

Kangaroo Island Plantation Timbers Ltd

ACN 091 247 144

Results for Announcement to the Market

Appendix 4D

Current reporting period: Half-year ended 31 December 2015

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

Results for Announcement to the Market

	Percentage Change %	Amount \$'000
Revenue – continued operations	12% decrease	49
Loss after tax – continued operations	23% increase	(465)
Net loss attributable to members	23% increase	(465)

Dividends paid or proposed

No dividends have been paid or proposed during the period.

Brief explanation of revenue and net profit/(loss)

The Group experienced a decrease in revenue for the period from continuing operation as compared to the same time last year of 12% to \$49,000 (2014: \$56,000). This was attributable to a decrease in plantation management fees from \$23,000 in 2014 to \$nil, offset by equipment hire revenue commencing in this period.

Losses from continuing operations increased by \$88,000 as a result of deep water wharf development and feasibility costs of \$159,000, offset by lower plantation costs and lower head office costs.

NTA backing

	Half-year Ended 31 December 2015	Half-year Ended 31 December 2014
Net tangible asset backing per security	\$7.72	\$8.38

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

The Group has not gained or lost control of any entities during the half-year ended 31 December 2015.

Details of dividends

Not applicable

Details of associates or joint ventures

Not applicable

Review dispute or qualification

We are not aware of any review dispute or qualification for the accounts for the half-year ending 31 December 2015.

The half-year financial report should be read in conjunction with the annual report for the year ended 30 June 2015.

Kangaroo Island Plantation Timbers Ltd

ABN 19 091 247 166

Half-year Financial Report

31 December 2015

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Directors' Report

For the half-year ended 31 December 2015

Your directors submit their report for the half-year ended 31 December 2015.

Directors

The names of the company's directors in office during the half-year and until the date of this report are as below.

Director	Position	Appointed	Last elected or re-elected at AGM	Resigned
Paul McKenzie ⁽¹⁾	Non-Executive Chair	29 April 2005	8 September 2015	-
John Sergeant ⁽²⁾	Managing Director	2 March 2013	18 November 2014	-
Shauna Black	Independent Non-Executive	17 March 2015	8 September 2015	-
Graham Holdaway	Independent Non-Executive	17 March 2015	8 September 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.

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 2015	Net changes during the period	Issued in lieu of directors fees	Closing interest at 31 December 2015
Paul McKenzie ⁽¹⁾	145,235	-	1,562	146,797
John Sergeant ⁽²⁾	99,227	-	5,469	104,696
Shauna Black ⁽³⁾	-	-	5,104	5,104
Graham Holdaway ⁽⁴⁾	30,700	-	5,104	35,804
Total	275,162	-	17,239	292,401

- (1) During the period 1,562 shares were issued to Paul McKenzie in lieu of director's fees totalling \$12,496. Mr McKenzie's shareholdings comprise:
- 129,610 shares held by Aminac Pty Ltd AFT Agrarian Management S/F A/C of which Mr McKenzie is the Managing Director; and
 - 17,187 shares are held by Agrarian Consulting Pty Ltd <Paul McKenzie family A/C> of which Paul McKenzie is the Managing Director.
- (2) On 18 September 2015, 3,125 shares issued to John Sergeant in lieu of 30 June 2015 director's remuneration totalling \$12,500; and on 7 December 2015, 2,344 shares in lieu of director's remuneration totalling \$18,752. Mr Sergeant's shareholdings comprise:
- 32,924 shares held under a direct interest
 - 45,012 shares held by Phalaenopsis Pty Ltd <ATF Sergeant Family Trust>. Mr Sergeant has effective control of his family trust.
 - 25,760 shares held by Sergeant Family Superannuation Fund. Mr Sergeant has effective control of his self-managed superannuation fund.
 - 1,000 shares held by Ms J Sergeant. Ms Sergeant is Mr Sergeant's wife.
- Mr Sergeant discloses that he remains a unitholder in Samuel Terry Absolute Return Fund (STAR), which is a substantial holder in the Company. Mr Sergeant does not have the power to direct or influence STAR in the exercise of its voting rights or in regard to the acquisition or disposal of shares. Nor does Samuel Terry Asset Management, the manager of STAR, have any power, beyond that available by virtue of being a shareholder, to direct or influence Mr Sergeant in the performance of his duties as Managing Director.
- (3) On 18 September 2015, 3,542 shares issued to Shauna Black in lieu of 30 June 2015 director's fees totalling \$14,168; and on 7 December 2015, 1,562 shares in lieu of director's remuneration totalling \$12,496.

Directors' Report continued

For the half-year ended 31 December 2015

- (4) On 18 September 2015, 3,542 shares issued to Graham Holdaway in lieu of 30 June 2015 director's fees totalling \$14,168; and on 7 December 2015, 1,562 shares in lieu of director's remuneration totalling \$12,496. Mr Holdaway's shareholdings comprise:
- 5,104 shares are held by Holdaway & Holdaway Pty Ltd, of which Mr Holdaway has effective control; and
 - 30,700 shares are 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.

Review and results of operations

The Company continued working with other timber interests and with government and the community to develop a deep water wharf on Kangaroo Island. It is considered that demonstrable progress towards such a wharf will create an uplift in the value of the Company's assets, as the Company's standing timber, currently exceeding 1.2 million tonnes, is valued in the Company's accounts at \$0 per tonne. The Company is also working on consolidating the various timber plantations on Kangaroo Island on favourable terms, prior to unlocking value through the development of a route to market. While the Company is working on these two strategies, the emphasis of the Company's ongoing operations is on stewardship of the assets and cost-containment.

Events after balance date

On 18 January 2016, the Company announced that shareholder approval will be sought for directors' performance rights. If approved the plan would be effective from the 18 January 2016.

On 14 January 2016, the Company announced 8,670 of shares being issued at \$12.60 per share (being the quoted share price on date of issue), total \$109,242, under a previously-announced agreement to remove an encumbrance from one of the Company's properties. The removal of the encumbrance resulted in an uplift in fair value of \$302,966 leaving a net fair value gain on property of \$193,724 (refer to Note 8 for further details).

The Company has signed agreements prior to period end, to subdivide and sell a property, being part of Lycurgus, for \$215,000, whereby settlement is expected after the period end.

The Company is not aware of any other significant events occurring after 31 December 2015.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$'000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

Dividends

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

Auditor independence and non-audit services

The directors have received the auditor's independence declaration, which is included on page 6 of this report and forms part of this report.

Signed in accordance with a resolution of the directors.



Paul McKenzie
Chairman

Dated this 23rd February 2016

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Kangaroo Island Plantation Timbers Limited for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton
GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Sheenagh Edwards
Partner - Audit & Assurance

Adelaide, 23 February 2016

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2015

	Notes	Consolidated	
		31 December 2015 \$'000	31 December 2014 \$'000
Rent		18	27
Equipment hire		24	-
Bank interest		7	6
Plantation management		-	23
Revenue		49	56
Sale of property plant and equipment		(30)	2
Other income	3	90	45
Property expenses		(67)	(84)
Deep water wharf development costs		(159)	-
Administrative expenses		(27)	(55)
Other expenses	3	(379)	(336)
Finance costs		-	(5)
Loss before income tax		(523)	(377)
Income tax benefit/(expense)		58	-
Net loss for the period from continuing operations		(465)	(377)
Profit/(loss) for the period attributable to members of the parent		(465)	(377)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Net fair value gain/(loss) in property, plant and equipment		135	-
Other comprehensive income for the period net of tax		135	-
Total comprehensive income/(loss) for the period attributable to members of the parent		(330)	(377)
Earnings per share		EPS in cents	EPS in cents
Basic profit/(loss) per share from continuing operations	4	(27.48)	(22.87)
Diluted profit/(loss) per share from continuing operations	4	(27.48)	(22.87)

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

Consolidated Statement of Financial Position

As at 31 December 2015

		Consolidated	
		31 December	30 June
Notes		2015	2015
		\$'000	\$'000
ASSETS			
Current assets			
		833	938
	6	50	13
		21	5
		904	956
	7	204	367
		1,108	1,323
Non-current assets			
	8	12,308	12,086
	9	100	100
	10	-	-
		5	5
		12,413	12,191
TOTAL ASSETS		13,521	13,514
LIABILITIES			
Current liabilities			
	11	349	116
		29	22
		378	138
Total non-current liabilities		-	-
TOTAL LIABILITIES		378	138
NET ASSETS		13,143	13,376
EQUITY			
	12	12,880	12,783
	13	3,730	3,595
		(3,467)	(3,002)
TOTAL EQUITY		13,143	13,376

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2015

Notes	Consolidated	
	31 December 2015 \$'000	31 December 2014 \$'000
Cash flows from operating activities		
Receipts from customers and other income	110	52
Payments to suppliers and employees	(392)	(306)
Interest received	7	6
Borrowing costs	-	(6)
Net cash flows (used in)/from operating activities	(275)	(254)
Cash flows from investing activities		
Proceed from sale of investment properties	170	-
Proceeds from sale of plant and equipment	-	5
Purchase of plant and equipment	-	(1)
Net cash flows from/(used in) investing activities	170	4
Cash flows from financing activities		
Repayment of borrowings	-	(63)
Net cash flows (used in)/from financing activities	-	(63)
Net increase/(decrease) in cash and cash equivalents	(105)	(313)
Cash and cash equivalents at beginning of period	938	704
Cash and cash equivalents at end of period	833	391

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2015

	Issued Capital \$'000	Treasury Shares \$'000	Property, plant & equipment Revaluation Reserve \$'000	Option Reserve \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 1 July 2014	13,081	(450)	3,323	272	(2,036)	14,190
Loss for the period	-	-	-	-	(377)	(377)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(377)	(377)
Transactions with owners	-	-	-	-	-	-
Balance at 31 December 2014	13,081	(450)	3,323	272	(2,413)	13,813
Balance at 1 July 2015	13,233	(450)	3,323	272	(3,002)	13,376
Loss for the period	-	-	-	-	(465)	(465)
Other comprehensive income	-	-	135	-	-	135
Total comprehensive income	-	-	135	-	(465)	(330)
Share-based payments	97	-	-	-	-	97
Transactions with owners	97	-	-	-	-	97
Balance at 31 December 2015	13,330	(450)	3,458	272	(3,467)	13,143

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

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2015

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

1. Corporate information

The financial report of Kangaroo Island Plantation Timbers Ltd (“the Company”) and its controlled entities (“the Group” or “Consolidated Entity”) for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 23 February 2016. Kangaroo Island Plantation Timbers Ltd is a company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

2. Basis of preparation and accounting policies

a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include full note disclosures of the type normally included within the annual financial report. Accordingly, it should be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Kangaroo Island Plantation Timbers Ltd during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and ASX Listing Rules.

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

b) Going concern assumption

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

During the period ended 31 December 2015, the Group incurred a net loss after tax of \$465,112 and a net cash outflow used in operating activities of \$274,676. The cash and cash equivalents balance, as at 31 December 2015 was \$832,916. The consolidated entity’s net current asset position at 31 December 2015 was \$730,984.

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

The Directors have reviewed the Group’s financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be successful in securing the additional funds through the previously announced sale of non-core asset at Lycurgus \$203,529. The sales agreement was signed prior to period end and the completion is expected in 2016.

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

c) Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group’s last annual financial statements for the year ended 30 June 2015.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2015

3. Other income and expenses

	Consolidated	
	31 December 2015	31 December 2014
	\$'000	\$'000
Net change in fair value of investment properties	-	23
Agistment	-	14
Other –bad debts recovered	90	8
	90	45
Other Expenses		
Salaries and wages	79	67
Managing director's fees	19	-
Managing director's fees paid in shares	19	-
Directors fees	37	-
Directors fees paid in shares	37	87
Total employee and directors remuneration	191	154
Professional fees	42	46
Legal fees	8	8
ASX/Share registry fees/ASIC fees	33	17
Audit fees	24	15
Depreciation	81	96
	379	336

4. Earnings per share

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

a) Earnings used in calculating earnings per share

	Consolidated	
	31 December 2015	31 December 2014
	\$'000	\$'000
Continuing Net loss attributable to ordinary equity holders of the parent	(465)	(377)

b) Weighted average number of shares

	No.	No.
<i>Weighted average number of ordinary shares for basic earnings per share</i>	1,692,402	1,648,196
Effect of dilution:		
Share options	-	-
<i>Weighted average number of ordinary shares adjusted for the effect of dilution</i>	1,692,402	1,648,196

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 (continued)

For the half-year ended 31 December 2015

5. Dividends paid and proposed

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

6. Cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December 2015.

	Consolidated	
	31 December	30 June
	2015	2015
	\$'000	\$'000
Cash at bank and in hand	833	938

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 \$833,000 (December 2014: \$391,000).

7. Assets Classified as Held for Sale

During the prior period the Company sold one property that is still in the process of being subdivided and settlement is expected to occur in 2016. The properties comprised:

Current period

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

Prior Period

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

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

	Consolidated	
	31 December	30 June
	2015	2015
	\$'000	\$'000
Property, plant & equipment assets classified as held for sale	204	367
Investments assets classified as held for sale	-	-
	204	367

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2015

8. Non-current assets – Property, plant and equipment

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

	Land \$'000	Plant and equipment \$'000	Total \$'000
Half-year ended 31 December 2015			
At 1 July 2015 net of accumulated depreciation and impairment	11,395	691	12,086
Revaluation following the removal of encumbrance	303	-	303
Depreciation charge for period	(14)	(67)	(81)
At 31 December 2015 net of accumulated depreciation and impairment	11,684	624	12,308
Cost or fair value	11,826	1,246	13,072
Accumulated depreciation and impairment	(142)	(622)	(764)
Net carrying amount	11,684	624	12,308
Year ended 30 June 2015			
At 1 July 2014 net of accumulated depreciation and impairment	11,621	861	12,482
Additions	-	1	1
Disposals	-	(6)	(6)
Adjustment in accumulated depreciation in relation to disposals	-	2	2
Depreciation charge for year	(29)	(167)	(196)
Assets classified as held for sale (Note 7)	(197)	-	(197)
At 30 June 2015 net of accumulated depreciation and impairment	11,395	691	12,086
Cost or fair value	11,523	1,246	12,769
Accumulated depreciation and impairment	(128)	(555)	(683)
Net carrying amount	11,395	691	12,086

If the cost model had been used, the carrying amounts of the re-valued land would be \$3,078,076 (June 2015: \$3,078,076).

During the period nil (June 2015: \$197,000) of land was sold with completion expected in 2015. The assets has been reclassified as assets held for sale, refer to Note 7 for further details.

b) Land acquired during the period and revaluations

No land was acquired during the period.

Land acquired is carried at fair value, which has been determined by the Directors with reference to the average sale price of arable and pasturable cleared land on Kangaroo Island in the last two periods. See Note 9 for further commentary on the determination of fair value.

Included in land is \$nil (June 2015: \$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 by \$302,966 (June 2015: \$nil) following the signing of an agreement to remove the encumbrance. Under the agreement 8,670 of shares were issued on 14 January 2016 at \$12.60 per share (being the quoted share price on date of issue), total \$109,242, resulting a fair value gain of \$193,724 (refer to Notes 13 and 18 for further details). The removal of the encumbrance is expected to be finalised after the period end.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2015

9. Non-current assets – Investment properties

	Consolidated	
	31 December 2015 \$'000	30 June 2015 \$'000
At Fair value		
Investment properties at 1 July	100	100
	100	100

Investment properties are carried at fair value, which has been determined by the Directors with reference to recent land sales on Kangaroo Island. This approach has been based on the presumption of the properties' highest and best alternate non-forestry use being agriculture. As noted in the Directors' Report and in Note 10 below, the Company continues to work on a deep water wharf development and on an interim barging solution. The Company believes that 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 may be necessary to also change the basis for valuation of the Company's land, most of which would, at that time, be expected to remain in forestry use.

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 (June 2015: \$2,329) per arable or pasturable hectare (after allowances for fencing and other costs); and
- No value has been ascribed to uncleared land under natural vegetation unless specifically subdivided for the purpose of sale.

These inputs have been referenced to market information.

	Consolidated	
	31 December 2015 \$'000	30 June 2015 \$'000
<i>Investment Properties</i>		
Opening balance as at 1 July	100	727
Disposals	-	(550)
Fair value adjustment	-	(77)
Closing balance as at 30 June	100	100

10. Biological assets

	Consolidated	
	31 December 2015 \$'000	30 June 2015 \$'000
Standing timber at fair value	-	-

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 wharf on Kangaroo Island, through which the timber could be exported to markets in Asia.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2015

10. Biological assets (continued)

However, in February 2014, the Company acquired a deep-water wharf site in close proximity to its plantations, commissioned bathymetric analysis of the adjoining seabed, commissioned a report yielding a costed design for a hardstand wharf 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. In the most recent period, the Company has undertaken environmental analysis and geotechnical and geophysical investigation of the Smith Bay site.

The Company now considers the development of 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 export facility 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 the deep water wharf development and believes the time is approaching when it will no longer be appropriate to use its present valuation basis, either because development approval has been secured or an interim export solution established

During the prior 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 an export wharf that is not yet designed, approved or constructed. It should be understood in this context.

In the prior year, Geddes valued the Company's timber at \$22.3 million. Natural growth since then and the addition of approximately 90,000 cubic metres of inventory that had existed as an encumbrance on one of the Company's properties will affect this valuation, as will movements in global timber prices and currency exchange rates.

In January 2016, the Company announced an investigation into an interim barge-based route to market, refer to Note 18 for further details. The Company will continue to investigate this interim route and identify suitable commercial partners.

11. Current liabilities – Trade and other payables

	Consolidated	
	31 December 2015 \$'000	30 June 2015 \$'000
Trade payables (a)	232	114
Other Payables	109	-
PAYE tax payable	8	2
	349	116

a) Trade payables

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

b) Other payables

Under an agreement with Treecorp Pty Ltd, to remove an encumbrance held over a certain property, 8,670 of shares were issued on 14 January 2016 at \$12.60 per share (being the quoted share price on date of issue), total value \$109,242, (refer to Notes 13 and 18 for further details).

b) Fair value

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

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2015

12. Contributed equity

a) Issued and paid up capital

	Consolidated	
	31 December	30 June
	2015	2015
	\$'000	\$'000
Ordinary shares fully paid	12,880	12,783

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

b) Movements in shares on issue

	31 December 2015		30 June 2015	
	Number of	\$'000	Number of	\$'000
	shares		shares	
Beginning of financial period	1,685,678	12,783	1,648,196	12,631
Share-based payment (Note 14)	17,239	97	37,482	152
Share issue costs	-	-	-	-
End of the financial period	1,702,917	12,880	1,685,678	12,783

13. Reserves

	Consolidated	
	31 December	30 June
	2015	2015
	\$'000	\$'000
Option reserve (a)	272	272
Property, plant and equipment reserve (b)	3,458	3,323
	3,730	3,595

a) Option reserve

	Consolidated	
	31 December	30 June
	2015	2015
	\$'000	\$'000
Opening balance	272	272
Movement	-	-
Closing balance	272	272

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

b) Property, plant and equipment revaluation reserve

	Consolidated	
	31 December	30 June
	2015	2015
	\$'000	\$'000
Opening balance	3,323	3,323
Net fair value gain on property, plant and equipment	135	-
Closing balance	3,458	3,323

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2015

13. Reserves (continued)

The property, plant & equipment revaluation surplus is used to record increments and decrements 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.

During the period, an agreement was signed to remove the encumbrance from one of the Company's properties; the removal of the encumbrance resulted in an uplift in fair value of \$302,966. The removal of the encumbrance resulted in 8,670 of shares being issued at \$12.60 per share (being the quoted share price on date of issue, 14 January 2016), total \$109,242, resulting a fair value gain of \$193,724 (refer to Notes 8 and 18 for further details). The deferred tax on the gain amounted to \$58,118.

14. Share-based Payment

Recognised share-based payment expenses

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

	Consolidated	
	31 December	31 December
	2015	2014
	\$'000	\$'000
Expense arising from equity-settled share-based payment transactions	97	-
Total expense from share-based payment transactions	97	-

Equity-settled share-based payment transactions

During the current period the following \$97,075 (31 December 2014: \$nil) of directors remuneration was paid in shares:

- On 18 September 2015 3,542 ordinary shares were issued to Shauna Black in lieu of director's fees for the period ending 30 June 2015 amounting to \$14,168 (net of GST). On 7 December 2015 1,562 ordinary shares were issued to Shauna Black in lieu of director's fees amounting to \$12,496.
- On 18 September 2015 3,542 ordinary shares were issued to Graham Holdaway in lieu of director's fees for the period ending 30 June 2015 amounting to \$14,168 (net of GST). On 7 December 2015 1,562 ordinary shares were issued to Graham Holdaway in lieu of director's fees amounting to \$12,496 (net of GST).
- On 18 September 2015 3,125 ordinary shares were issued to John Sergeant in lieu of director's remuneration for the period ending 30 June 2015 amounting to \$12,500 (net of GST). On 7 December 2015 2,344 ordinary shares were issued to John Sergeant in lieu of director's remuneration amounting to \$18,752.
- On 7 December 2015 1,562 ordinary shares were issued to Paul McKenzie in lieu of director's fees amounting to \$12,496 (net of GST).

15. Commitments

There are no operating lease commitments at 31 December 2015 or 30 June 2015.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2015

16. Contingent assets and liabilities

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 export facility 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 wharf site in close proximity to its plantations, commissioned bathymetric analysis of the adjoining seabed, commissioned a report yielding a costed design for a hardstand berth, conducted environmental, geotechnical and geophysical investigations 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 an export facility that is not yet designed, approved or constructed. It should be understood in this context.

Geddes valued the Company's timber at \$22.3m. Refer to Note 10 for further details.

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

There are no other contingent assets or contingent liabilities at 31 December 2015.

17. Operating segments

The Directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that there are no separately identifiable segments.

18. Events after balance date

On 18 January 2016, the Company announced that shareholder approval will be sought for directors' performance rights. If approved the plan would be effective from the 18 January 2016.

On 14 January 2016, the Company announced 8,670 of shares being issued at \$12.60 per share (being the quoted share price on date of issue), total \$109,242, under a previously-announced agreement to remove an encumbrance from one of the Company's properties. The removal of the encumbrance resulted in an uplift in fair value of \$302,966 leaving a net fair value gain on property of \$193,724 (refer to Note 8 for further details).

The Company has signed agreements prior to period end, to subdivide and sell a property, being part of Lycurgus, for \$215,000, whereby settlement is expected after the period end.

Directors' Declaration

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

In the opinion of the directors:

- a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
 - ii) Comply with Accounting Standards AASB 134 Interim Financial Reporting; and
- b) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Paul McKenzie
Chairman

Dated this 23rd day of February 2016

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

We have reviewed the accompanying half-year financial report of Kangaroo Island Plantation Timbers Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

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

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Kangaroo Island Plantation Timbers Limited consolidated entity’s financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Kangaroo Island Plantation Timbers Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding going concern

Without qualifying the conclusion expressed above, we draw attention to Note 2(b) in the financial report which indicates that the consolidated entity incurred a net loss of \$465,000 and net cash outflows from operating activities of \$275,000 during the half-year ended 31 December 2015. These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Sheenagh Edwards
Partner - Audit & Assurance

Adelaide, 23 February 2016