Kemp & Denning Limited

REGISTERED OFFICE AND SHARE REGISTER
159 HARRINGTON STREET HOBART TAS 7000
GPO BOX 608 HOBART TAS 7001
TELEPHONE (03) 62 300 300
FACSIMILE (03) 62 311 772
EMAIL mail@kd.com.au
WEBSITE www.kd.com.au

ABN 81 009 475 941

TRADING AS • K&D WAREHOUSE MITRE 10 • K&D BRICKS & BLOCKS • K&D TRADE • BREWSTER TRADE

BRICK PROPERTY

Dear Shareholder

As I mentioned at the 2014 Annual General Meeting (AGM) the former brick manufacturing property in Giblin Street was under a Contract of Sale. I was unable, at the AGM, to disclose details of the sale because of a request by the buyer to maintain the terms as commercial in confidence until completion of the sale, which occurred on the 16th December 2014.

The price obtained was $4,300,000 (four million, three hundred thousand dollars, exclusive of GST), the buyer being a local consortium.

Directors have resolved to pay a Special Dividend of $1.50 per share out of the proceeds of the sale, fully franked at the 30% company tax rate, on 2,683,635 Ordinary Shares, to be paid on 19th December 2014 to shareholders registered on 15th December 2014.

The value of the Giblin Street property in our Accounts was $5.6m, which was as a result of a general revaluation of our properties, undertaken independently by Opteon (Tasmania), as at 31st May 2012, plus costs incurred for the development application. The valuation was based on the estimated market value of the residential blocks less an estimate of the cost to develop the site. However, there was a weakening in the market and, significantly, testing conducted by prospective tenderers indicated that the amount ascribed to demolition and site clearing was substantially underestimated, particularly in respect of the removal of the extensive kiln foundations. The process your Board undertook to add value to the property by obtaining a Council Approved Development Application was extensive, the reality being that, after significant exposure, a tender process and subsequent negotiations, the market determined the price.

Because the property has now been sold for an amount which is less than shown in our Accounts, there is an impairment (loss) which under Accounting Standards will be a charge against the Profit and Loss Account for the 2014/15 Financial Year. After taking into account selling costs of approximately $100K, the impairment will be $1.4m. This will have no effect on cash or future dividend payments.

The proceeds of the sale of the property are in excess of its original cost, and an amount of $5.35m will be transferred from the Asset Revaluation Reserve Account to Retained Earnings as at 31 May 2015.

The Board has decided to return the maximum amount of funds from the sale of the Giblin Street property to shareholders by way of a special dividend. As a result, the net assets of the Company will decrease by the amount of the special dividend, which may also be reflected in the Company's share price in the future.

Ray Brown
Chairman
Kemp & Denning Limited
19 December 2014