaschenz. On the 3 February 2015, the Company announced that it intends, at the next Annual General Meeting, to seek shareholder approval for a change in directors' remuneration so as to pay Mr Sergeant at a level equivalent to the Chair's (Mr Paul McKenzie's) previous fees and to reduce the Chair's remuneration to a level equivalent to a non-executive director's fees. The result, if approved, would be that Mr McKenzie and Mr Sergeant effectively swapped remuneration with effect from the 1 January 2015.

In February 2015, the Company repaid all amounts outstanding in relation to its hire purchase obligations ahead of schedule. As at the date of this interim report, the Company is therefore debt-free.

The company have signed agreements prior to period end, to sell two properties whereby settlement is expected in the 2015:

- Part of Lycurgus was sold for $250,000; and
- Part of Vinkepas was sold for $230,000; and remainder for $550,000.

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 2014 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 25th day of February 2015

Grant Thornton

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

We have reviewed the accompanying half-year financial report of Kangaroo Island Plantation Timbers Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, 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 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 Limited 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 Limited consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Kangaroo Island Plantation Timbers Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we 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 Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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 qualifying 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 $377,000 during the half year ended 31 December 2014 and, as of that date, the consolidated entity's cash outflows from operating and investing activities equates to $250,000. 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, 25 February 2015