

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



**Kangaroo Island Plantation Timbers Ltd**

ABN: 19 091 247 166

**Annual Financial Report**

**For the year ended 30 June 2015**

## Corporate Information

### Directors

Paul Lawrence McKenzie (Chairman)  
John David Sergeant (Managing Director)  
Shauna Marie Black  
Graham Ian Holdaway

### 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  
Level1, 67 Greenhill Road  
Wayville  
South Australia 5034

### Share Register

Computershare Investor Services Pty Ltd  
Level 11, 172 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

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## Directors' Report

Your directors submit their report for the year ended 30 June 2015.

### Directors

The names and details of the Company's directors in office during or since the end of the financial year are as follows:

Director	Position	Appointed	Last elected or re-elected at AGM	Resigned
Paul McKenzie <sup>(1)</sup>	Non-Executive Chair	29 April 2005	19 November 2013	-
John Sergeant <sup>(2)</sup>	Managing Director	2 March 2013	18 November 2014	-
Shauna Black	Independent Non-Executive	17 March 2015	-	-
Graham Holdaway	Independent Non-Executive	17 March 2015	-	-
<b>Former Directors</b>				
Frederick Woollard	Non-Executive Director	11 March 2008	19 November 2013	17 March 2015

(1) Appointed Chair on 1 July 2009

(2) Appointed Managing Director on 1 January 2015

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*

Mr McKenzie is the Managing Partner of Agrarian Management, a leading Western Australian agriculture consultancy with offices in Perth and Geraldton. Paul has 24 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, a director of the Potato Marketing Corporation of WA and of the Rural Financial Counselling Service (WA). Paul is a Past President of the Australian Association of Agricultural Consultants (WA) Inc.

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.

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

B.Sc. B.A. (Hons I) FAMSRS MAICD - *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 and became an executive director on 1 January 2015. He is currently a member of the boards of a number of private companies.

## Directors' Report

### Directors (continued)

#### Shauna Black (appointed 17 March 2015)

*Non-executive Director*

Ms Black has been a well-known and respected resident of Kangaroo Island for 10 years and has a 30-year career in media. For almost eight years, she was the Managing Editor of the Island's newspaper, The Islander, having moved from Adelaide after a 15-years at The Advertiser, including as its first personal finance editor and superannuation writer. Ms Black has been a member of the board of her industry superannuation fund and is active in a number of local associations. She is the proprietor of Black Stump Media, a Kangaroo Island business specializing in media and project management services.

Ms Black joined the Board of the Company in March 2015. She is currently trustee director on a number of boards in the charity and not for profit sector.

#### Graham Holdaway (appointed 17 March 2015)

*BCA, Dip Acct, ACA, MAICD - Non-executive Director*

Mr Holdaway has served on boards of natural resources companies with operations in Australia, Indonesia, Papua New Guinea and the United Kingdom. He is a former partner of KPMG. Graham is from a farming background and is a tree-grower in his own right, with eucalypt and radiata pine plantations in Victoria and on Kangaroo Island.

In the period June 2012 to June 2014, Mr Holdaway was a member of two listed boards: Asia Resource Minerals plc and PT Apexindo Pratama Duta Tbk. He is currently a member of the boards of a number of private companies.

Mr Holdaway joined the Board of the Company in March 2015.

### 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 2014	Net changes during the year	Issued in lieu of directors fees	Closing interest at 30 June 2015
Paul McKenzie <sup>(1)</sup>	129,610	-	15,625	145,235
Frederick Woollard <sup>(2)</sup>	783,353	(792,311)	8,958	n/a
John Sergeant <sup>(3)</sup>	86,727	-	12,500	99,227
Shauna Black <sup>(4)</sup>	n/a	-	-	-
Graham Holdaway <sup>(5)</sup>	n/a	30,700	-	30,700
<b>Total</b>	<b>999,690</b>	<b>(761,611)</b>	<b>37,083</b>	<b>275,162</b>

- (1) During the year 15,625 shares were issued in lieu of director's fees totaling \$62,500. 129,610 of Mr McKenzie's shares are held by Aminac Pty Ltd AFT Agrarian Management S/F A/C of which Mr McKenzie is the Managing Director; and 15,625 ordinary shares are held by Agrarian Consulting Pty Ltd <Paul McKenzie family A/C> of which Paul McKenzie is the Managing Director.

## Directors' Report

### Directors (continued)

- (2) Resigned as a director on 17 March 2015. During the year 8,958 shares were issued in lieu of director's fees totaling \$35,832.
- (3) During the year 12,500 shares were issued in lieu of director's fees totaling \$50,000. The shares are held by:
  - a. Direct interest 32,924
  - b. Phalaenopsis Pty Ltd 27,043 shares
  - c. Curly Questions Pty Ltd 12,500 shares
  - d. Sergeant Family Superannuation Fund 25,760. Mr Sergeant has effective control of his self-managed superannuation fund.
  - e. Ms J Sergeant holds 1,000 shares. Ms Sergeant is Mr Sergeant's wife.
- (4) Appointed as a director on 17 March 2015.
- (5) Appointed as a director on 17 March 2015 at which time 30,700 shares were held by Mr Graham Ian Holdaway and Mrs Kristina Holdaway <G & K Super Fund A/C>. Mr Holdaway has effective control of his self-managed superannuation fund.

### 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.

Victoria is currently Chief Financial Officer (CFO) for a number of ASX listed exploration companies and a number of other entities. Previously, Victoria has been company secretary and CFO for a number of ASX listed companies including Safety Medical Products Ltd, Centrex Metals Ltd, Rampart Energy 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 2015. No dividends were paid during the previous year.

### Principal activities

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

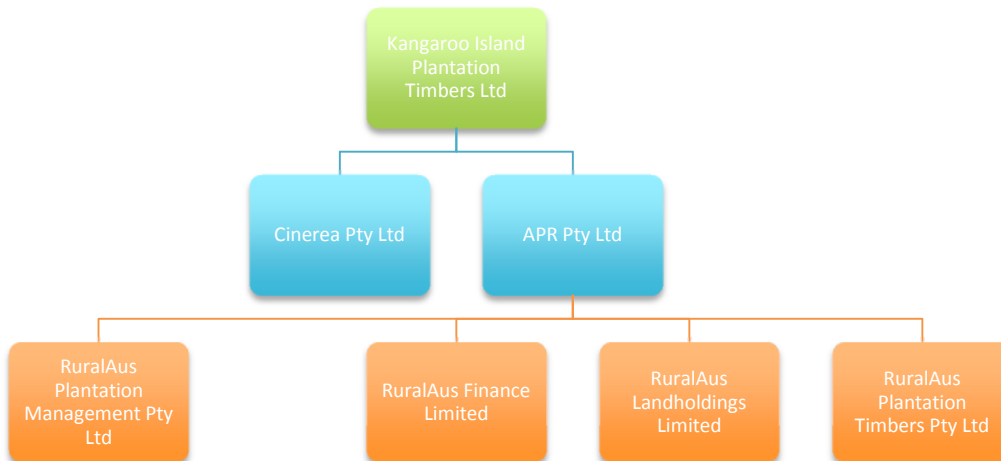
There have been no significant changes in the nature of those activities during the year.

## Directors' Report

### 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:



#### Employees

The consolidated entity employed 2 employees at 30 June 2015 (2014: 2 employees).

### Operating and financial review

#### Group overview

The Company has continued to pursue its three strategic goals, namely:

1. Develop a port, either alone or in conjunction with other Kangaroo Island timber owners
2. Pursue a trade sale to a party willing to develop a route to market for the Company's timber
3. Pursue cost-efficient operations

The Board is determined to monetize the Company's land and timber assets, either by developing them into a sustainable timber-growing business with harvest income or by selling these assets to a party that is willing to make this transformation itself. Both these strategies are being pursued simultaneously, in the belief that progress towards a port increases the attractiveness of the assets to a potential purchaser.

## Directors' Report

### Operating and financial review (continued)

Neither of these strategies has changed during the year, whereas the third strategy, that of improving cost-efficiency, has evolved somewhat. In particular, the Board now believes that it is in a position to spend some resources on the husbandry of its pine plantations in particular, with a view to increasing the quality (through thinning and pruning) and quantity (through re-planting) of timber available at eventual harvest.

The Company has, in recent years, maintained a policy of valuing its standing timber at \$0, primarily on the basis that there was no immediate prospect of a deep-water port on Kangaroo Island, through which the timber could be exported to markets in Asia. The valuation basis for the Company's land is on the expectation of its eventual return to non-forestry agricultural use.

However, over the past two years, the Company has acquired a deep-water port site in close proximity to its plantations, commissioned bathymetric analysis of the adjoining seabed, commissioned a report yielding a costed design for a port and has been working with local and state governments and with other timber owners on Kangaroo Island to develop an affordable route to market, by the construction of a deep-water berth.

The Company now considers the development of port infrastructure that allows exploitation of the substantial standing timber resource to be virtually inevitable. What is not yet certain is the form and location of the port and the terms on which the Company may be able to obtain access. As a result the Company believes it does not yet have sufficient certainty about the form and quantum of future cash flows to justify a change in valuation approach.

The Company continues to work on port development and believes the time is approaching when it will no longer be appropriate to use its present valuation basis.

During the year, the Company commissioned and received a report and valuation model from Geddes Management Pty Ltd (Geddes), a reputable and experienced firm of consultant foresters. The model allows the Company to estimate the value of its timber under various scenarios, and to consider the impact of variables within and outside the Company's control, such as harvesting costs, internal road construction costs, haulage, port charges, exchange rates and international timber prices. Like any forward-looking valuation model, the outputs are sensitive to the assumptions made. The Geddes valuation, at the Company's request, is based on access to a port that is not yet designed, approved or constructed. It should be understood in this context. Geddes values the Company's standing timber at \$22.3m.

### Results of operations

Net comprehensive loss for the period was \$966,000; this is 22% decrease from last year's loss of \$1,231,000.

Revenue for the period increased by 82% to \$100,000 (2014: \$55,000).

Change in fair value of investment properties loss decreased by \$27,000 to \$77,000. In addition \$13,000 of loss on sale of property, plant and equipment compared to \$197,000 loss in 2014.

Overall costs for the period decreased by \$215,000, primarily comprising of:

- Cost of sales costs decreased by \$26,000 to \$nil (2014: \$26,000) as a result of the Mill closure in 2013 and the final inventory being sold in early 2014;
- Lower plantation management costs \$73,000; and
- Lower professional and legal fees \$101,000.



## Directors' Report

### Corporate Operations

During the year the Company 37,083 (2014: 77,778) shares were issue in lieu of \$148,333 (2014: \$175,000) of directors' fees.

### Performance indicators

	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Revenue from ordinary activities from continuing operations	100	55	461	280
Revenue from ordinary activities from continuing and discontinued operations	100	55	1,335	1,995
Profit/(loss) from ordinary activities	(966)	(1,231)	(1,302)	(968)
Loss from discontinued operations	-	-	(852)	(2,974)
Profit/(loss) attributable to members for the period	(966)	(1,231)	(2,154)	(3,942)
Other comprehensive income	-	240	635	-
Total comprehensive income/(loss) after tax	(966)	(991)	(1,519)	(3,942)
Basic earnings per share	(58) cents	(100) cents	(959) cents	(3,137) cents
Net tangible asset backing per security	793 cents	861 cents	1,203 cents	10,100 cents

### Significant changes in the state of affairs

The strategic changes affecting 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

There have been no 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 a new deep water port on Kangaroo Island.

## Directors' Report

### Diversity Report

#### Introduction

The following is the Diversity Report for the financial year ended 30 June 2015 for Kangaroo Island Plantation Timbers Ltd ("the Company") prepared for the purposes of the Company's Annual Report for the year ended 30 June 2015.

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 which 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 2015 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 a non-Executive Director and the Chief Financial Officer), 1 is of different ethnic or cultural background, and nil are mature age. Consequently it could be said that the Company is already harnessing the benefits of a diverse workforce. 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:

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

## Directors' Report

### Diversity Report (continued)

Strategy, initiative or program	By when	Current position
<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."

**Board Skills**

The Board shall contain a relevant blend of expertise and diversity attributes (refer to corporate governance statement for further information) 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.

## Directors' Report

### 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. The Group also operates under environmental legal and licence requirements governing its sawmill. To the best of the directors' 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.

## 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:

## Directors' Report

### Directors' meetings (continued)

	Number of Directors Meetings Held while in office	Directors Meetings Attended
Paul McKenzie	13	11
Frederick Woollard <sup>(1)</sup>	10	10
John Sergeant	13	13
Shauna Black <sup>(2)</sup>	3	3
Graham Holdaway <sup>(2)</sup>	3	3

	Number of Audit & Risk Meetings Held while in office	Audit & Risk Meetings Attended
Paul McKenzie	3	3
Frederick Woollard <sup>(1)</sup>	3	3
John Sergeant <sup>(3)</sup>	3	3
Shauna Black <sup>(2)</sup>	-	-
Graham Holdaway <sup>(2)</sup>	-	-

(1) Resigned 17 March 2015.

(2) Appointed 17 March 2015.

(3) Appointed as Managing Director on 1 January 2015. Resigned from the Committee on 17 March 2015.

### Committee membership

As at the date of this report, the Company had an Audit and Risk Committee of the Board of Directors. Since 17 March 2015, Mr Holdaway was appointed Chair and the Managing Director resigned as a member of this committee. All directors served on the Audit and Risk Committee until 17 March 2015.

In view of the size of the parent entity, the directors have considered that establishing a nomination and remuneration committee would contribute little to its effective management and accordingly all directors participate in decisions regarding the nomination and election of new Board members.

## Directors' Report

### 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.

### Auditor independence and non-audit services

The directors have received the auditor's independence declaration, which is included on page 20 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 Risk 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 Risk 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>2015</b>	<b>2014</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>28,000</b>	32,500
Taxation services Grant Thornton	<b>3,000</b>	2,000
	<b>31,000</b>	34,500

## 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 Managing Director and Chief Financial Officer of the Parent and the Group.

### Shareholders AGM votes on Remuneration Report

Kangaroo Island Plantation Timbers Ltd received 89% of 'yes' proxy votes (including discretionary) on its Remuneration Report for the financial year ending 30 June 2014. The Company received 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)	Managing Director (since 1 January 2015)
Shauna Black (appointed 17 March 2015)	Independent Non-executive Director
Graham Holdaway (appointed 17 March 2015)	Independent Non-executive Director
Fred Woollard (resigned 17 March 2015)	Non-executive Director

#### Executives

Victoria Allinson (appointed 14 May 2013)	Company Secretary, Chief Financial Officer
Jessica Domaschenz (resigned 24 February 2015)	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

In view of the size of the parent entity, the directors have considered that establishing a nomination and remuneration committee would contribute little to its effective management and accordingly all directors participate in decisions regarding the nomination and election of new Board members.

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

The Board of Directors 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.

## Directors' Report

### Remuneration report (audited) (continued)

The Board of Directors met once during the year to consider specific remuneration matters; the Board 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.

The following table shows the net tangible asset per share, earning per share and share price of the Group for the past 6 years:

	<b>Net tangible assets per share</b>	<b>Earnings per share</b>	<b>Share price at 30 June</b>
2015	\$7.93	(\$0.582)	\$7.41
2014	\$8.61	(\$1.002)	\$3.00
2013	\$12.03	(\$0.959)	\$2.00
<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

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.

Performance is reviewed on an annual basis, the last review was undertaken in September 2014.

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.



## Directors' Report

### Remuneration report (audited) (continued)

#### Remuneration of Key Management Personnel ('KMP')

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ('KMP') of the Company are shown in the table below:

Year	Short term (a)			Post employment	Long term	Share-based payment		Total
	Salary & fees	Cash bonus	Other non-monetary benefits	Super	Long service leave	Executive share plan	Shares	
	\$	\$	\$	\$	\$	\$	\$	
<b>Non-Executive Directors</b>								
Paul McKenzie <sup>(1)</sup>	2015	-	-	-	-	-	62,500	62,500
	2014	-	-	-	-	-	75,000	75,000
Fred Woollard <sup>(2)</sup>	2015	-	-	-	-	-	35,833	35,833
	2014	-	-	-	-	-	50,000	50,000
John Sergeant <sup>(3)</sup>	2015	-	-	-	-	-	50,000	50,000
	2014	-	-	-	-	-	50,000	50,000
Shauna Black <sup>(4)</sup>	2015	14,167	-	-	-	-	-	14,167
	2014	-	-	-	-	-	-	-
Graham Holdaway <sup>(5)</sup>	2015	14,167	-	-	-	-	-	14,167
	2014	-	-	-	-	-	-	-
Total	2015	28,334	-	-	-	-	148,333	176,667
	2014	-	-	-	-	-	175,000	175,000
<b>Executive Director</b>								
John Sergeant <sup>(6)</sup>	2015	12,500	-	-	-	-	-	12,500
	2014	-	-	-	-	-	-	-
<b>Other KMP</b>								
Jessica Domaschcz <sup>(7)</sup>	2015	12,840	-	-	-	-	-	12,840
	2014	14,400	-	-	-	-	-	14,400
Victoria Allinson <sup>(8)</sup>	2015	63,764	-	-	-	-	1,000	64,764
	2014	86,506	-	-	-	-	1,000	87,506
<b>Total</b>	<b>2015</b>	<b>117,438</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>149,333</b>	<b>266,771</b>
	<b>2014</b>	<b>100,906</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>176,000</b>	<b>276,906</b>

- (1) During the year 15,625 (2014: 33,334) ordinary shares were issued in lieu of \$62,500 (2014: \$75,000) Non-Executive Directors Fees, to Aminac Pty Ltd ATF Agrarian Management S/F A/C of which Paul McKenzie is the Managing Director.
- (2) During the period until Mr Woollard's resignation on 17 March 2015, 8,958 (2014: 22,222) ordinary shares were issued in lieu of \$35,833 (2014: \$50,000) Non-Executive 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 12,500 (2014: 22,222) ordinary shares were issued in lieu of \$50,000 (2014: \$50,000) Non-Executive Directors Fees.
- (4) Since Ms Black's appointment, Non-Executive Director's fees of \$14,167 have been accrued for the period from 17 March 2015 to 30 June 2015 and will be paid in shares subject to security holders' approval at 2015 AGM.

## Directors' Report

### Remuneration report (audited) (continued)

- (5) Since Mr Holdaway's appointment, Non-Executive Director's fees of \$14,167 have been accrued for the period from 17 March 2015 to 30 June 2015 and will be paid in shares subject to security holders' approval at 2015 AGM.
- (6) John Sergeant was appointed Managing Director on 1 January 2015. His annual director's fees comprise of 50,000 Directors fee and \$25,000 Executive fee. At 30 June 2015 \$12,500 of executive directors fees have been accrued and will be paid in shares subject to security holders' approval at 2015 AGM.
- (7) Jessica Domaschenz has provided professional forester services since May 2013 and was appointed as CEO on 12 July 2013 and resigned effective 24 February 2015. During the year \$12,840 (2014: \$14,400) of professional services were invoiced by Forestech Management Pty Ltd, of which Jessica Domaschenz was an employee.
- (8) Victoria Allinson was appointed as CFO and Company Secretary on 14 May 2013. During the year, the professional accounting, administration and company secretarial fees of \$64,764 (2014: \$87,506) were invoiced by Allinson Accounting Solutions Pty Ltd, of which Victoria Allinson is Managing Director and shareholder. The services are provided by Mrs Allinson and her employee. During the year, \$1,000 of invoiced fees were paid in shares, the remaining \$63,764 (2014: \$86,506) were paid or payable.

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

### 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.

In the year ended 30 June 2015, non-executive fees amounted to \$50,000 for each director (2014: \$50,000 for each director and Chair \$75,000). The fees are all paid by shares in lieu of cash. The directors that were appointed on 17 March 2015 non-executive fees have not yet been paid, as the share issue is subject to shareholder approval. Shareholder approval will be sought at the 2015 AGM.

The Board plans to issue contracts to non-executive directors after shareholder approval is obtained for future non-executive directors fees.

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

## Directors' Report

### Remuneration report (audited) (continued)

#### 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.

##### 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 Managing Director ("MD") John Sergeant, Chief Financial Officer ("CFO") Victoria Allinson and Chief Executive Officer ("CEO") Jessica Domaschitz (resigned 24 February 2015) all provided their services as contractors:

- Curly Questions Pty Ltd is engaged to provide the Company's MD Director function;
- Allinson Accounting Solutions Pty Ltd is engaged to provide the Company's financial, administrative and company secretarial functions; and
- Forestech Management Pty Ltd was engaged to provide the CEO services of Jessica Domaschitz.

The Managing Director, John Sergeant's remuneration comprises:

- Non-executive fees of \$50,000 (2014: \$50,000) per annum, refer to non-executive directors remuneration above for further details; and
- Executive fees of \$25,000 (2014: \$nil) per annum.

The Managing Director was appointed as an executive on 1 January 2015, his executive fees of \$12,500 have not yet been paid, as the share issue is subject to shareholder approval. Shareholder approval will be sought at the 2015 AGM.

The Board plans to issue an employment contract to Managing Director after shareholder approval is obtained for future executive directors fees.

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.

#### Option holdings of key management personnel

There are no option holdings for the Group.

## Directors' Report

### Remuneration report (audited) (continued)

#### 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 2015</b>					
<b>Directors</b>					
Paul McKenzie <sup>(1)</sup>	129,610	15,625	-	-	145,235
Frederick Woollard <sup>(2)</sup>	783,353	8,958	-	(792,311)	-
Shauna Black <sup>(3)</sup>	-	-	-	-	-
Graham Holdaway <sup>(4)</sup>	-	-	-	30,700	30,700
<b>Managing Director</b>					
John Sergeant <sup>(5)</sup>	86,727	12,500	-	-	99,227
<b>Executives</b>					
Victoria Allinson <sup>(6)</sup>	1,058	133	-	-	1,191
Jessica Domaschcz <sup>(7)</sup>	17	-	-	(17)	-
	<u>1,000,765</u>	<u>37,216</u>	<u>-</u>	<u>(761,628)</u>	<u>276,353</u>
<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>(5)</sup>	16,899,695	22,222	(16,865,895)	30,705	86,727
<b>Executives</b>					
Victoria Allinson <sup>(6)</sup>	333,333	391	(332,666)	-	1,058
Jessica Domaschcz <sup>(7)</sup>	8,333	-	(8,316)	-	17
	<u>329,196,249</u>	<u>78,169</u>	<u>(328,537,855)</u>	<u>264,202</u>	<u>1,000,765</u>

- (1) During the year 15,625 shares were issued in lieu of director's fees totaling \$62,500. 129,610 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 15,625 ordinary shares are held by Agrarian Consulting Pty Ltd <Paul McKenzie family A/C> of which Paul McKenzie is the Managing Director.
- (2) Resigned as a director on 17 March 2015. During the year 8,958 shares were issued in lieu of director's fees totaling \$35,833.
- (3) Appointed as a director on 17 March 2015.
- (4) Appointed as a director on 17 March 2015 at which time 30,700 shares were held by Mr Graham Ian Holdaway and Mrs Kristina Holdaway <G & K Super Fund A/C>. Mr Holdaway has effective control of his self-managed superannuation fund.
- (5) During the year 12,500 shares were issued in lieu of director's fees totaling \$50,000. The shares are held by:
- i. Direct interest 32,924
  - ii. Phalaenopsis Pty Ltd <ATF Sergeant Family Trust> 27,043 shares
  - iii. Curly Questions Pty Ltd 12,500 shares
  - iv. Sergeant Family Superannuation Fund 25,760. Mr Sergeant has effective control of his self-managed superannuation fund.
  - v. Ms J Sergeant holds 1,000 shares. Ms Sergeant is Mr Sergeant's wife.
- (6) 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 133 (2014: 391) shares were in payment of professional fees invoices by Allinson Accounting Solutions Pty Ltd.
- (7) Jessica Domaschcz has provided professional forester services since May 2013, was appointed as CEO on 12 July 2013 and resigned on 24 February 2015.

## Directors' Report

### Remuneration report (audited) (continued)

#### Related party transactions

	Consolidated	
	2015	2014
	\$	\$
<b>Directors transaction</b>		
Income: Annual lease payment <sup>(1)</sup>	23,222	22,568
Expense: Loan interest <sup>(2)</sup>	10,319	-
Liability: Lease payment received in advance <sup>(1)</sup>	25,832	-

<sup>(1)</sup> The Lease agreement between Graham Holdaway and the Group commenced on 30 June 1999. The lease is for 187.60 hectares of Land known as "Gosse East" and has a term of 25 years. Annual rent 30 June 2015 is \$23,222 (2014: \$22,568) is fully paid. The rent for year ended 30 June 2016 amounts to \$25,832, Mr Holdaway has paid the rent in advance. Mr Holdaway was appointed as a director on 17 March 2015.

<sup>(2)</sup> During the prior 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 was 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.

#### End of Remuneration Report

### Share options

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

Signed in accordance with a resolution of the directors



Paul McKenzie  
Chairman

Dated this 5<sup>th</sup> day of August 2015

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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 audit of Kangaroo Island Plantation Timbers Ltd for the year ended 30 June 2015, 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, 5 August 2015

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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.

As such, the Company have adopted the third edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group’s Corporate Governance Statement for the financial year ending 30 June 2015 is dated as at 27 June 2015 and was approved by the Board on 5 August 2015. The Corporate Governance Statement is available at [www.kipt.com.au](http://www.kipt.com.au).

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

For the year ended 30 June 2015

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
Lease and management fees		29	23
Timber sales		-	19
Operating lease - property	6a	51	5
Operating lease - Equipment hire	6a	8	-
Bank interest		12	8
<b>Revenue</b>		<b>100</b>	55
Cost of sales		-	(26)
<b>Gross profit</b>		<b>100</b>	29
<b>Change in fair value of investment property</b>		<b>(77)</b>	(104)
<b>Other income</b>	6b	<b>14</b>	113
<b>(Loss)/Profit on assets sold</b>	6c	<b>(13)</b>	(197)
Forestry expenses		<b>(345)</b>	(418)
Administrative expenses		<b>(61)</b>	(59)
Other expenses	6d	<b>(573)</b>	(679)
Finance costs	6e	<b>(11)</b>	(23)
<b>Profit/(loss) before income tax</b>		<b>(966)</b>	(1,333)
Income tax benefit/(expense)	7	-	102
<b>Net profit/(loss) for the year</b>		<b>(966)</b>	(1,231)
<b>Discontinuing operations</b>			
<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		-	240
<b>Other comprehensive income for the year net of tax</b>		-	240
<b>Total comprehensive income/(loss) for the year attributable to members of the parent</b>		<b>(966)</b>	(991)
		<b>EPS in cents</b>	<b>EPS in cents</b>
Basic earnings per share	8	<b>(58)</b>	(100)
Diluted earnings per share	8	<b>(58)</b>	(100)

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 2015

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	938	704
Trade and other receivables	10	13	16
Other current assets		5	6
		956	726
Assets classified as held for sale	11	367	400
<b>Total current assets</b>		1,323	1,126
<b>Non-current assets</b>			
Property, plant and equipment	13	12,086	12,482
Investment properties	14	100	727
Biological assets	15	-	-
Other non-current assets	16	5	5
<b>Total non-current assets</b>		12,191	13,214
<b>TOTAL ASSETS</b>		13,514	14,340
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	116	71
Employee benefits	18	22	16
Interest-bearing liabilities	19	-	58
<b>Total current liabilities</b>		138	145
<b>Non-current liabilities</b>			
Interest-bearing liabilities	19	-	5
<b>Total non-current liabilities</b>		-	5
<b>TOTAL LIABILITIES</b>		138	150
<b>NET ASSETS</b>		13,376	14,190
<b>EQUITY</b>			
Contributed equity	20	12,783	12,631
Reserves	21	3,595	3,595
Accumulated losses		(3,002)	(2,036)
<b>TOTAL EQUITY</b>		13,376	14,190

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 2015

Notes	Consolidated	
	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	105	220
Payments to suppliers and employees	(617)	(875)
Interest received	12	8
Borrowing costs	(11)	(23)
<b>Net cash flows (used in) operating activities</b>	<b>(511)</b>	<b>(670)</b>
24		
<b>Cash flows from investing activities</b>		
Release of term deposits	-	65
Proceeds from sale of investment properties	799	700
Purchase of investment properties	-	(16)
Proceeds from sale of plant and equipment	5	18
Purchase of property, plant and equipment	(1)	(745)
<b>Net cash flows from investing activities</b>	<b>803</b>	<b>22</b>
<b>Cash flows from financing activities</b>		
Proceeds from capital raising	-	1,005
Repayment of borrowings	(58)	(358)
Proceeds from borrowings	-	300
<b>Net cash flows (used in)/from financing activities</b>	<b>(58)</b>	<b>947</b>
<b>Net increase in cash and cash equivalents</b>		
	<b>234</b>	<b>299</b>
Cash and cash equivalents at beginning of year	<b>704</b>	<b>405</b>
<b>Cash and cash equivalents at end of year</b>	<b>938</b>	<b>704</b>
9		

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 2015

	Issued Capital \$'000	Treasury Shares \$'000	Property, plant & equipment Revaluation Reserve	Option Reserve \$'000	Accumu- lated Losses \$'000	Total \$'000
<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
<b>Total comprehensive income</b>	-	-	240	-	(1,231)	(991)
Issue of shares	1,006	-	-	-	-	1,006
Share-based payment	185	-	-	-	-	185
Share issue costs	(10)	-	-	-	-	(10)
Transaction with owners	1,181	-	-	-	-	1,181
<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>
<b>Balance at 1 July 2014</b>	13,081	(450)	3,323	272	(2,036)	14,190
Loss for the period	-	-	-	-	(966)	(966)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	(966)	(966)
Share-based payment	152	-	-	-	-	152
Transaction with owners	152	-	-	-	-	152
<b>Balance at 30 June 2015</b>	<b>13,233</b>	<b>(450)</b>	<b>3,323</b>	<b>272</b>	<b>(3,002)</b>	<b>13,376</b>

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

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 1. Corporate information

The financial report for Kangaroo Island Plantation Timbers Ltd for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 5 August 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 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 and 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 / revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Impact on initial application
AASB 2014-1 <i>Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)</i>	None	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 <i>Annual Improvements to IFRSs 2010-2012 Cycle</i> and <i>Annual Improvements to IFRSs 2011-2013 Cycle</i> .  Among other improvements, the amendments arising from <i>Annual Improvements to IFRSs 2010-2012 Cycle</i> :	1 July 2014	The adoption of these amendments has not had a material impact on the Group.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Impact on initial application
AASB 2014-1 <i>Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)</i> <i>continued</i>	See above	<p>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</p> <p>b amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.</p> <p>Among other improvements, the amendments arising from <i>Annual Improvements to IFRSs 2011-2013 Cycle</i> clarify that an entity should assess whether an acquired property is an investment property under AASB 140 <i>Investment Property</i> and perform a separate assessment under AASB 3 <i>Business Combinations</i> to determine whether the acquisition of the investment property constitutes a business combination.</p>		
AASB 2014-1 <i>Amendments to Australian Accounting Standards (Part C: Materiality)</i>	None	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.	1 July 2014	These has been no material impact on the entity.
AASB 2014-2 <i>Amendments to AASB 1053 - Transition to and between Tiers, and related Tier 2 Disclosure Requirements</i>	None	<p>AASB 2014-2 makes amendments to AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> to:</p> <ul style="list-style-type: none"> <li>• clarify that AASB 1053 relates only to general purpose financial statements</li> <li>• make AASB 1053 consistent with the availability of the AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> option in AASB 1 <i>First-time Adoption of Australian Accounting Standards</i></li> <li>• clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1</li> <li>• permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather that applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements; and</li> </ul>	1 July 2014	This Standard is not relevant to the entity as it is a Tier 1 entity.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Impact on initial application
AASB 2014-2 Continued	See above	<ul style="list-style-type: none"> <li>specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.</li> </ul>		
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	None	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.	1 January 2014	The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	None	<p>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.</p> <p>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 AASB 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.</p>	1 January 2014	The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.
AASB Interpretation 21 Levies	None	<p>Interpretation 21 addresses 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).</p> <p>Interpretation 21 is an interpretation of AASB 137 Provisions, Contingent Liabilities and Contingent Assets. AASB 137 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).</p>	1 January 2014	<i>The adoption of this interpretation has not had any impact on the Group as it is not subject to any such levies addressed by the interpretation.</i>

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Impact on initial application
AASB Interpretation 21 Levies Continued	Se above	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.		

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

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

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

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Impact on initial application
AASB 9 <i>Financial Instruments</i> (December 2014)  [Also refer to AASB 2013-9 and AASB 2014-1 below]	AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	<p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.</p> <p>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:</p> <ul style="list-style-type: none"> <li>a financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows</li> <li>b 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</li> </ul>	1 January 2018	The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Impact on initial application
<p>AASB 9 <i>Financial Instruments</i> (December 2014) Continued</p>	<p>See above</p>	<p>c introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments</p> <p>d 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</p> <p>e where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>• the change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>• the remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:</p> <ul style="list-style-type: none"> <li>• classification and measurement of financial liabilities; and</li> <li>• derecognition requirements for financial assets and liabilities.</li> </ul> <p>AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.</p> <p>Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.</p>		

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Impact on initial application
AASB 14 <i>Regulatory Deferral Accounts</i>	None	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP. Accordingly, an entity that applies AASB 14 may continue to apply its previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of its regulatory deferral account balances. This exemption is not available to entities who already apply Australian Accounting Standards.	1 January 2016	When AASB 14 becomes effective for the first time for the year ending 30 June 2017, it will not have any impact on the entity.
AASB 15 <i>Revenue from Contracts with Customers</i>	AASB 118 <i>Revenue</i> AASB 111 <i>Construction Contracts</i> Int. 113 <i>Customer Loyalty Programmes</i> Int. 115 <i>Agreements for the Construction of Real Estate</i> Int. 118 <i>Transfer of Assets from Customers</i>	AASB 15: replaces AASB 118 <i>Revenue</i> , AASB 111 <i>Construction Contracts</i> and some revenue-related Interpretations: <ul style="list-style-type: none"> <li>• establishes a new revenue recognition model</li> <li>• changes the basis for deciding whether revenue is to be recognised over time or at a point in time</li> <li>• provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)</li> <li>• expands and improves disclosures about revenue</li> </ul>	1 January 2017	The entity is yet to undertake a detailed assessment of the impact of AASB 15.  However, based on the entity's preliminary assessment and that the Company's circumstances do not change, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Impact on initial application
AASB 2014-1 <i>Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14)</i>	None	Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.	1 January 2016	When these amendments become effective for the first time for the year ending 31 June 2017, they will not have any impact on the entity.
AASB 2014-1 <i>Amendments to Australian Accounting Standards (Part E: Financial Instruments)</i>	None	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.	1 January 2015	The entity has not yet assessed the full impact of these amendments.
AASB 2014-3 <i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i>	None	<p>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 <i>Business Combinations</i>, should:</p> <ul style="list-style-type: none"> <li>• apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards 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</li> </ul> <p>provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.</p>	1 January 2016	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Impact on initial application
AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	None	<p>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.</p> <p>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 (2) limited circumstances:</p> <ul style="list-style-type: none"> <li>i 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</li> <li>ii when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.</li> </ul>	1 January 2016	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	None	AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.	1 January 2017	Refer to the section on AASB 15 above.
AASB 2014-6 <i>Amendments to Australian Accounting Standards – Agriculture: Bearer Plants</i>	None	AASB 2014-6 defines bearer plants and requires bearer plants to be accounted for as property, plant and equipment within the scope of AASB 116 <i>Property, Plant and Equipment</i> instead of AASB 141 <i>Agriculture</i> .	1 January 2016	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Impact on initial application
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i>	None	AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.	1 January 2018	Refer to the section on AASB 9 above.
AASB 2014-8 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)</i>	None	AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 [December 2009] and AASB 9 [December 2010]) from 1 February 2015.	1 January 2015	Refer to the section on AASB 9 above.
AASB 2014-9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i>	None	The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.	1 January 2016	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	None	<p>The amendments address a current inconsistency between AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i> (2011).</p> <p>The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 <i>Business Combinations</i>. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.</p>	1 January 2016	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Impact on initial application
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <i>Continued</i>	See above	This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128 (2011).		
<i>Annual Improvements to IFRSs 2012-2014 Cycle</i>	None	<p><i>Annual Improvements to IFRSs 2012-2014 Cycle</i> is a series of amendments to IFRSs in response to issues raised during the 2012-2014 cycle for annual improvements.</p> <p>Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of IFRS 5.</p> <p><i>Non-current Assets Held for Sale and Discontinued Operations</i> does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of IFRS 5.</p> <p>The AASB published the equivalent Australian amendments in January 2015.</p>	1 January 2016	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

*Standards issued by the IASB, but not yet by the AASB*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Impact on initial application
Investment Entities: Applying the Consolidation Exception ( <i>Amendments to IFRS 10, IFRS 12 and IAS 28</i> )	None	The narrow-scope amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	1 January 2016	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.
Disclosure Initiative – Amendments to IAS 1 <i>Presentation of Financial Statements</i>	None	The amendments: <ul style="list-style-type: none"> <li>• clarify the materiality requirements in IAS 1, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information</li> <li>• clarify that IAS 1's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated</li> <li>• add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position</li> <li>• clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order</li> <li>• remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.</li> </ul>	1 January 2016	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

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.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

#### 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.

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 29 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.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

#### 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

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.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

#### 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 \$nil as at 30 June 2015. Refer to Note 15 for further details. The land element of the Biological Asset is disclosed separately as freehold land in Note 13.

The fair value is the amount which could be expected to be received from the disposal of the asset in an active and liquid market less the costs expected to be incurred in realising the proceeds of such disposal.

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.

The change in estimated fair value is recognised in the income statement and is classified separately.

The Company has a comprehensive risk management strategy in place to monitor and oversee its timber plantations. The policy framework is board, with risk management addressing via fire risk management, plantation management practices, and experienced staff and board.

#### 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.

##### **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.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

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.

Building 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.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

#### 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.

#### l) 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.

#### m) 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.

#### n) 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 2015

### 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 profit or loss 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.

#### **o) 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.

#### **p) 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.

#### **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.

#### **Operating leases**

The Group also earns rental income from operating leases of its property plant and equipment (see Note 6 and 13). Rental income is recognised on a straight-line basis over the term of the lease.

#### **q) 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.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

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')
- Financial assets at Fair Value Through Other Comprehensive Income ('FVTOCI')
- 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).

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 does not hold HTM investments.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

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 or 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.

#### **r) 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.

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.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

#### s) 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.

#### **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.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

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.

#### **t) 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.

#### **u) Comparative figures**

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

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

#### v) 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 biological asset**

The Company has, in recent years, maintained a policy of valuing the standing timber element of its biological asset at \$nil, primarily on the basis that there was no immediate prospect of a deep-water port on Kangaroo Island, through which the timber could be exported to markets in Asia

However, over the past two years, the Company has acquired a deep-water port site in close proximity to its plantations, commissioned bathymetric analysis of the adjoining seabed, commissioned a report yielding a costed design for a port and has been working with local and state governments and with other timber owners on Kangaroo Island to develop an affordable route to market, by the construction of a deep-water berth.

The Company now considers the development of port infrastructure that allows exploitation of the substantial standing timber resource to which be virtually inevitable. What is not yet certain is the form and location of the port and the terms on the Company may be able to obtain access. As a result the Company believes it does not yet have sufficient certainty about the form and quantum of future cash flows to justify a change in valuation approach.

The Company continues to work on port development and believes the time is approaching when it will no longer be appropriate to use its present valuation basis.

#### **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. When the basis of valuation of the Company's standing timber alters the fair value basis for the valuation of land will be based on plantation land.

#### **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 no impairment is required for year ended 30 June 2015.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 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.

#### Categories of Financial Assets and Liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

##### Year ended 30 June 2015

	Note	Assets at FVTOCI \$'000	Assets at FVTPL \$'000	Derivatives used for hedging \$'000	Financial assets at amortised cost \$'000	Total \$'000
<b>Financial Assets</b>						
Cash and cash equivalents	9	-	-	-	938	<b>938</b>
Trade and other receivables	10	-	13	-	-	<b>13</b>
Assets held for sale	11	-	367	-	-	<b>367</b>
Other financial assets	16	-	10	-	-	<b>10</b>
Property Plant and Equipment	13	12,086	-	-	-	<b>12,086</b>
Investment Properties	14	-	100	-	-	<b>100</b>
		<u>12,086</u>	<u>490</u>	<u>-</u>	<u>938</u>	<b><u>13,514</u></b>

	Note	*Derivatives used for hedging \$'000	*Designate d at FVTPL \$'000	*Other liabilities at FVTPL \$'000	#Other liabilities \$'000	Total \$'000
<b>Financial Liabilities</b>						
Trade and other payables	17	-	116	-	-	<b>116</b>
Employee benefits	18	-	22	-	-	<b>22</b>
Non-current borrowings	19	-	-	-	-	<b>-</b>
Total		<u>-</u>	<u>138</u>	<u>-</u>	<u>-</u>	<b><u>138</u></b>

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

#### Year ended 30 June 2014

		Assets at FVTOCI \$'000	Assets at FVTPL \$'000	Derivatives used for hedging \$'000	Financial assets at amortised cost \$'000	Total \$'000		
<b>Financial Assets</b>								
Cash and cash equivalents	9	-	-	-	704	704		
Trade and other receivables	10	-	16	-	-	16		
Assets held for sale	11	-	400	-	-	400		
Other financial assets	16	-	11	-	-	11		
Property Plant and Equipment	13	12,482	-	-	-	12,482		
Investment Properties	14	-	727	-	-	727		
<b>Total</b>		<b>12,482</b>	<b>1,154</b>	<b>-</b>	<b>704</b>	<b>14,340</b>		
				*Derivatives used for hedging \$'000	*Designated at FVTPL \$'000	*Other liabilities at FVTPL \$'000	#Other liabilities \$'000	Total \$'000
<b>Financial Liabilities</b>								
Trade and other payables	17	-	71	-	-	-	-	71
Employee benefit	18	-	16	-	-	-	-	16
Current borrowings	19	-	-	58	-	-	-	58
Non-current borrowings	19	-	-	5	-	-	-	5
<b>Total</b>		<b>-</b>	<b>87</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166</b>

\* Carried at fair value

# Carried at amortised cost

### 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	
	2015 \$'000	2014 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	887	704
Term deposits	51	-
	<b>938</b>	704
<b>Financial liabilities</b>		
Interest bearing liabilities	-	(63)
	-	(63)
<b>Net exposure</b>	<b>938</b>	<b>641</b>

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

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 2015, 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)	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Judgements of reasonably possible movements:				
<b>Consolidated</b>				
+1%	9	7	-	-
-0.5%	(4)	(4)	-	-

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

#### 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 2015.

Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2015.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

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

	Consolidated	
	2015 \$'000	2014 \$'000
6 months or less	(138)	(87)
6-12 months	-	(58)
1-5 years	-	(5)
Over 5 years	-	-
	<b>(138)</b>	<b>(150)</b>

#### 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	< 6	6-12	1-5	> 5 years	Total
30 June 2015	months	months	years	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Cash and cash equivalents	938	-	-	-	938
Trade and other receivables	13	-	-	-	13
Other financial assets	-	-	5	-	5
	951	-	5	-	956
<b>Financial Liabilities</b>					
Trade and other payables	(138)	-	-	-	(138)
	(138)	-	-	-	(138)
<b>Net Maturity</b>	<b>813</b>	-	<b>5</b>	-	<b>818</b>
<b>Year ended</b>					
<b>30 June 2014</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	704	-	-	-	704
Trade and other receivables	16	-	-	-	16
Other financial assets	-	-	5	-	5
	720	-	5	-	725
<b>Financial Liabilities</b>					
Trade and other payables	(87)	-	-	-	(87)
Interest bearing loans and borrowings	(42)	(16)	(5)	-	(63)
	(129)	(16)	(5)	-	(150)
<b>Net Maturity</b>	591	(16)	-	-	575

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

#### 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 does not hold investments in equity securities.

### 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 2015:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2015</b>				
<b>Property, plant and equipment</b>				
Land held for production in Australia	-	-	11,395	11,395
Assets classified as held for sale	-	-	367	367
<b>Investment property</b>				
Land held for sale in Australia	-	-	100	100
<b>30 June 2014</b>				
<b>Property, plant and equipment</b>				
Land held for production in Australia	-	-	11,621	11,621
Assets classified as held for sale	-	-	400	400
<b>Investment property</b>				
Land held for sale in Australia	-	-	727	727

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 14 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.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 4. Fair value measurement of non-financial instruments (continued)

#### *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.

#### *Assests classified has held for sale (Level 3)*

Arable land properties with a fair value of \$367,293 (2014: \$163,764) has been sold for \$385,000 (2014: \$170,000), contracts were exchanged in March 2015 and June 2014 respectively and settlement is expected in August 2015, following the approval of the subdivision from its tree farm.

In the prior year, an investment property with a fair value of \$230,000 has been sold for \$230,000, contracts were exchanged in December 2014, completion occurred in April 2015.

#### *Land held for sale 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.

### 5. Segment reporting

#### **Year ended 30 June 2015 and 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.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 6. Revenue and expenses

#### (a) Operating leases

The Group leases a number of assets on operating leases:

Operating leases: freehold land and buildings

- The lease agreement between Graham Holdaway and the Group commenced on 30 June 1999 and relates to 187.60 hectares known as 'Gosse East'. The lease has a 25 year term and the lease increased annual based on CPI. The lease for the current year amounted to \$23,222 (2014: \$22,568); and
- The Group has a holiday rental property at Smith Bay property. The annual rent received amounted to \$8,142 (2014: \$nil);
- The Group also have a residential lease on one property. The agreement is cancellable and the annual rent received amounted to \$5,196 (2014: \$5,196); and
- The Group also casually lease out certain properties for agistment. The annual income amounted to \$14,563 (2014: \$nil).

Operating leases: equipment

- The Group has entered into an equipment lease agreement that are cancellable by lessor giving between one and three month notice. The annual income amounted to \$8,200 (2014: \$nil).

	<b>Consolidated</b>	
	<b>2015</b>	2014
	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Other income</b>		
Other –bad debts recovered	<b>14</b>	113
Total Other income	<b>14</b>	113
<b>(c) Sale of assets</b>		
Sale of investment properties	<b>799</b>	700
Cost of investment properties sold	<b>(815)</b>	(910)
(Loss) on investment properties sold	<b>(16)</b>	(210)
Sale of motor vehicles	<b>5</b>	18
Cost of assets sold	<b>(2)</b>	(5)
Profit on assets sold	<b>3</b>	13
Total (loss)/ profit on assets sold	<b>(13)</b>	(197)
<b>(d) Other expenses</b>		
Share-based payment	<b>152</b>	186
Audit fees (including scheme audit fees)	<b>30</b>	46
ASIC fees	<b>7</b>	8
Depreciation	<b>196</b>	182
ASX/share registry fees	<b>28</b>	35
Directors fees	<b>41</b>	-
Legal fees	<b>11</b>	73
Professional fees	<b>102</b>	141
Other corporate expenses	<b>6</b>	8
Other expenses	<b>573</b>	679

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 6. Revenue and expenses (continued)

	Consolidated	
	2015	2014
	\$'000	\$'000
<b>(e) Finance costs</b>		
Loan interest	11	23
Finance costs	11	23
<b>(f) Employee benefits expense</b>		
Wages and salaries	117	116
Accrued directors fees to be paid in shares	40	-
Share based payment	151	178
Annual leave provision	6	8
Defined contributions superannuation	11	11
Total employee and directors remuneration	325	313

### 7. Income tax

	Consolidated	
	2015	2014
	\$'000	\$'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	-	(102)
Income tax expense/(benefit) reported in profit or loss	-	(102)
Profit/(loss) before tax	(966)	(1,333)
At the statutory income tax rate of 30% (2014: 30%)	(290)	(400)
Non-deductible expenses/capital gain on sale of land	-	178
Other deductions	-	(22)
Tax loss not brought to accounts as a deferred tax asset	290	142
Income tax expense/(benefit) reported in income statement	-	(102)
<b>b) Amounts charged or credited to equity</b>		
Deferred income tax related to items charged (credited) to equity	-	102
Net gain on property, plant and equipment	-	102
Income tax expense reported in equity	-	102

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 7. Income tax (continued)

#### 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.

#### 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 2015 amount to \$5,295,068 (2014: \$7,378,782).

#### Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>CONSOLIDATED</i>						
Trade and other receivables	(23)	(833)	-	1,137	(23)	304
Property, plant and equipment	19	(1,018)	2,663	1,828	2,682	810
Trade and other payables	(14)	(17)	-	-	(14)	(17)
Tax losses	(2,645)	(1,097)	-	-	(2,645)	(1,097)
Tax (assets)/liabilities	(2,663)	(2,965)	2,663	2,965	-	-
Set off of tax	2,663	2,965	(2,663)	(2,965)	-	-
Net tax (assets)/liabilities	-	-	-	-	-	-

#### Deferred income tax

Deferred income tax at 30 June 2015 relates to the following:

Movements in temporary differences during the year	Balance 1/7/14 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 30/6/15 \$'000
Property, plant and equipment	810	1,872	-	2,682
Trade and other receivables	304	(327)	-	(23)
Trade and other payables	(17)	3	-	(14)
Tax losses	(1,097)	(1,548)	-	(2,645)
	-	-	-	-

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 7. Income tax (continued)

Movements in temporary differences during the prior 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	-

### 8. 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	
	2015 \$'000	2014 \$'000
Net loss attributable to ordinary equity holders of the parent	(966)	(1,231)

#### b) Weighted average number of shares

	Thousands	Thousands
<i>Weighted average number of ordinary shares for basic earnings per share</i>	1,658	1,229
Effect of dilution:		
Share options	-	-
<i>Weighted average number of ordinary shares adjusted for the effect of Dilution</i>	1,658	1,229

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 2015

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

	Consolidated	
	2015	2014
	\$'000	\$'000
Cash at bank and in hand	938	704
	938	704

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.

#### Reconciliation to Cash Flow Statement

For the purposes of the Statement of Cash Flows, cash and cash equivalents amount to \$938,000 (2014: \$704,000).

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

	Consolidated	
	2015	2014
	\$'000	\$'000
Trade receivables (a)	13	16
Interest receivable from Growers (c)	-	1,680
Loans to Growers (b)	-	982
Allowance for impairment loss (d)	-	(2,662)
	-	-
Carrying amount of trade and other receivables	13	16

#### 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. In the year ended 30 June 2015, the amount and all provisions were written off in full.

#### c) Interest receivable

Represents outstanding interest charged on loans to growers. It is due and payable immediately. The MIS schemes have been terminated; therefore in prior years a provision has been made against all outstanding interest. In the year ended 30 June 2015, the amount and all provisions were written off in full.

#### d) Allowance for impairment loss

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

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

Consolidated		Total	61-90 Days	61-90 Days	+ 91 Days	+ 91 Days
			PDNI*	CI*	PDNI*	CI*
2015	Trade and other Receivables	13	13	-	-	-
		<b>13</b>	<b>13</b>	-	-	-
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>

\*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	
	2015 \$'000	2014 \$'000
<i>Loans receivable</i>		
At 1 July	2,662	2,775
Written off	(2,662)	-
(Credit)/Charge for the year	-	(113)
At 30 June	-	2,662

### 11. Assets Classified as Held for Sale

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

	Consolidated	
	2015 \$'000	2014 \$'000
Property, plant & equipment assets classified as held for sale	367	170
Investments property assets classified as held for sale	-	230
	<b>367</b>	<b>400</b>

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

- Part of the land known as Lycurgus was sold for \$170,000 (book value \$163,764) and \$215,000 (book value \$203,529).

Prior year:

- 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 \$163,764).

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

	Consolidated	
	2015 \$'000	2014 \$'000
Loans to growers (a)	-	4,263
Allowance for impairment loss (b)	-	(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. In the year ended 30 June 2015 the loan and impairment were written off in full.

**b) Allowance for impairment loss**

The MIS schemes are all terminated; therefore in prior years a provision was made against all outstanding loans.

**c) Fair values**

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

	Consolidated	
	2015 \$'000	2014 \$'000
Loans to growers	-	4,263
Allowance for impairment loss	-	(4,263)
	-	-

### 13. 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
<b>Year ended 30 June 2015</b>			
At 1 July 2014 net of accumulated depreciation and impairment	11,621	861	<b>12,482</b>
Additions	-	1	<b>1</b>
Disposals	-	(6)	<b>(6)</b>
Adjustment in accumulated depreciation in relation to disposals	-	2	<b>2</b>
Depreciation charge for year	(29)	(167)	<b>(196)</b>
Assets classified as held for sale (Note 11)	(197)	-	<b>(197)</b>
At 30 June 2015 net of accumulated depreciation and impairment	11,395	691	<b>12,086</b>
<b>At 30 June 2015</b>			
Cost or fair value	11,523	1,246	<b>12,769</b>
Accumulated depreciation and impairment	(128)	(555)	<b>(683)</b>
Net carrying amount	11,395	691	<b>12,086</b>

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

	Freehold land \$'000	Plant and equipment \$'000	Total \$'000
<b>Year ended 30 June 2014</b>			
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 year	(29)	(153)	(182)
Assets classified as held for sale (Note 11)	(170)	-	(170)
Revaluations	342	-	342
At 30 June 2014 net of accumulated depreciation and impairment	<u>11,621</u>	<u>861</u>	<u>12,482</u>
<b>At 30 June 2014</b>			
Cost or fair value	11,720	1,251	12,971
Accumulated depreciation and impairment	(99)	(390)	(489)
Net carrying amount	<u>11,621</u>	<u>861</u>	<u>12,482</u>

#### 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. See Note 14 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 \$3,078,076 (2014: \$3,425,262).

During the year \$385,000 (2014: \$170,000) of land was sold with completion expected in late 2015. The assets has been reclassified as assets held for sale.

Included in freehold land is \$302,966 (2014: \$302,966) of encumbered 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.

#### c) Operating lease

The Group also earns rental income from operating leases of its investment properties (see Note 6).

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

	Consolidated	
	2015 \$'000	2014 \$'000
At Fair value		
Investment properties at 1 July	<u>100</u>	<u>727</u>
	<u>100</u>	<u>727</u>



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 14. Non-current assets – Investment properties (continued)

Investment properties are carried at fair value, which has been determined by the Directors with reference recent land sales on Kangaroo Island. This approach has been based on the expectation of the properties eventually returning to non-forestry agricultural use. As noted in the Directors' Report and in Note 15 below the Company continues to work on port development and believes the time is approaching when it may no longer be appropriate to use its present valuation basis for its timber assets. At that time it will be necessary to also change the basis for valuation of the Company's land which is, at that time, expected to remain in forestry use.

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 (2014: \$2,329) per arable hectare (after allowances for fencing and other costs);
- No value has been ascribed to uncleared land under natural vegetation unless specifically subdivide for that purpose;

These inputs have been referenced to market information.

	<b>Consolidated</b>	
	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<i>Investment Properties</i>		
Opening balance as at 1 July	<b>727</b>	1,955
Acquisitions	-	16
Assets classified as held for sale (Note 11)	-	(230)
Disposals	<b>(550)</b>	(910)
Fair value adjustment	<b>(77)</b>	(104)
Closing balance as at 30 June	<b>100</b>	727

During the year \$nil (2014: \$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 2015

### 15. Biological assets

	Consolidated	
	2015	2014
	\$'000	\$'000
Standing timber at fair value	0	0

The Company has, in recent years, maintained a policy of valuing its standing timber at \$0, primarily on the basis that there was no immediate prospect of a deep-water port on Kangaroo Island, through which the timber could be exported to markets in Asia.

However, over the past two years, the Company has acquired a deep-water port site in close proximity to its plantations, commissioned bathymetric analysis of the adjoining seabed, commissioned a report yielding a costed design for a port and has been working with local and state governments and with other timber owners on Kangaroo Island to develop an affordable route to market, by the construction of a deep-water berth.

The Company now considers the development of port infrastructure that allows exploitation of the substantial standing timber resource to be virtually inevitable. What is not yet certain is the form and location of the port and the terms on which the Company may be able to obtain access. As a result the Company believes it does not yet have sufficient certainty about the form and quantum of future cash flows to justify a change in valuation approach.

The Company continues to work on port development and believes the time is approaching when it will no longer be appropriate to use its present valuation basis.

During the year, the Company commissioned and received a report and valuation model from Geddes Management Pty Ltd (Geddes), a reputable and experienced firm of consultant foresters.

The valuation model used by Geddes allows the Company to estimate the value of its timber under various scenarios, and to consider the impact of variables within and outside the Company's control, such as harvesting costs, internal road construction costs, haulage, port charges, exchange rates and international timber prices. Like any forward-looking valuation, the outputs are sensitive to the choice of assumptions. The Geddes valuation, at the Company's request, is based on affordable access to a port that is not yet designed, approved or constructed. It should be understood in this context.

Geddes values the Company's timber at \$22.3m.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 16. Non-current assets - Other

	Consolidated	
	2015	2014
	\$'000	\$'000
Other receivables (a)	368	368
Allowance for impairment	(368)	(368)
Other	5	5
	5	5

**(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.

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

	Consolidated	
	2015	2014
	\$'000	\$'000
Trade payables (a)	114	69
PAYE tax payable	2	2
	116	71

**a) Trade payables**

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

**b) Fair value**

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

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

	Consolidated	
	2015	2014
	\$'000	\$'000
Annual Leave	22	16
	22	16

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

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 19. Interest-bearing liabilities

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Current</b>		
Chattel mortgage agreements (a)	-	58
	-	58
<b>Non-current</b>		
Chattel mortgage agreements (a)	-	5
	-	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 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, the loans are now fully repaid.
- b) The carrying amount of interest bearing liabilities approximates their fair value.

### 20. Contributed equity

#### a) Issued and paid up capital

	Consolidated	
	2015 \$'000	2014 \$'000
Ordinary shares fully paid	<b>12,783</b>	12,631

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

#### b) Movements in shares on issue

	2015		2014	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of financial year	1,648,196	12,631	581,819,476	11,450
Share-based payment	37,482	152	81,951	185
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 issue costs	-	-	-	(10)
End of the financial year	<b>1,685,678</b>	<b>12,783</b>	1,648,196	12,631

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 20. Contributed equity (continued)

#### c) Capital management

Capital consists of share capital and borrowings of \$12.783 million (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 30 June 2015 and 30 June 2014 were as follows:

	Consolidated	
	2015 \$'000	2014 \$'000
Trade and other payables	138	87
Interest bearing liabilities	-	63
Less cash and cash equivalents	(938)	(704)
Net debt	(800)	(554)
Total equity	13,376	14,190
Total capital	12,576	13,636
Gearing Ratio	(6.36%)	(4.06%)

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

### 21. Reserves

	Consolidated	
	2015 \$'000	2014 \$'000
Option reserve (a)	272	272
Property, plant and equipment reserve (b)	3,323	3,323
	3,595	3,595

#### a) Option reserve

	Consolidated	
	2015 \$'000	2014 \$'000
Opening balance at 1 July	272	272
Movement	-	-
Closing balance at 30 June	272	272

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

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 21. Reserves (continued)

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

	Consolidated	
	2015 \$'000	2014 \$'000
Opening balance at 1 July	3,323	3,083
Net fair value gain on property, plant and equipment	-	240
Closing balance at 30 June	3,323	3,323

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.

### 22. Contingent liabilities

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.

### 23. Contingent assets

The Company has, in recent years, maintained a policy of valuing its standing timber at \$0, primarily on the basis that there was no immediate prospect of a deep-water port on Kangaroo Island, through which the timber could be exported to markets in Asia.

However, over the past two years, the Company has acquired a deep-water port site in close proximity to its plantations, commissioned bathymetric analysis of the adjoining seabed, commissioned a report yielding a costed design for a port and has been working with local and state governments and with other timber owners on Kangaroo Island to develop an affordable route to market, by the construction of a deep-water berth.

During the year, the Company commissioned and received a report and valuation model from Geddes Management Pty Ltd (Geddes), a reputable and experienced firm of consultant foresters. The Geddes valuation which is based on affordable access to a port that is not yet designed, approved or constructed. It should be understood in this context.

Geddes values the Company's timber at \$22.3m. Refer to Note 15 for further details.

The directors are not aware of any other contingent assets.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 24. Reconciliation of statement of cash flows

	Consolidated	
	2015	2014
	\$'000	\$'000
<b>Reconciliation from the net profit after tax to the net cash flows from operations</b>		
Net profit/(loss)	(966)	(1,231)
<i>Adjustments for</i>		
Depreciation	196	182
(Profit)/Loss on sale of property, plant and equipment	(22)	197
Net Fair value decrease/(increase) in investment properties	77	104
Tax on increase in fair value on property, plant and equipment	-	(102)
Share-based payment	152	185
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables and other debtors	3	70
(Increase)/decrease in inventories	-	21
Increase/(decrease) in trade and other payables	49	(96)
<b>Net cash (used in)/from operating activities</b>	<b>(511)</b>	<b>(670)</b>

### 25. Events after balance date

There have been no significant events after balance date.

### 26. Auditor remuneration

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

	Consolidated	
	2015	2014
	\$	\$
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	28,000	32,500
Taxation services Grant Thornton	3,000	2,000
	<b>31,000</b>	<b>34,500</b>

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 27. Key management personnel

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

	Consolidated	
	2015	2014
	\$	\$
<b>Directors</b>		
Share-based payment <sup>(1)</sup>	148,333	175,000
Future share-based payment, subject to security holders approval <sup>(1)</sup>	40,834	-
	<b>189,167</b>	<b>175,000</b>
<b>Executives</b>		
Fees <sup>(2)</sup>	76,604	100,906
Post-employment benefits	-	-
Share-based payment <sup>(2)</sup>	1,000	1,000
	<b>77,604</b>	<b>101,906</b>
<b>Total</b>	<b>266,771</b>	<b>276,906</b>

(1) During the year the following remuneration paid in shares or accrued to be paid in shares:

- During the year 15,625 (2014: 33,334) ordinary shares were issued in lieu of \$62,500 (2014: \$75,000) Directors Fees, to Aminac Pty Ltd ATF Agrarian Management S/F A/C of which Paul McKenzie is the Managing Director.
- During the period until Mr Woollard's resignation on 17 March 2015. 8,958 (2014: 22,222) ordinary shares were issued in lieu of \$35,833 (2014: \$50,000) 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.
- During the year 12,500 (2014: 22,222) ordinary shares were issued in lieu of \$50,000 (2014: \$50,000) Directors Fees. At 30 June 2015 \$12,500 of executive directors fees have been accrued and will be paid in shares subject to security holders' approval at 2015 AGM.
- Since Ms Black's appointed on 17 March 2015 to 30 June 2015, \$14,167 of director's fees have been accrued and will be paid in shares subject to security holders' approval at 2015 AGM.
- Since Mr Holdaway's appointed on 17 March 2015 to 30 June 2015, \$14,167 of director's fees have been accrued and will be paid in shares subject to security holders' approval at 2015 AGM.
- John Sergeant was appointed Managing Director on 1 January 2015. His annual director's fees comprise of 50,000 Directors fee and \$25,000 Executive fee. At 30 June 2015 \$12,500 of executive directors fees have been accrued and will be paid in shares subject to security holders' approval at 2015 AGM.

(2) During the year the professional fees were incurred in respect of:

- Jessica Domaschenz has provided professional forester services since May 2013 and was appointed as CEO on 12 July 2013 and resigned effective 24 February 2015. During the year \$12,840 (2014: \$14,400) of professional services were invoiced by Forestech Management Pty Ltd, of which Jessica Domaschenz was an employee.
- Victoria Allinson was appointed as CFO and Company Secretary on 14 May 2013. During the year the professional accounting, administration and company secretarial fees of \$64,764 (2014: \$87,506) were invoiced by Allinson Accounting Solutions Pty Ltd, of which Victoria Allinson is Managing Director and shareholder. The services are provided by Mrs Allinson and her employee. During the year, \$1,000 of invoiced fees were paid in shares, the remaining \$63,764 (2014: \$86,506) were paid or payable.

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

There have been no other transactions with directors or executives.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 28. 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	
		2015 %	2014 %
Cineria Pty Ltd <sup>(1)</sup>	Australia	100	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.

#### Key management personnel

Details relating to key management personnel, are included in Note 27.

#### 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.

#### Related party transactions

	Consolidated	
	2015 \$	2014 \$
<b>Directors transaction</b>		
Income: Annual lease payment <sup>(1)</sup>	23,222	22,568
Expense: Loan interest <sup>(2)</sup>	10,319	-
Liability: Lease payment received in advance <sup>(1)</sup>	25,832	-

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### 28. Related party disclosures (continued)

<sup>(1)</sup> The Lease agreement between Graham Holdaway and the Group commenced on 30 June 1999. The lease is for 187.60 hectares of Land known as "Gosse East" and has a term of 25 years. Annual rent 30 June 2015: \$23,222 (2014: \$22,568) is fully paid. The rent for year ended 30 June 2016 amounts to \$25,832, Mr Holdaway has paid the rent in advance. Mr Holdaway was appointed as a director on 17 March 2015.

<sup>(2)</sup> During the prior 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.

### 29. Parent Entity disclosures

Information relating to Kangaroo Island Plantation Timbers Ltd

	2015 \$'000	2014 \$'000
Current assets	811	866
Non-current assets	8,071	8,662
<b>Total assets</b>	<b>8,882</b>	9,528
Current liabilities	95	68
<b>Total liabilities</b>	<b>95</b>	68
<b>Total net assets</b>	<b>8,787</b>	9,460
Issued capital	12,783	12,631
Option reserve	272	272
Property, plant and equipment reserve	800	800
Retained earnings	(5,068)	(4,243)
<b>Total shareholders' equity</b>	<b>8,787</b>	9,460
(Loss) of the parent entity	(825)	(1,020)
Net fair value (loss)/gain in property, plant and equipment	-	(43)
<b>Total comprehensive (loss)</b>	<b>(825)</b>	(1,063)

#### 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 2015

### 30. Share-based payments

#### Recognised share-based payment expenses

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

	Consolidated	
	2015 \$'000	2014 \$'000
Expense arising from equity-settled share-based payment transactions	152	186
Total expense from share-based payment transactions	152	186

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

- (a) During the year the following \$148,333 (2014: \$175,000) of directors remuneration was paid in shares:
- 15,625 (2014: 33,334) ordinary shares were issued in lieu of Paul McKenzie 's director's fees totalling \$62,500 (2014: \$75,000).
  - 8,958 (2014: 22,222) ordinary shares were issued in lieu of Frederick Woollard' director's fees totalling \$35,833 (2014: \$50,000).
  - 12,500 (2014: 22,222) ordinary shares were issued in lieu of John Sergeants' director's fees totalling \$50,000 (2014: \$50,000).
- (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 133 (2014: 391) shares were in payment of \$1,000 (2014: \$1,000) professional fees invoiced by Allinson Accounting Solutions Pty Ltd.
- (c) \$2,000 (2014: \$2,000) were paid to employees during the year under the Executive & Employee Share Loan Scheme (EESP). Under the EESP two employees were issued 133 (2014: 391) shares each.
- (d) Nil (2014: 3,000) 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).

### 31. Commitments

#### Leasing commitments

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

The Group has previously financed a motor vehicle, wheel loader and fuel tank at the sawmill; all agreements are repayable over four years from commencement. The agreements were fully repaid as at 30 June 2015.

There are no other commitments at 30 June 2015.

### 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 2015 are in accordance with the Corporations Act 2001, including:
    - Giving a true and fair view of its financial position as at 30 June 2015 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 2015.

On behalf of the Board



Chairman

Dated this 5<sup>th</sup> day of August 2015

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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 2015, 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 2015 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 2015. 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 2015, 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, 5 August 2015

## Supplementary Information for Investors as at 3 August 2015

The information contained below is to be read in conjunction with the annual report of Kangaroo Island Plantation Timbers Ltd dated 30 June 2015.

### 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	1,071,175	63.60
2.	AMINAC PTY LTD <AGRARIAN MANAGEMENT S/F A/C>	129,610	7.69
3.	CONSTABLE INVESTMENTS GROUP LIMITED	51,550	3.06
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	45,561	2.70
5.	A&M SALTER NOMINEES PTY LTD <ALF SALTER & ASSOC S/F A/C>	34,517	2.05
6.	MR JOHN DAVID SERGEANT	32,924	1.95
7.	MR GRAHAM IAN HOLDAWAY + MRS KRISTINA MARY IRVING HOLDAWAY <G & K SUPER FUND A/C>	30,700	1.82
8.	PHALAENOPSIS PTY LTD <SERGEANT FAMILY A/C>	27,043	1.60
9.	MR JOHN DAVID SERGEANT <SERGEANT FAMILY S/F A/C>	25,760	1.53
10.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	22,879	1.36
11.	MAJ PTY LTD <WALLACE SUPER FUND A/C>	20,400	1.21
12.	AGRARIAN CONSULTING PTY LTD <PAUL MCKENZIE FAMILY A/C>	15,625	0.93
13.	MR DAVID HALSTEAD BREWSTER + MS CHRISTINE EVELYN NEWMAN	14,336	0.85
14.	CURLY QUESTIONS PTY LTD	12,500	0.74
15.	GADBY PTY LTD <GADBY SUPER A/C>	10,880	0.65
16.	MR TIMOTHY EDWARD HOBILL COLE + MRS FIONA CAROLINE HOBILL COLE <VAMEKE SUPER FUND A/C>	10,019	0.59
17.	MR DAVID HOWARD SERGEANT + MRS MARION ELIZABETH SERGEANT	8,000	0.47
18.	MR ANDREW WILLIS MATTHEW CRAWFORD	7,811	0.46
19.	HAVERO PTY LIMITED <R AND V HANDELSMANN SF A/C>	6,250	0.37
20.	SHANDORA ONE PTY LTD <BENGER SUPER FUND A/C>	5,778	0.34
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)</b>		<b>1,584,318</b>	<b>93.99</b>
<b>Total Remaining Holders Balance</b>		<b>101,360</b>	<b>6.01</b>
<b>Total</b>		<b>1,685,678</b>	<b>100.00</b>



## Supplementary Information for Investors as at 3 August 2015

### 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	792,310	47.00%	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%	
Paul McKenzie	Aminac Pty Ltd <Ararian Management S/F A/C>	129,610	7.69%	Paul McKenzie
	Agrarian Consulting Pty Ltd <Paul McKenzie Family A/C>	16,625	0.93%	Paul McKenzie
		145,235	8.62%	
John Sergeant	John David Sergeant	32,924	1.95%	John Sergeant
	Phalaenopsis Pty Ltd	27,043	1.60%	John Sergeant
	Sergeant Family Superannuation Fund	25,760	1.53%	John Sergeant
	Curly Questions Pty Ltd	12,500	0.74%	John Sergeant
	Jennifer Sue-Ellen Rosalie Sergeant	1,000	0.06%	John Sergeant
		99,227	5.89%	

### Distribution of shareholder numbers

Number of shares held	Number of shareholders
1 – 1,000	391
1,001, - 5,000	24
5,001 – 10,000	6
10,001 – 100,000	14
More than 100,001	2

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

As at 3 August 2015, there were a total of 325 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.