



# Kangaroo Island Plantation Timbers Ltd

## Annual Financial Report

ABN 19 091 247 166

For the year ended

30 June 2019



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## Corporate Information

### Directors

Paul Lawrence McKenzie (Non-Executive Chairman)  
Keith Desmond Lamb (Managing Director)  
John David Sergeant (Executive Director)  
Shauna Marie Black (Executive Director)  
Graham Ian Holdaway (Executive Director)  
Gregory Colin Boulton (Non-Executive Director)

### Company Secretary

Victoria Marie Allinson

### Registered Office

Aurora House, Suite 816  
147 Pirie Street, Adelaide, South Australia 5000  
Telephone: (08) 8227 2482  
Facsimile: (08) 8223 1685

### Principal Places of Business

Aurora House, Suite 805  
147 Pirie Street  
Adelaide, South Australia 5000

70 Dauncey Street  
Kingscote, South Australia 5223

### Solicitors

Piper Alderman Lawyers  
Level 16, 70 Franklin Street  
Adelaide, South Australia 5000

### Bankers

Commonwealth Bank of Australia Limited  
CBA Specialised Agribusiness Solutions WA SA NT  
Level 14D, 300 Murray Street  
Perth, Western Australia 6000

### Auditor

Grant Thornton Audit Pty Ltd  
Level 3, 170 Frome Street  
Adelaide, South Australia 5000

### Share Register

Computershare Investor Services Pty Ltd  
Level 5, 115 Grenfell St  
Adelaide, South Australia 5000  
Telephone: (08) 8236 2300

### 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 2019.

### 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	Non-Executive Chair	29 April 2005	10 November 2017	-
Keith Lamb	Managing Director	15 October 2018	-	-
John Sergeant	Executive	2 March 2013	18 November 2014	-
Shauna Black	Executive	17 March 2015	8 September 2015	-
Graham Holdaway	Executive	17 March 2015	5 October 2016	-
Gregory Boulton	Non-Executive	1 November 2016	16 October 2018	-

Mr Lamb was appointed as a director on 15 October 2018 and became an Executive on 11 March 2019 before taking over the managing director role from John Sergeant on 1 June 2019.

Directors were in office for the entire period unless otherwise stated.

### Names, qualifications, experience and special responsibilities

**Paul McKenzie (appointed 29 April 2005)** BSc(Agric), BCom, FAICD, AIAST  
*Non-Executive Chair*



Board member since April 2005, appointed Chair July 2009. Paul is the Managing Partner of Agrarian Management, a leading Western Australian agriculture consultancy with offices in Geraldton, Perth and Esperance. Paul has 25 years' experience in agribusiness, management, finance and primary production. He is a past President of the Australian Association of Agricultural Consultants (WA) Inc and a Ministerial Appointee to various agribusiness review and advisory panels. Paul was the founding Chairman of Gage Roads Brewing Co (ASX: GRB) from concept to private company to ASX listing in December 2006, and resigned in May 2008. In June 2008, Paul was appointed director of Rural Financial Counselling Service (WA) ("RFCS"). RFCS administers a federal government funded program in WA under the Department of Agriculture, Fisheries and Forestry.

Paul was appointed Chair of the CRC for Honey Bee Products Ltd in July 2017, and is Chair of Hay Australia Pty Ltd, and a director of SALIC Australia Pty Ltd (the Saudi Agricultural & Livestock Investment Company's Australian entity).

**Keith Lamb (appointed 15 October 2018)** BA(Forestry), GAICD  
*Managing Director*



Board member since 15 October 2018. Mr Lamb was appointed an Executive Director on 11 March 2019 and became Managing Director on 1 June 2019.

Mr Lamb holds masters-level qualifications in Forestry and in Business Administration. He was Director of Operations and Portfolio Manager for New Forests Asset Management Pty Ltd (New Forests) from 2005 until 2017, with responsibility for \$2.5bn in timberland and related agricultural and industrial assets. Mr Lamb has also served as a director of several forestry companies and trusts within and outside the New Forests group. His early career included both government and non-government forestry roles.

In addition to forestry operations management, Mr Lamb has considerable expertise in raising and deploying institutional capital for direct investment in forestry and agro-forestry projects.



## Directors' Report

**John Sergeant (appointed 2 March 2013)** BSc, BA (Hons I), FAMSRS, GAICD  
*Executive Director*



Board member since March 2013, Managing Director January 2015 to May 2019.

Mr Sergeant holds a BSc in Biological Sciences and a BA in Psychology from the University of Sydney, where he was, for a number of years, a lecturer in the Business School, teaching at the postgraduate level.

Sydney-based, Mr Sergeant nevertheless spends a substantial amount of his time in South Australia and is familiar with all of the Company's land and timber assets. He is committed to working with the community and other stakeholders and with local and State government to help deliver a deep water export facility on Kangaroo Island, fairly priced and accessible to all, and to establish plantation timber as a significant employer and source of economic activity.

Prior to joining the Company, he has managed a number of successful consultancy businesses and served on the boards of Australian and multinational professional services firms. From 2003 to 2014, Mr Sergeant was the Vice Principal of St Andrew's College, within the University of Sydney.

He is currently a member of the boards of a number of private companies.

**Shauna Black (appointed 17 March 2015)** Dip Proj Mgt.  
*Executive Director*



Board member since March 2015 and Executive Director of Community Engagement since May 2017.

Ms Black has been a well-known and respected resident of Kangaroo Island for 14 years and is the Executive Officer of the Kangaroo Island Business and Brand Alliance. She acted as Flood Recovery Co-ordinator for Kangaroo Island Council following the severe flood damage sustained in June 2013 in the MacGillivray/Haines area of KI, and is active in a number of local associations on Kangaroo Island.

With a 30-year career in media, Ms Black was the Managing Editor of the Island's newspaper, The Islander, for almost eight years. This followed a move from Adelaide after a 15-year stint at The Advertiser, including as its first personal finance editor and superannuation writer.

She is currently a member of the board of Media Super and chair of its Investment Committee and is also the proprietor of Black Stump Media, a Kangaroo Island business specialising in media and project management services.

**Graham Holdaway (appointed 17 March 2015)** BCA, Dip Acc, MAICD  
*Executive Director*



Board member since March 2015 and Executive Director of Operations since April 2017.

Mr Holdaway is an experienced director, having served on boards of natural resources companies with operations in Australia, Indonesia, Papua New Guinea and the United Kingdom.

He is a retired Chartered Accountant and a former partner of KPMG, with a particular interest in the development of resources-related infrastructure.

Mr Holdaway is from a farming background and a tree-grower in his own right, with eucalypt and radiata pine plantations in Victoria and on Kangaroo Island, South Australia. He is based in regional Victoria.

He is currently a non-executive director of one other publicly listed company: Asset Resolution Ltd (NSX: ASS).



## Directors' Report

**Gregory Boulton AM (Appointed 1 November 2016)** BA(Accounting), FCA, FCPA, FAICD  
*Independent Non-Executive Director*



Board member since November 2016.

Mr Boulton is a leading Adelaide Company Director with 25 years' experience in both public and private companies. He is the Chair of Southern Gold Ltd (ASX: SAU) and Chair of SA Pine Pty Ltd. He is also a Director of Statewide Superannuation Fund and the Cancer Council of South Australia.

His experience relevant to KIPT's operations includes Governance, Logistics, Timber, Resources and Finance.

Mr Boulton is a Fellow of the Institute of Chartered Accountants, CPA Australia and the Australian Institute of Company Directors.

He was awarded an AM – Member in the General Division of the Order of Australia – for his services to AFL Football administration, to the Community of South Australia and to Business.

### Interests in the shares and options of the Company and related bodies corporate

As at 30 June 2019 and 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 2018	Net changes during the period	Performance based Rights Issued	Closing interest at 30 June 2019
Paul McKenzie	2,654,860	-	-	2,654,860
Keith Lamb	-	-	-	-
John Sergeant	3,119,970	-	-	3,119,970
Graham Holdaway	871,785	-	-	871,785
Shauna Black	456,670	-	-	456,670
Gregory Boulton	176,230	7,500	-	183,730
<b>Total</b>	<b>7,279,515</b>	<b>7,500</b>	<b>-</b>	<b>7,287,015</b>

Refer to Remuneration Report for further details.

#### Interest in Performance Rights

The Performance Rights Plan ("Plan") and the corresponding Rights dated 16 October 2018 were approved by Shareholders at the 2018 Annual General Meeting ("AGM"). At 30 June 2019, the performance conditions had not been met. Refer to Remuneration Report for further details.

### CFO and Company Secretary

Victoria Allinson (appointed 14 May 2013)  
FCCA, AGIA

Vicky is a Fellow of The Association of Certified Chartered Accountants and a member of the Governance Institute of Australia. She has over 30 years' accounting and auditing experience, including senior accounting positions in a number of listed companies and was an audit manager for Deloitte Touche Tohmatsu. In addition, Vicky has gained professional experience while living and working in both Australia and the United Kingdom.

She is current Chief Financial Officer ("CFO"), Company Secretary and Nominated Advisor (NOMAD) of listed company, Asset Resolution Limited (NSX: ASS), and Company Secretary and CFO for listed company, Elixir Energy Limited (ASX:EXR). Her previous experience has included being Company Secretary and CFO for a number of ASX listed companies, including: Marmota Limited, Safety Medical Products Ltd, Centrex Metals Ltd, Adelaide Energy Ltd, Enterprise Energy



## Directors' Report

NL, and Island Sky Australia Ltd as well as a number of unlisted companies. In her role as Company Secretary, Vicky has assisted a number of companies to list on the ASX.

Vicky has experience in all sizes of business from sole traders to large companies, in a wide variety of business sectors. She is based in Adelaide, South Australia.

## Dividends

The directors have resolved not to declare a dividend for the year ended 30 June 2019. No dividends were paid during the previous year.

## Principal activities

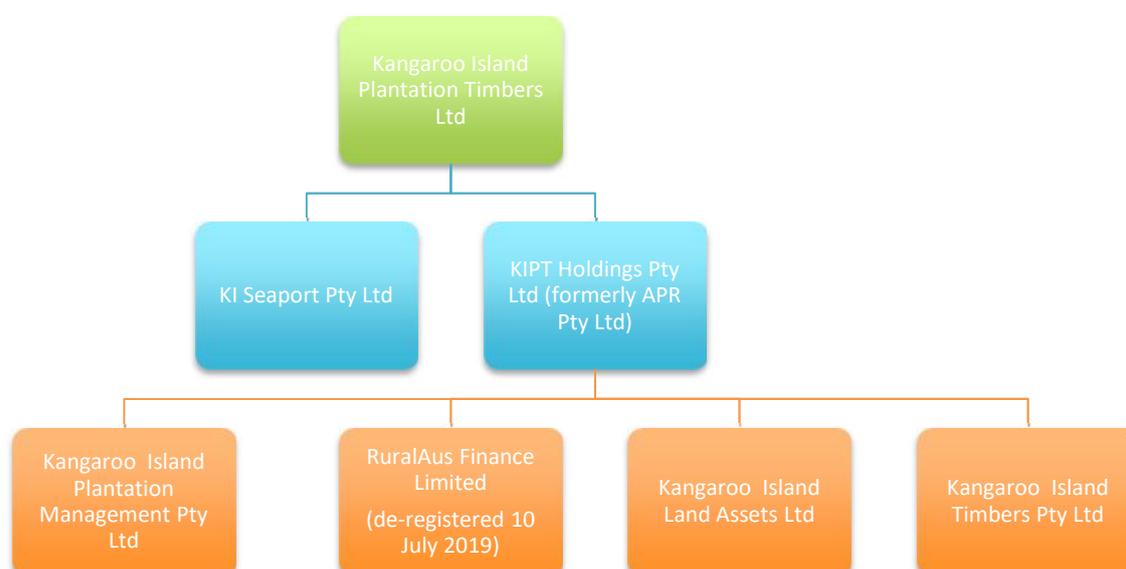
The principal activity during the year of entities within the consolidated group is forestry.

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

## 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 4 (full time equivalent) employees and 3.1 (full time equivalent) Executive Directors at 30 June 2019 (2018: 4 employees and 3 Executive Directors).

## Operating and financial review

### Group overview

Kangaroo Island Plantation Timbers Ltd and its 100%-owned subsidiaries ("Group") have made considerable progress towards monetising the Group's timber assets, including:



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## Directors' Report

### ) Environmental Impact Statement

Kangaroo Island Plantation Timbers Ltd submitted its Draft Environmental Impact Statement (Draft EIS) for the proposed Kangaroo Island Seaport ("KI Seaport") in late September 2018. The Draft EIS addresses the requirements and guidelines specified by South Australia's Development Assessment Commission.

The EIS and its associated studies demonstrate that the KI Seaport can be built and operated in a way that protects the environment, while providing significant social and economic advantages to South Australia, and to the Kangaroo Island community in particular.

The KI Seaport, once built, is expected to unlock more than 250 full-time jobs, the majority on Kangaroo Island, and to inject more than \$50 million a year into the South Australian economy. The project has not changed in scope or scale since it was originally declared a Major Development in February 2017, although the design of the jetty structure has been modified to reduce the environmental impact of the proposed seaport and to increase the separation from sensitive receptors.

The Draft EIS was revised, based on feedback from State and Commonwealth agencies, and then submitted to the Minister for Planning in January 2019. The EIS public consultation period ended on 28 May 2019. Formal submissions made during the public consultation period and received from government agencies are now being considered and addressed in the follow-up Response Document.

The Major Development process encourages the modification and improvement of projects to address public and government agency comments, together with any new information that may arise throughout the consultation processes. The Group will continue to investigate design enhancements for the in-water structure to further reduce dredge quantities, improve circulation of water in Smith Bay and further increase separation from sensitive receptors. Landside changes will also be considered by the Group and its project partner Mitsui Bussan Woodchip Oceania Pty Ltd (MWO), a wholly owned subsidiary of Mitsui & Co. Ltd. The Response Documents will provide details of any such project improvements.

The Group will analyse and respond to all government and public submissions, constructively and respectfully, with a view to delivering the project in a way that benefits the Island and the State, while protecting the environment and existing Island businesses.

The EIS and the Response Document will together form the Final EIS, which will be lodged with State and Commonwealth governments for their approval decision.

The Group has no control over the duration of the approval process. There is no right of appeal against the final decision.

Kangaroo Island Plantation Timbers Ltd will make an ASX announcement when it lodges its Response Document and will provide access to this document when the South Australian Government makes it publicly available.

### ) KI Seaport pontoon pre-approval works completed

In September 2017, Kangaroo Island Plantation Timbers Ltd acquired a large pontoon suitable to form the berth face of the proposed KI Seaport, its proposed deep water wharf at Smith Bay, Kangaroo Island. The pontoon has been undergoing reconditioning and refitting works in a shipyard in Vietnam.

The Group now confirms that all planned work has been successfully completed and that the pontoon has been transferred to a freshwater upriver storage location near Ho Chi Minh City. Any further work will be delayed until after development approval.

The pontoon will be relocated to Smith Bay only when the retaining structures are in place to receive it, as the final stage in the construction of the KI Seaport itself. Once the pontoon is in place, it will be possible to export pine logs. Materials handling equipment will be constructed to connect the land to the pontoon, to enable the efficient export of hardwood woodchips.



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## Directors' Report

### ) **Woodchip handling exclusivity agreement with MWO**

Kangaroo Island Plantation Timbers Ltd announced on 17 August 2018 that it had entered into an exclusivity agreement with MWO. Under this agreement, MWO intends to develop, maintain and operate the woodchip handling facility at the KI Seaport, subject to certain conditions including development approval.

The Group announced on 1 March 2019 that the agreement had progressed to the next stage, based on the Company's acceptance of a non-binding detailed proposal submitted by MWO. Under the terms of the agreement, MWO will now prepare a binding proposal to be submitted to Group later in the 2019 calendar year, unless otherwise agreed between the parties.

The proposed woodchip handling facility will include infrastructure capable of receiving, screening, stockpiling, sampling, and loading woodchips into bulk vessels for export from the KI Seaport. The parties have now agreed on various features and capacities of the planned woodchip handling facility, which is planned to include a circular automated stacker and reclaimers. Such a system offers quality and flexibility advantages over the pad and dozer approach typically used at other Australian ports. MWO expects to draw on the considerable infrastructure development experience within the wider MWO Australia group to deliver the facility.

The facility is planned to be operated under a toll woodchip handling agreement between MWO and Kangaroo Island Plantation Timbers Ltd, which will enable the Group to export woodchips via the facility on a fee per tonne basis. Under the agreement, ownership of the system is proposed to revert to the Group after ten years. The Group has confirmed to MWO that the proposed pricing regime is acceptable, and consistent with its budgeted costs. The woodchip handling project is subject to final documentation.

Kangaroo Island Plantation Timbers Ltd has off-take arrangements in place with MWO for its plantation-grown woodchip and log resources and these agreements have the flexibility to include timber produced by the 13 independent timber growers on Kangaroo Island, if they wish to market their timber through Kangaroo Island Plantation Timbers Ltd and MWO.

### ) **MoU with Flinders Ports**

During the year, the Group announced that it had signed a Memorandum of Understanding (MoU) with Flinders Ports Pty Ltd, under which the parties will work together on an exclusive basis to achieve a port operating model that is designed to produce an optimal solution for the port owner, port operator and port users, having regard to the outcomes achieved by Flinders Ports at the other South Australian ports that it variously owns, operates and/or provides port management and related services.

Flinders Ports is South Australia's leading port operator, with seven ports located at Port Adelaide, Port Lincoln, Port Pirie, Thevenard (Ceduna), Port Giles, Wallaroo and Klein Point. It operates and provides services at other third-party ports in South Australia.

The Board believes that Flinders Ports' ability to manage and deliver services at the new KI Seaport using existing efficiencies from operating numerous ports in the region makes it an ideal partner for the Group.

The MoU commits the parties to work together to achieve a mutually beneficial outcome. It sets out a process for progressing towards a full port operating agreement, by locking in agreed milestones as a condition for maintaining exclusivity.

The parties have also agreed in the MoU to share and protect each other's intellectual property in relation to marine operations at the KI Seaport.

## Results of operations

Revenue for the period decreased by \$15,000 to \$215,000 (2018: \$230,000) as a result of decreased equipment hire revenue.

During the period, the change in fair value of biological assets amounted to \$7,342,000 (2018: \$26,927,000).



## Directors' Report

Net comprehensive profit for the period was \$247,000 (2018: \$13,052,000), this is a \$12,805,000 decrease in profits which is primarily due to:

	2018 Income/ (Expense) \$000	2019 Income/ (Expense) \$000	Increase/ (decrease) in profits \$000
Biological assets being standing timber increase in fair value based on valuations	26,927	7,342	(19,585)
Tax expense primarily relating to the deferred tax on the revalued biological assets	(6,053)	297	6,350
Performance rights expensed but not issued as conditions not yet met.	(215)	(172)	43
Wharf development costs expensed	(2,881)	(2,273)	608
Forestry expenses increase due to increased pre-harvest preparations	(1,199)	(1,585)	(386)
Lower borrowing costs due to lower loan setup fees	(1,692)	(1,464)	228
Lower professional fees	(448)	(377)	71
Increase/(decrease) in executive fees due to board changes	(363)	(155)	208
Other changes	(1,024)	(1,366)	(342)
<b>Net comprehensive profit</b>	<b>13,052</b>	<b>247</b>	<b>(12,805)</b>

## Corporate Operations

### Share issues

The Group announced the successful completion of an approximately \$11 million share issue via an institutional placement (Placement) and Share Purchase Plan (SPP). In early 2019, 4.67 million new Kangaroo Island Plantation Timbers Ltd shares ("New Shares") were issued under the Placement and 0.483 million shares ("New Shares") were issued under the SPP. The New Shares were issued at a price of \$2.00 per New Share.

Members of the Board and Management of the Group committed to subscribe for 330,000 New Shares; under the Placement. The Shares will be issued after the 2019 Annual General Meeting, subject to shareholder approval.

The funds were raised to meet additional approval costs, to fund unanticipated pontoon storage, reconditioning and refurbishment costs, and to significantly increase contingency funds and working capital. The additional funds also satisfy a condition precedent for bank funding of wharf construction costs.

In addition:

- ) 24,977 shares were issued to related party Approvals Manager Peter Lockett in lieu of consulting fees totaling \$50,000;
- ) 3,380 shares were issues to related party Company Secretary Vicky Allinson in lieu of consulting fees totaling \$7,000; and
- ) 2,380 shares valued at \$5,000 were issued to non-director employees under the Executive and Employee Share Plan.

### Change of Managing Director

Following the conclusion of the public and agency consultation period for the Kangaroo Island Seaport development, the Group announced that Mr Keith Lamb had taken over as Managing Director. This is part of a long-planned transition as the Group anticipates moving into port



## Directors' Report

construction, forestry production and export operations, subject to regulatory approval. As part of this transition, Mr Lamb was appointed as a director on 15 October 2018 and became an Executive in March 2019 before taking over the managing director role on 1 June 2019. He has established a base in Adelaide.

Mr John Sergeant remains in an executive capacity and will continue as an executive director as Mr Lamb takes overall responsibility for the next phase in the Group's transition to profitable and sustainable operations.

Mr Sergeant will continue to be involved in the current development approval process, enabling Mr Lamb to focus on the Group's medium to long term growth.

### Commonwealth Bank of Australia ("CBA") loan facilities

The Group has a \$57,100,000 facility with the CBA of which \$29,700,000 (2018: \$25,000,000) is drawn down.

### Earlier access to debt funding

During the year, the Group agreed with the bank to bring forward \$8,000,000 of the \$30,000,000 post-approval debt facility so that, if required, these funds would be available to fund pre-approval costs, including work on the pontoon that will form part of the Kangaroo Island Seaport. At 30 June 2019, the Group has drawn down \$4,700,000 leaving \$3,300,000 available to be drawn down.

## Performance indicators

	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Revenue from ordinary activities from continuing operations	215	230	185	85
Revenue from ordinary activities from continuing and discontinued operations	215	230	185	85
Profit/(loss) from ordinary activities	247	13,052	36,086	(2,831)
Profit/(loss) from discontinued operations	-	-	-	-
Profit/(loss) attributable to members for the period	247	13,052	36,086	(2,831)
Other comprehensive income	-	-	227	135
Total comprehensive profit/(loss) after tax	247	13,052	36,313	(2,696)

	2019	2018	2017	2016
Basic earnings per share	0.4 cents	28 cents	148 cents	(17) cents
Net tangible asset backing per security	279 cents	289 cents	233 cents	73 cents

## Significant changes in the state of affairs

The significant 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

On 29 July 2019, the Group advised that it had received and analysed all government agency feedback received in response to the Draft EIS and confirmed that it was not aware of any matter that would prevent the project from being approved.



## Directors' Report

On 19 August 2019, the Group announced a \$10,000 option to acquire a 50ha property adjoining its existing controlled land at Smith Bay, Kangaroo Island, the site of its proposed KI Seaport. The option allows the Group to acquire the land for a minimum price of \$300,000, following approval of the KI Seaport.

On 19 September 2019, the Group announced design enhancements to the proposed deep-water facility that eliminate dredging and utilise a piled jetty structure.

There have been no other 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 wharf on Kangaroo Island.

## Diversity Report

### Introduction

The following is the Diversity Report for the financial year ended 30 June 2019 for Kangaroo Island Plantation Timbers Ltd ("the Company") prepared for the purposes of the Company's Annual Report for the year ended 30 June 2019.

### Diversity Policy

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.

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 2019 there is an aggregate of 16 staff (prior: 14) (full and part time) including Directors, employees and contractors (full and part time) in the Company. Of the aggregate 5 are female (including 2 KMP, an Executive Director and the Company Secretary/Chief Financial Officer), 1 is of different ethnic or cultural background, and 2 are of 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. These are set out in the table below.

The current position with each of the strategy items and the time frame for achievement or otherwise is listed in the following Table 1:



## Directors' Report

Table 1

Strategy, initiative or program	By when	Current position
Phase 1 – Strategies		
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
Phase 2 - Initiatives and Programs		
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, along with the regional location in which it holds its principal assets, limits the number of initiatives and programs that are viable. This will be reviewed as and when the group changes.

) It should be noted that the ASX recognizes 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."



## Directors' Report

### Board Skills

The Board should 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.

### 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' 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 on 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' Report

### Directors' meetings

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Number of Directors Meetings Held while in office	Directors Meetings Attended	Number of Audit & Risk Meetings Held while in office	Audit & Risk Meetings Attended
Paul McKenzie	11	11	3	3
Keith Lamb <sup>(1)(3)</sup>	8	7	n/a	n/a
John Sergeant <sup>(1)</sup>	11	11	n/a	n/a
Shauna Black <sup>(1)</sup>	11	11	n/a	n/a
Graham Holdaway <sup>(1)</sup>	11	11	n/a	n/a
Gregory Boulton <sup>(2)</sup>	11	11	3	3

(1) Executive Directors attend Audit and Risk Committee meetings by invitation.

(2) Appointed as Audit and Risk Committee Chair on 28 February 2017.

(3) Appointed as a director on 15 October 2018 and became an Executive on 11 March 2019 before taking over the managing director role from John Sergeant on 1 June 2019.

### Committee membership

As at the date of this report, the Company had an Audit and Risk Committee of the Board of Directors. Mr Boulton was the Independent Chair, and half of the members are independent non-executive directors. The directors have considered that the committee is adequate for the Company's current circumstances.

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.

### 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 2016/191. 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 24 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:



## Directors' Report

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 Audit Pty Ltd for:

	Consolidated	
	2019 \$	2018 \$
An audit or review of the financial report of the entity and any other entity in the consolidated entity		
Grant Thornton	57,221	77,547
Taxation services Grant Thornton	4,000	11,055
<b>Total</b>	<b>61,221</b>	<b>88,602</b>

## 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 99.9% of 'yes' proxy votes and the Remuneration Report for the financial year ending 30 June 2018 was adopted via a poll. 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	Position
Paul McKenzie (appointed 29 April 2005)	Chairman - Non-executive Director
Keith Lamb (appointed 15 October 2018)	Managing Director (from 1 June 2019)
John Sergeant (appointed 2 March 2013)	Executive Director (Managing Director from 1 January 2015 to 31 May 2019)
Shauna Black (appointed 17 March 2015)	Executive Director (since 1 May 2017)
Graham Holdaway (appointed 17 March 2015)	Executive Director (since 1 April 2017)
Gregory Boulton (appointed 1 November 2016)	Independent Non-executive Director
Executives	Position
Victoria Allinson (appointed 14 May 2013)	Company Secretary, Chief Financial Officer
Peter Lockett (appointed 8 May 2017)	Approvals Manager

There have been no changes to Key Management Personnel after the reporting date and before the date the financial accounts were authorised for issue.



## Directors' Report

### 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.

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.

Remuneration is usually reviewed on an annual basis, taking into consideration both qualitative and quantitative performance indicators, with reference to industry benchmarks.

A review of the amount of remuneration has been conducted in the period of this annual report. The Board is of the opinion that remuneration should only be changed once the Group's strategic plans are further developed. The Shareholders approved an increase in the total Non-Executive Remuneration cap to \$400,000 plus performance rights at the 2016 AGM.

Overall performance of the directors and the executives of the Company are considered against:

- ) Timely production of Company accounts and records;
- ) 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 2019.

### Statutory performance indicators

The following table shows the key statutory performance indicators of the Group for the past 5 years, all figures have been adjusted for the 10:1 share split:

Year	Net tangible assets per share	Earnings per share	Share price at 30 June
2019	\$2.79	\$0.04	\$2.25
2018	\$2.89	\$0.28	\$2.15
2017	\$2.33	\$1.48	\$2.03
2016	\$0.73	(\$0.17)	\$1.60
2015	\$0.79	(\$0.06)	\$0.74
2014	\$0.86	(\$0.10)	\$0.30

The indicators used to determine remuneration are not necessarily consistent with the measures used to determine the KMP's remuneration. As a result, there may not be a direct correlation between the key statutory performance measures set out above and the remuneration awarded.

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

Remuneration is reviewed by the Board (unless a Remuneration Committee is established) 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

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		Post employment	Long term	Share-based payment		Shares	Total
	Salary & fees	Cash bonus	Annual leave provision	Long service leave	Executive share & Rights Plan <sup>(9)</sup>	\$		
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors (NED)</b>								
P McKenzie <sup>(1)</sup> 2019	100,000	-	-	-	-	21,544	-	121,544
2018	100,000	-	-	-	-	30,773	-	130,773
G Boulton <sup>(2)</sup> 2019	90,000	-	-	-	-	21,544	-	111,544
2018	75,000	-	-	-	-	30,773	-	105,773
K Lamb <sup>(3)</sup> 2019	27,585	-	-	2,620	-	-	-	30,205
2018	-	-	-	-	-	-	-	-
J Sergeant <sup>(4)</sup> 2019	68,493	-	-	6,507	-	-	-	75,000
2018	68,493	-	-	6,507	-	-	-	75,000
S Black <sup>(5)</sup> 2019	75,000	-	-	-	-	21,544	-	96,544
2018	75,000	-	-	-	-	30,773	-	105,773
G Holdaway <sup>(6)</sup> 2019	75,000	-	-	-	-	-	-	75,000
2018	75,000	-	-	-	-	-	-	75,000
<b>Total NED</b> 2019	<b>436,078</b>	-	-	<b>9,127</b>	-	<b>64,632</b>	-	<b>509,837</b>
2018	393,493	-	-	6,507	-	92,319	-	492,319
<b>Executive Director (ED)</b>								
K Lamb <sup>(3)</sup> 2019	87,706	-	8,088	8,332	-	21,251	-	125,377
2018	-	-	-	-	-	-	-	-
J Sergeant <sup>(4)</sup> 2019	258,752	-	96,506	24,581	-	43,088	-	422,927
2018	167,429	-	2,855	15,905	2,044	61,548	-	249,781
S Black <sup>(5)</sup> 2019	50,000	-	6,778	-	-	-	-	56,778
2018	47,650	-	-	2,350	-	-	-	50,000
G Holdaway <sup>(6)</sup> 2019	114,155	-	14,262	10,845	-	43,088	-	182,350
2018	114,155	-	2,062	10,845	-	61,548	-	188,610
<b>Total ED</b> 2019	<b>510,613</b>	-	<b>125,634</b>	<b>43,758</b>	-	<b>107,427</b>	-	<b>787,432</b>
2018	329,234	-	4,917	29,100	2,044	123,096	-	488,391
<b>Other KMP</b>								
P Lockett <sup>(7)</sup> 2019	200,000	-	-	-	-	-	50,000	250,000
2018	200,000	-	-	-	-	-	50,000	250,000
V Allinson <sup>(8)</sup> 2019	264,742	-	-	-	-	-	7,000	271,742
2018	239,951	-	-	-	-	-	-	239,951
<b>TOTAL</b> 2019	<b>1,411,432</b>	-	<b>125,634</b>	<b>52,885</b>	-	<b>172,059</b>	<b>57,000</b>	<b>1,819,011</b>
2018	1,162,678	-	4,917	35,607	2,044	215,415	50,000	1,470,661

There are no cash bonuses or other non-monetary benefits during the current or prior year.



## Directors' Report

### Notes:

- (1) Mr McKenzie's remuneration comprises:
  - a. annual director's fees comprised of \$100,000 Chairman's fee, and
  - b. 1/7th of the performance rights pool of which Share Based payments have been valued at \$21,544 (2018: \$30,773):
    - i. Performance rights dated 10 November 2017 \$6,777 (2018: \$15,851); and
    - ii. Performance rights dated 16 October 2018 \$14,767 (2018: \$nil).
- (2) Mr Boulton's remuneration comprises:
  - a. annual director's fees comprised of \$75,000 Director's fee and a \$10,000 Audit & Risk Committee Chair extra duties fee from 1 July 2018; and
  - b. 1/7th of the performance rights pool of which Share Based payments have been valued at \$21,544 (2018: \$30,773):
    - i. Performance rights dated 10 November 2017 \$6,777 (2018: \$15,851); and
    - ii. Performance rights dated 16 October 2018 \$14,767 (2018: \$nil).
- (3) The Managing Director, Mr Lamb's remuneration comprises:
  - a. annual director's fees comprised of \$27,585 Director's fee (\$75,000 per annum from date of appointment as a director, being 15 October 2018) and \$96,038 Executive fee. Mr Lamb's annual executive remuneration amounts to \$275,000 from 1 June 2019 (previously \$225,000 from date of appointment as an executive, being 11 March 2019);
  - b. annual leave provision amounted to \$8,088 (2018: \$nil); and
  - c. 2/7ths of the performance rights pool of which Share Based payments have been valued at \$21,251 (2018: \$nil), subject to Shareholder approval:
    - i. Performance rights dated 10 November 2017 \$nil (2018: \$nil); and
    - ii. Performance rights dated 16 October 2018 \$21,251 (2018: \$nil).
- (4) Mr Sergeant's remuneration comprises:
  - a. annual director's fees comprised of \$75,000 Director's fee and \$283,334 Executive fee. Mr Sergeant's annual executive remuneration amounts to \$164,000 from 1 July 2019, previously \$275,000 from 1 June 2018 (prior year \$175,000 from date on appointment, being 1 May 2017 to 31 May 2018);
  - b. annual leave provision amounted to \$96,506 (2018: \$2,855); and
  - c. 2/7ths of the performance rights pool of which Share Based payments have been valued at \$43,088 (2018: \$61,548):
    - i. Performance rights dated 10 November 2017 \$13,554 (2018: \$31,705); and
    - ii. Performance rights dated 16 October 2018 \$29,534 (2018: \$nil).
- (5) Ms Black's remuneration comprises:
  - a. annual director's fees comprised of \$75,000 Director's fee and \$50,000 Executive fee.
  - b. annual leave provision amounted to \$6,778 (2018: \$nil); and
  - c. 1/7th of the performance rights pool of which Share Based payments have been valued at \$21,544 (2018: \$30,773):
    - i. Performance rights dated 10 November 2017 \$6,777 (2018: \$15,851); and
    - ii. Performance rights dated 16 October 2018 \$14,767 (2018: \$nil).
- (6) Mr Holdaway's remuneration comprises:
  - a. annual director's fees comprised of \$75,000 Director's fee and \$125,000 Executive fee from appointment on 1 April 2017;
  - b. annual leave provision amounted to \$14,262 (2018: \$2,062); and
  - c. 2/7ths of the performance rights pool of which Share Based payments have been valued at \$43,088 (2018: \$63,610):
    - i. Performance rights dated 10 November 2017 \$13,554 (2018: \$31,705); and
    - ii. Performance rights dated 16 October 2018 \$29,534 (2018: \$nil).
- (7) Mr Lockett was appointed as Approvals Manager on 8 May 2017. During the period \$250,000 (2018: \$250,000) of professional services were invoiced by Seaview Corporate Services Pty Ltd, of which Mr Lockett has effective control. During the year \$50,000 (2018: \$50,000) of



## Directors' Report

these fees have been paid or are to be paid in ordinary shares. At 30 June 2019 \$12,500 (2018: \$12,500) of these fees are accrued and will be paid in shares after the year end.

- (8) Ms Allinson was appointed as CFO and Company Secretary on 14 May 2013. During the year, professional accounting, administration and company secretarial fees of \$271,742 (2018: \$239,951) were invoiced by Allinson Accounting Solutions Pty Ltd, of which Victoria Allinson is Managing Director and shareholder. \$7,000 of these fees were paid in shares (2018: \$nil), of which \$2,000 of shares were issues to Ms Allinson and \$5,000 to her staff. The services are provided by Ms Allinson and her three employees. At 30 June 2019, \$30,898 (2018: \$22,166) of these fees were payable.
- (9) During the year, the Board announced Performance Rights dated 16 October 2018 that were approved by Shareholders at the 16 October 2018 Annual General Meeting. The Rights have been valued based on AASB 2 *Share-based Payment*, further details are set out below.

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

### Performance Rights Plan

#### Interest in Performance Rights

	Year	Performance Rights dated 16 October 2018 \$	Performance Rights dated 10 November 2017 \$	Performance Rights dated 24 February 2017 \$	Total Performance Rights \$
<b>Non-Executive Directors</b>					
P McKenzie	2019	14,767	6,777	-	21,544
	2018	-	15,851	14,922	30,773
G Boulton	2019	14,767	6,777	-	21,544
	2018	-	15,851	14,922	30,773
<b>Executive Directors</b>					
K Lamb <sup>(1)</sup>	2019	21,251	-	-	21,251
	2018	-	-	-	-
J Sergeant	2019	29,534	13,554	-	43,088
	2018	-	31,702	29,842	61,544
S Black	2019	14,767	6,776	-	21,544
	2018	-	15,851	14,922	30,773
G Holdaway	2019	29,534	13,554	-	43,088
	2018	-	31,702	29,843	61,545
<b>Total</b>	<b>2019</b>	<b>124,620</b>	<b>47,439</b>	<b>-</b>	<b>172,059</b>
	2018	-	110,957	104,451	215,408

- (1) Mr K Lamb was appointed as a Non-Executive Director on 15 October 2018 and as an Executive on 11 March 2019. Under his agreement he is entitled to Performance Rights under the Performance Rights Plan, on the same basis as other Directors, subject to Shareholder approval.

### Performance Rights Plan

The Performance Rights Plan ("Plan") was approved by Shareholders on 5 October 2016. The terms of the Plan involve the issue of Shares that will rank equally with all other existing Shares in all respects including voting rights and entitlement to participate in dividends and in future rights and bonus issues.

In addition, a Plan participant must not dispose of any Shares acquired under the Plan before the end of the restriction period (if any) which are subject to the Plan rules and the terms of the specific offer from time to time.

The rationale for the Plan was, and is, to provide the Executive and the Non-Executive Directors of the Company with increased remuneration in recognition of the additional duties of the respective directors, and to incentivise them to align their interests more closely with those of Shareholders.



## Directors' Report

While the Company's share price has begun to better reflect the underlying value of its assets, there remains a substantial valuation gap that will be realised when a sustainable forestry industry structure is created on Kangaroo Island.

### **Performance Rights dated 16 October 2018 and 10 November 2017**

At the 16 October 2018 General Meeting, Shareholders approved performance rights dated 16 October 2018, triggered by meeting the following performance condition:

• the volume-weighted average price (VWAP) of the Company's Shares exceeds the relevant price, based on the most recently-traded 1,000,000 shares.

Performance Rights dated 10 November 2017 expired on 9 November 2018 and were replaced with Performance Rights dated 16 October 2018. The Performance Rights dated 10 November 2017, were approved by Shareholders on 10 November 2017 and had identical performance conditions and expired on 9 November 2018.

A summary of the Performance Rights is shown below:

20 Business Days VWAP	Shares to be issued to directors:			Escrow Period
	J Sergeant & G Holdaway	P McKenzie, S Black & G Boulton	Total Shares	
	Number	Number	Number	
\$3.50 or above	107,140	53,570	374,990	12 months
\$4.25 or above	85,720	42,860	300,020	12 months
\$5.00 or above	64,280	32,140	224,980	12 months
<b>Total</b>	<b>257,140</b>	<b>128,570</b>	<b>899,990</b>	

Mr K Lamb was appointed as a Non-Executive Director on 15 October 2018 and as an Executive on 11 March 2019. Under his agreement, he is entitled to Performance Rights under the Performance Rights Plan, on the same basis as other Directors, subject to Shareholder approval. The Rights will be in addition to the 899,990 approved by Shareholders at the 2018 AGM.

### **Valuation of Performance Rights dated 16 October 2018**

AASB 2 *Share-Based Payment* requires that the Company record the cost of all forms of Director remuneration in the Company's accounts and sets out parameters for determining this cost.

AASB 2 sets the valuation date (termed as Grant Date) as the date at which such a right has been approved, being the date of the General Meeting, 16 October 2018.

The Directors do not believe that Black Scholes or Monte Carlo valuation methods are suitable for the Performance Rights. The performance rights have been valued using the share price at the Grant Date with a probability applied to each tranche. The Rights expire on 15 October 2019. The valuation is based on the probability of achieving VWAP and the share price at 16 October 2018 of \$2.05, set out in the table below.

20 Business Days VWAP	Shares to be issued	6 months 31 Dec 2018 \$	6 months 30 Jun 2019 \$	30 Jun 2020 \$	Total Valuation \$
\$3.50 or above	374,990	28,458	68,338	33,888	130,684
\$4.25 or above	300,020	1,498	3,597	7,205	12,300
\$5.00 or above	224,980	434	1,043	3,135	4,612
<b>Total</b>	<b>899,990</b>	<b>30,390</b>	<b>72,978</b>	<b>44,228</b>	<b>147,596</b>

### **Valuation of Performance Rights dated 10 November 2017**

AASB 2 *Share-Based Payment* requires that the Company record the cost of all forms of Director remuneration in the Company's accounts and sets out parameters for determining this cost.

AASB 2 sets the valuation date (termed as Grant Date) as the date at which such a right has been approved, being the date of the General Meeting, 10 November 2017.

The Directors do not believe that Black Scholes or Monte Carlo valuation methods are suitable for the Performance Rights. The performance rights have been valued using the share price at the



## Directors' Report

Grant Date with a probability applied to each tranche. The Rights expire on 9 November 2018. The valuation is based on the probability of achieving VWAP and the share price at 10 November of \$2.20, set out in the table below.

20 Business Days VWAP	Shares to be issued	6 months 31 Dec 2018 \$	6 months 30 Jun 2018 \$	6 months 31 Dec 2017 \$	Total Valuation \$
\$3.50 or above	374,990	21,950	78,864	39,432	140,246
\$4.25 or above	300,020	1,788	6,424	4,989	13,201
\$5.00 or above	224,980	421	1,510	3,019	4,950
<b>Total</b>	<b>899,990</b>	<b>24,159</b>	<b>86,798</b>	<b>47,440</b>	<b>158,397</b>

### Valuation of Performance Rights dated 24 February 2017

AASB 2 *Share-Based Payment* requires that the Company record the cost of all forms of Director remuneration in the Company's accounts and sets out parameters for determining this cost.

AASB 2 sets the valuation date (termed as Grant Date) as the date at which such a right has been approved, being the date of the General Meeting, 24 February 2017.

The Directors do not believe that Black Scholes or Monte Carlo valuation methods are suitable for the Performance Rights. The performance rights have been valued using the share price at the Grant Date with a probability applied to each tranche. The valuation is set out in the table below.

20 Business Days VWAP	Shares to be issued	6 months 30 Jun 2017 \$	6 months 31 Dec 2017 \$	Total Valuation \$
\$3.50 or above	374,990	412,623	68,771	481,394
\$4.25 or above	300,020	65,359	32,679	98,038
\$5.00 or above	224,980	2,250	3,001	5,251
<b>Total</b>	<b>899,990</b>	<b>480,232</b>	<b>104,451</b>	<b>584,683</b>

## 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 \$400,000 pa, as approved by shareholders at the 2016 AGM.

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.

In the year ended 30 June 2019:

- ) Non-executive fees amounted to \$75,000 (prior year: \$75,000) for each director;
- ) Non-executive chair of the Audit & Risk Committee received an additional \$10,000 per annum in respect of these extra duties (prior year: \$nil) and
- ) Non-executive chair fees amounted to \$100,000 (prior year: \$100,000).

The directors have signed contracts setting out their obligations and remuneration.

Director performance reviews are in the form of informal annual self-review and discussion with the other directors led by the Chairman.



## Directors' Report

### 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. The number of staff employed: nine (2018: eight) employees (part time and full time), including the Executive Directors, at the date of this report. Six (2018: six) employees are based on Kangaroo Island, including one Executive Director.

The Company's Chief Financial Officer ("CFO") Victoria Allinson and Approvals Manager, Peter Lockett both provided their services as contractors:

- ) Allinson Accounting Solutions Pty Ltd is engaged to provide the Company's financial, administrative and company secretarial functions; and
- ) Seaview Corporate Services Pty Ltd was engaged to provide the approval managerial services of Peter Lockett.

The Executive Directors signed an employment contract setting out their obligations and remuneration. In addition, the Executive Directors are entitled to Performance Rights under the Plan.

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.

The Executive Directors' remuneration is set out in detail on pages 19 and 20.

### Shareholdings of key management personnel

	Opening interest at 1 July 2018	Net changes during the period <sup>(8)</sup>	Issued in lieu of fees	Closing interest at 30 June 2019
<b>Directors</b>				
Paul McKenzie <sup>(1)</sup>	2,654,860	-	-	2,654,860
John Sergeant <sup>(2)</sup>	3,119,970	-	-	3,119,970
Graham Holdaway <sup>(3)</sup>	871,785	-	-	871,785
Shauna Black <sup>(4)</sup>	456,670	-	-	456,670
Gregory Boulton <sup>(5)</sup>	176,230	7,500	-	183,730
<b>Executives</b>				
Peter Lockett <sup>(6)</sup>	37,933	-	24,977	62,910
Victoria Allinson <sup>(7)</sup>	24,486	2,500	968	27,954
<b>Total</b>	<b>7,341,934</b>	<b>10,000</b>	<b>25,945</b>	<b>7,377,879</b>

(1) Paul McKenzie's Shares comprise:

- a. 2,132,500 (2018: 2,132,500) held by Aminac Pty Ltd <Aminac S/F A/C> of which Mr McKenzie is the managing Director; and
- b. 522,360 (2018: 522,360) held by Alke Pty Ltd (The McKenzie Family Trust No 2 A/C) of which Mr McKenzie is the Managing Director.

(2) John Sergeant's Shares comprise:

- a. 2,099,664 (2018: 2,099,664) held by Phalaenopsis Pty Ltd ATF Sergeant Family Trust of which Mr Sergeant has effective control;
- b. 225,730 (2018: 418,230) direct interest;



## Directors' Report

- c. 794,576 (2018: 596,366) held by the Sergeant Family Superannuation Fund of which Mr Sergeant has effective control; and
  - d. nil (2018: 5,710) held by Ms J Sergeant; Ms Sergeant is Mr Sergeant's wife.
  - e. Mr Sergeant is also a unitholder in the Samuel Terry Absolute Return Fund, a Managed Fund which is a substantial shareholder in the Company. Mr Sergeant has no influence on the acquisition, disposal or voting of the shares held on behalf of Samuel Terry Absolute Return Fund.
- (3) Graham Holdaway's Shares comprise:
- a. 406,015 (2018: 406,015) held by Mr Graham Ian Holdaway and Mrs Kristina Mary Irving Holdaway <G & K Super Fund A/C> of which Mr Holdaway has effective control;
  - b. 265,770 (2018: 465,770) held by Holdaway & Holdaway Pty Ltd of which Mr Holdaway has effective control, being a director and shareholder; and
  - c. 200,000 (2018: nil) direct interest.
- (4) Shauna Black's Shares comprise:
- a. A direct interest in 66,670 (2018: 66,670) shares; and
  - b. 390,000 (2018: 390,000) held by Black Stump Regional Pty Ltd ATF the Taybric Family Trust of which Ms Black has effective control.
- (5) During the year Gregory Boulton acquired 7,500 shares pursuant to a Share Purchase Plan. At the date of this report Mr Boulton's shares comprise:
- a. 183,730 (2018: 76,230) held by G Boulton Pty Ltd ATF <Greg Boulton Family S F A/C>.
- (6) Peter Lockett was appointed as an Executive on 8 May 2017. At the date of this report Mr Lockett's 62,910 (2018: 37,933) shares are held by Mr P Lockett and Ms C Charnock <Seaview> S/F AC of which Mr Lockett has effective control. During the year 24,977 shares (2018: 20,433) shares were issued in payment of professional services invoiced by Seaview Corporate Services Pty Ltd, of which Mr Lockett has effective control.
- (7) During the year Victoria Allinson acquired 2,500 shares pursuant to a Share Purchase Plan and received 968 shares in lieu of \$2,000 consulting fees (of which \$1,000 related to prior year). At the date of this report Ms Allinson's shares comprise:
- a. 24,978 (2018: 21,510) shares held by Allinson Super Funds A/C of which she has effective control; and
  - b. 2,976 (2018: 2,976) shares held directly.
- (8) The increase in shares related to shares issue on 20 March 2019 under the Share Purchase Plan at \$2.00 per share.

## Other Rights and Option holdings of key management personnel

### Performance rights

	Opening interest at 1 July 2018	Performance Rights issued	Performance Right lapsed	Closing interest at date of report
<b>Non-executives</b>				
Paul McKenzie <sup>(1)</sup>	128,570	128,570	(128,570)	128,570
Gregory Boulton <sup>(2)</sup>	128,570	128,570	(128,570)	128,570
<b>Executive directors</b>				
Keith Lamb <sup>(3)</sup>	-	126,820	-	126,820
John Sergeant <sup>(4)</sup>	257,140	257,140	(257,140)	257,140
Graham Holdaway <sup>(5)</sup>	257,140	257,140	(257,140)	257,140
Shauna Black <sup>(6)</sup>	128,570	128,570	(128,570)	128,570
<b>Executives</b>				
Peter Lockett	-	-	-	-
Victoria Allinson	-	-	-	-
<b>Total</b>	<b>899,990</b>	<b>1,026,810</b>	<b>(899,990)</b>	<b>1,026,810</b>

- (1) During the year Mr McKenzie received 128,570 performance rights 16 October 2018 were issued and 128,570 Performance Rights dated 10 November 2017 lapsed.
- (2) During the year Mr Boulton received 128,570 performance rights 16 October 2018 were issued and 128,570 Performance Rights dated 10 November 2017 lapsed.



## Directors' Report

- (3) Mr K Lamb was appointed as a Non-Executive Director on 15 October 2018 and as an Executive on 11 March 2019, under his agreement he is entitled to 126,820 Performance Rights dated 16 October 2018 under the Performance Rights Plan, on the same basis as other Directors, subject to Shareholder approval.
- (4) During the year Mr Sergeant received 257,140 performance rights 16 October 2018 were issued and 257,140 Performance Rights dated 10 November 2017 lapsed..
- (5) During the year Mr Holdaway received 257,140 performance rights 16 October 2018 were issued and 257,140 Performance Rights dated 10 November 2017 lapsed.
- (6) During the year Ms Black received 128,570 performance rights 16 October 2018 were issued and 128,570 Performance Rights dated 10 November 2017 lapsed.

There are no option holdings for the Group.

### Related party transactions

	Consolidated	
	2019	2018
	\$	\$
<b>Directors transaction</b>		
Income: Annual lease payment <sup>(1)</sup>	24,675	24,121

- (1) 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 excluding GST for 30 June 2019 of \$24,675 (2018: \$24,121) is fully paid.

### 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 23<sup>rd</sup> day of September 2019

## Auditor's Independence Declaration

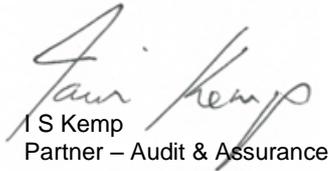
### To the Directors of Kangaroo Island Plantation Timbers Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Kangaroo Island Plantation Timbers Limited for the year ended 30 June 2019, 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 AUDIT PTY LTD  
Chartered Accountants



I S Kemp  
Partner – Audit & Assurance

Adelaide, 23 September 2019



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## Corporate Governance Statement

Kangaroo Island Plantation Timbers Ltd (“Company”) and the Board of Directors are responsible for the Corporate Governance of the Group and are 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 has 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 2019 was initially adopted on 21 June 2016 and a reviewed version adopted by the Board on 23 September 2019. The Corporate Governance Statement is available at [www.kipt.com.au](http://www.kipt.com.au).



# Financial Report

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

For the year ended 30 June 2019

	Notes	Consolidated	
		2019 \$'000	2018 \$'000
Management fees		-	-
Operating lease – land	6a	132	130
Operating lease - Equipment hire	6a	9	17
Bank interest		74	83
<b>Revenue</b>		<b>215</b>	<b>230</b>
Cost of sales		-	-
<b>Gross profit</b>		<b>215</b>	<b>230</b>
<b>Fair value gain on biological assets</b>	13	<b>7,342</b>	<b>26,927</b>
<b>Other income</b>	6b	<b>5</b>	<b>10</b>
<b>Profit/(loss) on assets sold</b>	6c	<b>13</b>	<b>(1)</b>
Forestry expenses		(1,585)	(1,199)
Wharf feasibility costs		(2,273)	(2,881)
Administrative expenses		(32)	(66)
Other expenses	6d	(2,271)	(2,223)
Finance costs	6e	(1,464)	(1,692)
<b>Profit/(loss) before income tax</b>		<b>(50)</b>	<b>19,105</b>
Income tax (expense)/benefit	7	297	(6,053)
<b>Net profit/(loss) for the year</b>		<b>247</b>	<b>13,052</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		-	-
<b>Other comprehensive income for the year net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive profit/(loss) for the year attributable to members of the parent</b>		<b>247</b>	<b>13,052</b>
		<b>EPS in cents</b>	<b>EPS in cents</b>
Basic and diluted earnings per share	8	<b>0.5</b>	<b>28</b>

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 2019

	Notes	Consolidated	
		2019 \$'000	2018 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	9,511	6,727
Trade and other receivables	10	5	13
Other current assets	11	777	697
<b>Total current assets</b>		<b>10,293</b>	<b>7,437</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	62,091	57,969
Biological assets	13	115,158	107,816
Deferred tax asset	7	10,948	8,767
Other non-current assets		5	5
<b>Total non-current assets</b>		<b>188,202</b>	<b>174,557</b>
<b>TOTAL ASSETS</b>		<b>198,495</b>	<b>181,994</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	1,011	1,720
Employee benefits	15	199	66
Interest-bearing liabilities	16	-	-
<b>Total current liabilities</b>		<b>1,210</b>	<b>1,786</b>
Interest-bearing liabilities	16	29,700	25,000
Deferred tax liability	7	29,530	27,558
<b>Total non-current liabilities</b>		<b>59,230</b>	<b>52,558</b>
<b>TOTAL LIABILITIES</b>		<b>60,440</b>	<b>54,344</b>
<b>NET ASSETS</b>		<b>138,055</b>	<b>127,650</b>
<b>EQUITY</b>			
Contributed equity	17	89,949	79,963
Reserves	18	3,810	3,796
Accumulated profit/(losses)		44,296	43,891
<b>TOTAL EQUITY</b>		<b>138,055</b>	<b>127,650</b>

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 2019

	Notes	Consolidated	
		2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		135	170
Payments to suppliers and employees		(3,575)	(3,399)
Payments to wharf development suppliers		(2,332)	(2,791)
Interest received		74	83
Borrowing costs		(1,445)	(1,497)
Tax refund		209	-
<b>Net cash flows (used in) operating activities</b>	20	<b>(6,934)</b>	<b>(7,434)</b>
<b>Cash flows from investing activities</b>			
Purchase of land		-	(2,279)
Proceeds from sale of investment properties		-	96
Proceeds from sale of plant and equipment		13	4
Purchase of wharf development assets		(4,721)	(8,639)
Purchase of plant and equipment		(34)	(16)
<b>Net cash flows from investing activities</b>		<b>(4,742)</b>	<b>(10,834)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		10,306	20,000
Payment for share issue costs		(546)	(1,050)
Proceeds from bank borrowings		4,700	-
<b>Net cash flows from financing activities</b>		<b>14,460</b>	<b>18,950</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,784</b>	<b>682</b>
Cash and cash equivalents at beginning of year		6,727	6,045
<b>Cash and cash equivalents at end of year</b>	9	<b>9,511</b>	<b>6,727</b>

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 2019

	Issued Capital \$'000	Treasury Shares \$'000	Property, plant & equipment Revaluation Reserve \$'000	Option & performance Rights Reserve \$'000	Accum- ulated Losses \$'000	Total \$'000
<b>Balance at 1 July 2017</b>	61,098	(450)	3,685	480	30,253	95,066
Profit for the period	-	-	-	-	13,052	13,052
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	13,052	13,052
Shares issued	20,000	-	-	-	-	20,000
Share issue costs	(1,050)	-	-	-	-	(1,050)
Share issue costs tax	315	-	-	-	-	315
Net shares issued	19,265	-	-	-	-	19,265
Performance rights lapsed	-	-	-	(586)	586	-
Share-based payment	50	-	-	217	-	267
Transaction with owners	19,315	-	-	(369)	586	19,532
<b>Balance at 30 June 2018</b>	<b>80,413</b>	<b>(450)</b>	<b>3,685</b>	<b>111</b>	<b>43,891</b>	<b>127,650</b>
<b>Balance at 1 July 2018</b>	80,413	(450)	3,685	111	43,891	127,650
Profit for the period	-	-	-	-	247	247
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	247	247
Share issued	10,306	-	-	-	-	10,306
Share issue costs	(546)	-	-	-	-	(546)
Share issue costs tax	164	-	-	-	-	164
Net shares issued	9,924	-	-	-	-	9,924
Performance rights lapsed	-	-	-	(158)	158	-
Share-based payment	62	-	-	172	-	234
Transaction with owners	9,986	-	-	14	158	10,158
<b>Balance at 30 June 2019</b>	<b>90,399</b>	<b>(450)</b>	<b>3,685</b>	<b>125</b>	<b>44,296</b>	<b>138,055</b>

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



## Notes to the Consolidated Financial Statements

### 1. Corporate information

The financial report for Kangaroo Island Plantation Timbers Ltd for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 23 September 2019.

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 2016/191. 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.

#### c) New accounting standards and interpretations

A number of new and revised standards became effective for the first time for annual periods beginning on or after 1 July 2018.

There is no material impact of new accounting standards and interpretations applied during the year, the key changes are set out below:

#### **AASB 15 Revenue from Contracts with Customers**

AASB 15 provides new guidance for determining when the Group should recognise revenue. The new revenue recognition model is based on the principle that revenue is recognised when control of a good or service is transferred to a customer – either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, or how much revenue is recognised.

The Group have assessed that there has been no impact on the Group's previously reported financial performance or financial position following the adoption of AASB 15.

#### **AASB 9 Financial Instruments**

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018. There were no material impacts on the comparative balances other than a change in classification. There was no impact on hedging as the Group does not currently apply hedge accounting. The effects of adopting AASB 9 are set out below:



## Notes to the Consolidated Financial Statements

### (a) Classification and measurement

Under AASB 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under AASB 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income. For debt instruments, the classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortised cost if both these tests are satisfied. The assessment of the Group's business model was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

### (b) Financial Instruments

The adoption of AASB 9 did not result in a significant change to the recognition or measurement of financial instruments for the Group as presented in the financial report. The following categories of financial asset and liability required no classification or measurement adjustments as a result of adopting AASB 9:

- ) Cash and cash equivalents;
- ) Trade and other receivables - this category only includes simple debt instruments where the business model is to collect contractual cash flows and consequently amortised cost has continued to be applied. No lifetime expected credit loss adjustments were considered necessary;
- ) Derivative financial instruments - subsequent measurement continues to be at fair value through profit or loss;
- ) Investment in listed companies - subsequent measurement continues to be at fair value through profit or loss; and
- ) Trade and other payables - subsequent measurement continues to be at amortised cost.

### (c) Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECL's for all debt instruments not held at fair value through profit or loss and contract assets in the scope of IFRS 15.

The Group has reviewed and assessed the existing financial assets for impairment and the change to a forward-looking ECL approach did not have any material impact on the amounts recognised in the financial statements. The Group's term deposits which are included within cash and cash equivalents were assessed as having a low probability of default as they are held with financial institutions with high credit ratings and the Group's receivables (not subject to provisional pricing) which are measured at amortised cost, are short term and the Group has strong risk management policies in place to reduce any exposure.

### Accounting standards issued but not yet effective and which have not been adopted early by the Company

New / revised pronouncement	Superseded pronouncement	Nature of change	Likely impact on initial application
AASB 16 <i>Leases</i>	AASB 117 <i>Leases</i> Int. 4 <i>Determining</i>	AASB 16: ) replaces AASB 117 <i>Leases</i> and some lease-related Interpretations	The entity currently has only two office leases and has assessed there is no



## Notes to the Consolidated Financial Statements

New / revised pronouncement	Superseded pronouncement	Nature of change	Likely impact on initial application
	<i>whether an Arrangement contains a Lease</i> Int. 115 <i>Operating Leases—Lease Incentives</i> Int. 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	) requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases ) provides new guidance on the application of the definition of lease and on sale and lease back accounting ) largely retains the existing lessor accounting requirements in AASB 117 ) requires new and different disclosures about leases	material impact of these leases; as a result AASB 16 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 2020.  The standard will be assessed when new leasing agreements are being negotiated to ensure the impacts are known prior to the contract being signed.

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.

### d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Kangaroo Island Plantation Timbers Limited and its subsidiaries 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 25 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.



## Notes to the Consolidated Financial Statements

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 is disposed 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.

### 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 in order to make decisions about resources to be allocated to the segment and to 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 the 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.



## Notes to the Consolidated Financial Statements

### 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.

### h) Biological Assets

#### **Timber plantations**

The Group has an interest in radiata pine and eucalypt plantations (the biological assets). The biological assets are valued by an external independent valuer. All biological assets were independently valued in the current period. In periods where the biological assets are not valued by an independent expert they will be valued by the Directors' assessment to their fair value less costs to sell at each reporting period. The fair value is determined as the net present value of the expected future cashflows at harvest (discounted at a risk adjusted rate). Costs incurred in maintaining or enhancing the plantations are capitalised when incurred and are classified as additions at cost before the determination of the net increments in fair values.

Net increments or decrements in the fair value less cost to sell of the plantation trees are recognised as income or expenses in profit or loss, determined as the difference between the total fair value less costs to sell of the trees recognised as at the beginning of the period, adjusted for costs incurred in maintaining or enhancing plantation trees which are capitalised, and the total fair value less costs to sell of the plantation trees recognised as at the reporting date.

Further details including key assumptions can be found in Note 13.

Plantations which are expected to be harvested, processed and monetised within 12 months are classified as current assets; all other biological assets are classified as non-current assets.

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

### i) 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 transaction 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.

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.



## Notes to the Consolidated Financial Statements

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 the 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.

#### (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.

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.



## Notes to the Consolidated Financial Statements

### **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, which 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.

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; and 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 costs 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 wharf assets will not be depreciated until the wharf is operational.

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 (refer to Note 2(u)), less any impairment losses recognised at the date of revaluation.

In prior periods, the Group has assessed that the route to market for its biological assets is now more probable than not (refer to 2(h) for further details). In accordance with AASB 13 *Fair Value Measurement* paragraph 27, the Group has reassessed the valuation basis as a result of the Group's biological asset (timber) having a route to market; the land's highest and best use now being forestry land. All land valuations have been updated to reflect the highest and best use, valuations were completed by an external independent valuer in the prior period. Further details of the plantation land and buildings fair value valuation can be found in Note 12.

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.



## Notes to the Consolidated Financial Statements

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 lease, is treated in the same manner as freehold land.

Buildings are depreciated on a straight-line basis over the estimated useful life of the asset.

### **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.

### **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 suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Management has considered the triggers for impairment and concludes that no impairment is required for the year ended 30 June 2019.

### **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.



## Notes to the Consolidated Financial Statements

### 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.

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). Rental income is recognised on a straight-line basis over the term of the lease.

### q) Share-based payment transactions

The employee and officer share scheme allows Company employees to acquire shares of the Company. The fair value of rights granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the rights.

The fair value of the right granted is measured using the share price at the grant date, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of rights in the period in which they are issued.



## Notes to the Consolidated Financial Statements

### r) 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 the 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.

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.



## Notes to the Consolidated Financial Statements

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.

### **s) 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 members of the parent and 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.

### **t) Comparative figures**

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

### **u) Fair value measurements**

Certain accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

Management has overall responsibility to oversee all significant fair value measurements, including Level 3 fair values; management reports to the audit committee. Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as valuation reports, are used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASB 13 *Fair Value Measurement*, including the level in the fair value hierarchy in which such valuations should be disclosed. Significant valuation issues are reported to the Board of Directors.

The Group uses observable data as much as possible when measuring the fair value of an asset or liability. Fair values of assets or liabilities are categorised into different levels in the fair value hierarchy based on the lowest input used in the valuation techniques as follows:

- ) Level 1: quoted (unadjusted market prices in active markets for identical assets or liabilities).



## Notes to the Consolidated Financial Statements

- ) Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- ) Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following Notes:

- ) Note 12: Property, Plant and Equipment; and
- ) Note 13: Biological Assets.

Management assessed that cash and short-term deposits', trade receivables', other current financial assets', trade payables' and other current liabilities' carrying amounts approximate their fair values largely due to the short-term maturities of these instruments.

### 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 results 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.

#### Key Estimate – Valuation of biological assets

In the current year, the fair value of the biological assets was calculated by an independent expert Geddes Management Pty Ltd (Geddes) in its report dated 30 June 2019. The valuation model used by Geddes allows the Group to estimate the value of its timber under various scenarios, and to consider the impact of variables within and outside the Group's control, such as harvesting costs, internal road construction costs, haulage, wharf charges, exchange rates and international timber prices. Like any forward-looking valuation, the outputs are sensitive to the choice of assumptions.

The resulting independent valuation of biological assets is \$115,158,000, being an increase of \$7,342,000. Further details including key assumptions can be found in Note 13.

#### Key Estimate – Valuation of Land

The fair value of the plantation land assets was calculated by an independent expert McGees Property in their report dated 19 July 2017. The valuation was carried out in accordance with IFRS 13 Fair Value Measurement, AASB 13 Fair Value Measurement, and AASB 116 Property, Plant and Equipment. The valuation used 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.



## Notes to the Consolidated Financial Statements

The Board has reviewed the key valuation inputs and has concluded that there are no indicators that an updated revaluation is required at 30 June 2019.

Buildings are depreciated on a straight line basis over the estimated useful life of the asset.

### Key Estimate – Valuation of Performance rights

The fair value of the performance rights granted is measured using probabilistic estimates in relation to the future share price, at the grant date, taking into account the terms and conditions upon which the rights were granted.

The amount recognised as an expense for the 30 June 2019 and 30 June 2018 financial periods is calculated using estimates for the expected vesting periods, fair value of the performance rights at grant date and remaining uncertainties about the satisfaction of performance conditions. Refer to Notes 18 and 26 for further details.

### Key Estimate – 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.

## 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

	Note	Assets at FVTOCI \$'000	Assets at FVTPL \$'000	Derivatives used for hedging \$'000	Financial assets at amortised cost \$'000	Total \$'000
<b>30 June 2019</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	9	-	-	-	9,511	<b>9,511</b>
Trade and other receivables	10	-	-	-	782	<b>782</b>
Other financial assets	11	-	-	-	5	
		-	-	-	10,298	<b>10,298</b>
	Note	*Derivatives used for hedging \$'000	*Designated liabilities at FVTPL \$'000	*Other FVTPL \$'000	#Other liabilities \$'000	Total \$'000
<b>Financial Liabilities</b>						
Trade and other payables	14	-	-	-	1,210	<b>1,210</b>
Non-current borrowings	16	-	-	-	29,700	<b>29,700</b>
Total		-	-	-	30,910	<b>30,910</b>



## Notes to the Consolidated Financial Statements

<b>30 June 2018</b>	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	-	-	-	6,727	6,727
Trade and other receivables	10	-	-	-	710	710
Other financial assets		-	-	-	5	5
		-	-	-	7,442	7,442
	Note	*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	14	-	-	-	1,786	1,786
Non-current borrowings	16	-	-	-	25,000	25,000
Total		-	-	-	26,786	26,786

\* 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.

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:

	<b>Consolidated</b>	
	<b>2019</b> \$'000	2018 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	9,511	6,727
Term deposits	-	-
	9,511	6,727
<b>Financial liabilities</b>		
Interest bearing liabilities	(29,700)	(25,000)
Net exposure	(20,189)	(18,273)

The Group has \$29,700,000 (2018: \$25,000,000) debt exposed to variable rates of interest. Interest and borrowing costs are as follows:

- ) 90 day BBSY variable rate (2018: 1.86% and 2017: 1.79%); and
- ) 3.1% per annum charged on amounts drawn down.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date.

At 30 June 2019, 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:



## Notes to the Consolidated Financial Statements

Judgements of reasonably possible movements:	Post tax profit Higher/(lower)		Equity Higher/(lower)	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Consolidated</b>				
+1%	202	175	-	-
-0.5%	(101)	(88)	-	-

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.

Cash at bank is held at the Commonwealth Bank, which has an S&P (Standard & Poors) rating of AA-.

Credit risk in trade receivables is managed in the following ways:

    ) a regular risk review takes place on all receivables and loan balances; and  
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 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 at 30 June 2019.

Cash flows for financial assets and liabilities without fixed amounts or timing are based on the conditions existing at 30 June 2019.

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

	Consolidated	
	2019 \$'000	2018 \$'000
6 months or less	(1,210)	(1,786)
6-12 months	-	(3,316)
1-5 years	(5,000)	-
Over 5 years	(24,700)	(25,000)
	<b>(30,910)</b>	<b>(30,102)</b>



## Notes to the Consolidated Financial Statements

### **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 that reflects the expectations of management in regards to the expected settlement of financial assets and liabilities.

	< 6 months \$'000	6-12 months \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
<b>Year ended 30 June 2019</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	9,511	-	-	-	<b>9,511</b>
Trade and other receivables	782	-	-	-	<b>782</b>
Other financial assets	5	-	-	-	<b>5</b>
	<b>10,298</b>	-	-	-	<b>10,298</b>
<b>Financial Liabilities</b>					
Trade and other payables	(1,210)	-	-	-	<b>(1,210)</b>
Non-current borrowings	-	-	-	(29,700)	<b>(29,700)</b>
	<b>(1,210)</b>	-	-	<b>(29,700)</b>	<b>(30,910)</b>
<b>Net Maturity</b>	<b>9,088</b>	-	-	<b>(29,700)</b>	<b>(20,612)</b>
	< 6 months \$'000	6-12 months \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000

### **Year ended 30 June 2018**

#### **Financial Assets**

Cash and cash equivalents	6,727	-	-	-	<b>6,727</b>
Trade and other receivables	710	-	-	-	<b>710</b>
Other financial assets	5	-	-	-	<b>5</b>
	<b>7,442</b>	-	-	-	<b>7,442</b>

#### **Financial Liabilities**

Trade and other payables	(1,786)	-	-	-	<b>(1,786)</b>
Non-current borrowings	-	-	-	(25,000)	<b>(25,000)</b>
	<b>(1,786)</b>	-	-	<b>(25,000)</b>	<b>(26,786)</b>
<b>Net Maturity</b>	<b>5,656</b>	-	-	<b>(25,000)</b>	<b>(19,344)</b>

### **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.



## Notes to the Consolidated Financial Statements

### 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 2019:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2019</b>				
<b>Property, plant and equipment</b>				
Land held for production in Australia	-	-	43,720	<b>43,720</b>
Land and buildings	-	-	3,765	<b>3,764</b>
	-	-	47,485	<b>47,484</b>
<b>Biological assets</b>				
Standing timber	-	-	115,158	<b>115,158</b>
<b>30 June 2018</b>				
<b>Property, plant and equipment</b>				
Land held for production in Australia	-	-	43,720	43,720
Land and buildings	-	-	1,520	1,520
	-	-	45,240	45,240
<b>Biological assets</b>				
Standing timber	-	-	107,816	107,816

The fair value of the Group's plantation land was calculated by an independent expert, McGees (SA) Pty Ltd ("McGees Property"), as at 30 June 2017. The Board have reviewed the key valuation inputs and have concluded that there are no indicators that an updated revaluation is required at 30 June 2019.

The fair value of the Group's biological assets was calculated by an independent expert Geddes Management Pty Ltd, as at 30 June 2019.

Further information is set out below.

#### ***Land held for production in Australia (Level 3)***

The fair value of the plantation land assets was calculated by an independent expert, McGees Property, in their report dated 19 July 2017. The valuation was carried out in accordance with IFRS 13 Fair Value Measurement, AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment. The valuation used 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. Refer to Note 12 for further details.

#### ***Biological assets (Level 3)***

The fair value of the biological assets was calculated by an independent expert, Geddes Management Pty Ltd (Geddes) in their report dated 30 June 2019. The valuation model used by Geddes allows the Group to estimate the value of its timber under various scenarios, and to consider the impact of variables within and outside the Group's control, such as harvesting costs, internal road construction costs, haulage, wharf charges, exchange rates and international timber prices. As with any forward-looking valuation, the outputs are sensitive to the choice of assumptions. Refer to Note 14 for further details.



## Notes to the Consolidated Financial Statements

### **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 2019 and 30 June 2018**

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.

## 6. Revenue and expenses

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Operating leases income</b>		
Operating leases: freehold land and buildings	<b>132</b>	130
Operating leases: equipment Other	<b>9</b>	17
Total	<b>141</b>	147

The Group leases a number of assets on operating leases:

Operating leases: freehold land and buildings \$132,091 (2018: \$130,193)

- ) 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 excluding GST amounted to \$24,675 (2018: \$24,121) and is fully paid;
- ) The Group had a holiday rental at its Smith Bay property until November 2017; the property is no longer rented out. The annual rent received amounted to \$nil (2018: \$796);
- ) The Group also have a residential lease on 10 (2018: 10) properties. The agreement is cancellable and the annual rent received amounted to \$72,816 (2018: \$72,736); and
- ) The Group also casually leases out certain properties for agistment and other purposes. The annual income amounted to \$34,600 (2018: \$32,534).

Operating leases: equipment \$8,755 (2018: \$17,000)

- ) The Group maintained an equipment lease which concluded in February 2019 (agreements stated cancellable by lessor giving between six month notice). The annual income amounted to \$8,755 (2018: \$17,000).



## Notes to the Consolidated Financial Statements

	Consolidated	
	2019	2018
	\$'000	\$'000
<b>(b) Other income</b>		
Other income	5	10
Total Other income	5	10
<b>(c) Sale of assets</b>		
Sale of investment properties	-	96
Cost of investment properties sold including sale costs	-	(101)
(Loss) on investment properties sold	-	(5)
Sale of equipment and motor vehicles	13	4
Cost of assets sold	-	-
(Loss)/profit on assets sold	13	4
Total profit/(loss) on assets sold	13	(1)
<b>(d) Other expenses</b>		
Share-based payment	234	270
Audit fees	61	89
ASIC fees	12	4
Depreciation	104	122
ASX/share registry fees	99	68
Directors fees	1,117	765
Legal fees	7	245
Professional fees	377	448
Other corporate expenses	260	210
Other expenses	2,271	2,223
<b>(e) Finance costs</b>		
Borrowing costs	1,464	1,597
Other interest	-	95
Finance costs	1,464	1,692
<b>(f) Employee benefits expense</b>		
Wages and salaries	1,003	482
Non-Executive Directors' fees (including super)	190	393
Share based payments	5	5
Performance rights	172	215
Annual leave provision	122	10
Long service leave provision	6	4
Defined contributions superannuation	76	50
Total employee and directors' remuneration	1,574	1,159

## 7. Income Tax

	Consolidated	
	2019	2018
	\$'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	(297)	6,053
Income tax expense/(benefit) reported in profit or loss	(297)	6,053



## Notes to the Consolidated Financial Statements

	Consolidated	
	2019	2018
	\$'000	\$'000
Profit/(loss) before tax	(50)	19,105
At the statutory income tax rate of 30% (2018: 30%)	(15)	5,731
Non-deductible expenses/capital gain on sale of land	-	66
Adjustment in respect of prior year	312	256
Tax loss brought to accounts as a deferred tax asset	-	-
Income tax expense/(benefit) reported in income statement	<b>297</b>	<b>6,053</b>

### b) Amounts charged or credited to equity

Deferred income tax related to items charged (credited) to equity		
Net gain on property, plant and equipment	-	-
Share issue costs	(164)	(315)
Income tax expense reported in equity	<b>(164)</b>	<b>(315)</b>

### 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 recognised at 30 June 2019 amounted to \$28,559,182 (2018: \$22,992,847).

### Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>CONSOLIDATED</i>						
Trade and other receivables	616	698	-	-	617	698
Property, plant & equipment	1,694	1,139	(5,845)	(5,850)	(4,151)	(4,711)
Biological assets	-	-	(23,685)	(21,708)	(23,685)	(21,708)
Trade and other payables	70	32	-	-	70	32
Tax losses	8,568	6,898	-	-	8,567	6,898
Recognised tax losses	-	-	-	-	-	-
Tax assets/(liabilities)	<b>10,948</b>	8,767	<b>(29,530)</b>	(27,558)	<b>(18,582)</b>	(18,791)
Set off of tax	-	-	-	-	-	-
Net tax assets/(liabilities)	<b>10,948</b>	8,767	<b>(29,530)</b>	(27,558)	<b>(18,582)</b>	(18,791)



## Notes to the Consolidated Financial Statements

### Deferred income tax

Deferred income tax at 30 June 2019 relates to the following:

<b>Movements in temporary differences during the year</b>	Balance 1 July 18 \$'000	Recognised in Income \$'000	Recognised on Acquisition \$'000	Recognised in Equity \$'000	<b>Balance 30 June 19 \$'000</b>
Property, plant & equipment	(4,711)	560	-	-	<b>(4,151)</b>
Biological assets	(21,708)	(1,977)	-	-	<b>(23,685)</b>
Capital raising costs	698	(245)	-	164	<b>617</b>
Trade and other payables	32	38	-	-	<b>70</b>
Tax losses	6,898	1,669	-	-	<b>8,567</b>
	<b>(18,791)</b>	<b>45</b>	<b>-</b>	<b>164</b>	<b>(18,582)</b>

<b>Movements in temporary differences during the year</b>	Balance 1 July 17 \$'000	Recognised in Income \$'000	Recognised on Acquisition \$'000	Recognised in Equity \$'000	<b>Balance 30 June 18 \$'000</b>
Property, plant & equipment	(5,594)	883	-	-	(4,711)
Biological assets	(13,630)	(8,078)	-	-	(21,708)
Capital raising costs	596	(213)	-	315	698
Trade and other payables	26	6	-	-	32
Tax losses	5,549	1,349	-	-	6,898
	<b>(13,053)</b>	<b>(6,053)</b>	<b>-</b>	<b>315</b>	<b>(18,791)</b>

## 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:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>a) Earnings used in calculating earnings per share</b>		
Net profit/(loss) attributable to ordinary equity holders of the parent	<b>247</b>	13,052
There is no dilution effect of the Performance Rights on earnings.		
	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
	<b>Thousands</b>	<b>Thousands</b>
<b>b) Weighted average number of shares</b>		
<i>Weighted average number of ordinary shares for basic earnings per share</i>	<b>52,659</b>	46,412
Effect of dilution:		
Share options and performance rights	-	-
<i>Weighted average number of ordinary shares adjusted for the effect of Dilution</i>	<b>52,659</b>	46,412
<b>c) Basic and diluted earnings per share</b>		
	<b>EPS in</b>	<b>EPS in</b>
	<b>cents</b>	<b>cents</b>
Basic and diluted earnings per share	<b>0.5</b>	28



## Notes to the Consolidated Financial Statements

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.

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

	Consolidated	
	2019 \$'000	2018 \$'000
Cash at bank and in hand	9,511	6,727
	<u>9,511</u>	<u>6,727</u>

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. At 30 June 2019 \$2,534,436 (2018: \$3,316,263) is held in a restricted savings account, the funds can only be used to pay for CBA borrowing costs.

#### **Reconciliation to Cash Flow Statement**

For the purposes of the Statement of Cash Flows, cash and cash equivalents amount to \$9,511,000 (2018: \$6,727,000).

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

	Consolidated	
	2019 \$'000	2018 \$'000
Trade receivables (a)	5	13
Carrying amount of trade and other receivables	<u>5</u>	<u>13</u>

#### **a) Terms of trade**

Trade debtors are non-interest bearing and generally on 30-day terms.

#### **b) Allowance for impairment loss**

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

	Consolidated	Total	61-90	61-90	+ 91	+ 91
			Days	Days	Days	Days
			PDNI*	CI*	PDNI*	CI*
2019	Trade and other Receivables	5	5	-	-	-
		<u>5</u>	<u>5</u>	-	-	-
2018	Trade and other Receivables	13	13	-	-	-
		<u>13</u>	<u>13</u>	-	-	-

\*PDNI – Past due not impaired – represents the portion of the outstanding amount that the debtor is servicing under a mutually agreed repayment plan, but is more than 60 days past due.

\*CI – Considered impaired

#### **c) 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(i). The net carrying amount of trade and other receivables is assumed to approximate their fair value.



## Notes to the Consolidated Financial Statements

### 11. Other Current Assets

	Consolidated	
	2019 \$'000	2018 \$'000
Prepayments	777	697
	<u>777</u>	<u>697</u>

### 12. Non-current assets – Property, plant and equipment

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

	Freehold land and Buildings \$'000	Plant and equipment \$'000	Wharf asset \$'000	Total \$'000
<b>Year ended 30 June 2019</b>				
At 1 July 2018 net of accumulated depreciation and impairment	47,501	400	10,068	57,969
Additions	-	24	4,220	4,244
Disposals	-	(102)	-	(102)
Adjustment in accumulated depreciation in relation to disposals	-	84	-	84
Depreciation charge for year	(16)	(88)	-	(104)
At 30 June 2019 net of accumulated depreciation and impairment	<u>47,485</u>	<u>318</u>	<u>14,288</u>	<u>62,091</u>
<b>At 30 June 2019</b>				
Cost or fair value	47,701	1,186	14,288	63,175
Accumulated depreciation and impairment	(216)	(868)	-	(1,084)
Net carrying amount	<u>47,485</u>	<u>318</u>	<u>14,288</u>	<u>62,091</u>
<b>Year ended 30 June 2018</b>				
At 1 July 2017 net of accumulated depreciation and impairment	45,240	492	-	45,732
Additions	2,280	16	10,068	12,364
Disposals	(5)	(36)	-	(41)
Adjustment in accumulated depreciation in relation to disposals	-	36	-	36
Depreciation charge for year	(14)	(108)	-	(122)
At 30 June 2018 net of accumulated depreciation and impairment	<u>47,501</u>	<u>400</u>	<u>10,068</u>	<u>57,969</u>
<b>At 30 June 2018</b>				
Cost or fair value	47,701	1,264	10,068	59,033
Accumulated depreciation and impairment	(200)	(864)	-	(1,064)
Net carrying amount	<u>47,501</u>	<u>400</u>	<u>10,068</u>	<u>57,969</u>

The acquisition of wharf assets during the year is due to improvements to the floating pontoon of \$4.22 million (2018: \$10.07 million). The wharf assets is not operational and therefore no depreciation has been charged during the year (2018: \$nil).

#### b) Freehold land revaluations

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and



## Notes to the Consolidated Financial Statements

buildings as at 30 June 2017 are based on an independent expert's valuation. The net result of the independent revaluation in the prior year amounted to \$322,000, of which \$227,000 was recognised in the asset revaluation reserve and \$95,000 as deferred tax.

The Board has reviewed the key valuation inputs and has concluded that there are no indicators that the freehold land values are materially different at 30 June 2019. The Board has concluded that no updated revaluation is required at 30 June 2019. As a result, the Board has used the 30 June 2017 valuation, there have been no sales and all purchases have been at cost.

### Independent expert's valuation technique

The Board has elected to use valuations provided by the independent external valuer. In assessing the fair value of land held, the Directors have re-assessed the highest and best use in accordance with AASB 13 *Fair Value Measurement* paragraph 27, as a result of the Group's biological asset, timber now having a probable route to market. The land's highest and best use is now forestry land rather than encumbered non-forestry land.

The fair value valuation has been prepared using a 'Summation Approach'; the land value has been assessed as a rate per hectare which is summated with the added value of any structural improvement. The independent expert has assessed the rate per hectare as in the range of \$1,787 per hectare to \$3,520 per hectare; plantable land would be at the upper end of this range, being \$2,900 to \$3,200 per hectare. Based on this assessment, the Company's land is valued at between \$2,300 and \$2,900 per plantable hectare. The land's location, rainfall, physical attributes, location of amenities and improvements all influence where in this range a particular is valued.

In the prior year, the Group assessed that the proposed route to market for its biological assets is now more probable than not (refer to Note 14 for further details) and biological assets are now recognised; accordingly. The land is valued on the same basis as in the prior year: with the Group's land classed as forestry land.

All fair value estimates for land and buildings are included in Level 3 of the fair value hierarchy.

### Significant Observable Inputs

- (i) Land valued assuming Smith Bay will be approved, enabling the export of timber.
- (ii) The valuation assumed that plantation land will be utilized for the growing and harvesting of plantation timber over the next 20 years.
- (iii) Recent sales of land on Kangaroo Island and recent trends in the sale of land in a similar plantation based area in South Australia and Victoria, discounted for island location.

### Significant Unobservable Inputs

- (i) Estimated price per hectare is determined by the independent expert after observing each asset's:
  - a. Location including surrounding land use, amenities and local services;
  - b. improvement including structural, fencing and water;
  - c. land and climatic characteristics including soil, climate and rainfall;
  - d. plantation details including planted hectares and age; and
  - e. occupancy including dwellings, structures and licenses/leases.
- (ii) the existence of an export wharf solidifies the view that the best use of Western Kangaroo Island land is plantation forestry.
- (iii) Economic overview including local, State and industry economic overview.



## Notes to the Consolidated Financial Statements

### Sensitivity analysis

The fair value measurement of freehold land is sensitive to changes in the unobservable inputs which may result in a significantly higher or lower fair value measurement. The following tables demonstrate the sensitivity to a reasonably possible change in significant unobservable inputs, with all other variables held constant (change in profit and equity):

	Consolidated	
	2019 \$'000	2018 \$'000
<b>Forestry land</b>		
Increase in estimated market value per hectare by 2%	905	905
Decrease in estimated market per hectare by 2%	(905)	(905)
	-	-

### c) Operating lease

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

## 13. Biological assets

	Consolidated	
	2019 \$'000	2018 \$'000
Opening balance at 1 July	107,816	80,889
Add fair value adjustment:		
Fair value gain	7,342	26,927
Closing balance as at 30 June	115,158	107,816
Plantation timber at cost	25,178	25,178
Accumulated fair value gain	89,980	82,638
Total biological assets	115,158	107,816
Classified as current	-	-
Classified as non-current	115,158	107,816

### Fair value

The fair value of the biological assets for the year ended 30 June 2019 was calculated by an independent expert, Geddes Management Pty Ltd (Geddes), in its report dated 30 June 2019. The valuation model used by Geddes allows the Group to estimate the value of its timber under various scenarios, and to consider the impact of variables within and outside the Group's control, such as harvesting costs, internal road construction costs, haulage, wharf charges, exchange rates and international timber prices. As with any forward-looking valuation, the outputs are sensitive to the choice of assumptions.

The Group considers the development of wharf infrastructure that allows exploitation of the substantial standing timber resource to be more probable than not. As a result, the Group believes it has sufficient certainty about the form and quantum of future cash flows to maintain its valuation approach. The key milestones achieved and taken into consideration by the Board are:

- ) Acquisition of Smith bay site, a deep-water wharf site in close proximity to its plantations;
- ) Acquisition of Forestry Investment Trust estate ("FIT Estate") completed on 28 April 2017;
- ) The Groups estate now includes approximately 25,408 ha of land of which more than 14,034 is planted the majority with eucalyptus globulus. KIPT now owns Ballast Head, New Forests' proposed alterative wharf site;
- ) Major Project Status granted in February 2017;
- ) \$57.1 million CBA facility established in March 2017;
- ) \$80.0 million raised via shares issued since 1 July 2016;
- ) Draft EIS submitted 1 October 2018 and revised EIS January 2019;



## Notes to the Consolidated Financial Statements

- ) Acquisition of 173ha coastal site that adjoins its Smith Bay site to the west;
- ) Woodchip Offtake agreement signed with MWO in late 2017;
- ) Log sale and purchase agreement signed with MWO in October 2018;
- ) MOU with Flinders Ports signed January 2019;
- ) Release of EIS by State Government on 11<sup>th</sup> April 2019 - the public consultation has been completed and KIPT is finalising its response documents; and

On 7<sup>th</sup> December 2018 KIPT announced that a fire had affected two properties, and released a preliminary estimate that approx. 1.25% of the treecrop assets could be affected. The independent valuer at 30 June 2019 has taken a more conservative approach and concluded the total cost is \$2.3 million.

The fair value measurements for the biological assets have been independently valued by Geddes Management Pty Ltd ("Geddes") at 30 June 2019 and as such, are categorised as Level 3 in the fair value hierarchy.

### Independent expert's valuation technique

In Australia, the Association of Consulting Foresters of Australia, now a branch of the Institute of Foresters of Australia, developed the Australian Standard for Valuing Commercial Forests version 2.1 (July 2012) which is recognised globally within both the accounting and forestry professions for its sound guidance for forest valuation.

The valuation method used by Geddes is prepared under the Australian Standard for Valuing Commercial Forests version 2.1 (July 2012). The valuation method used by Geddes is the present Value Method. This method is widely used and requires a discounted cashflow model, the model allows the valuer to estimate the value of timber under various scenarios, and considers the impact of variables within and outside the Group's control, such as harvesting costs, internal road construction costs, haulage, wharf charges, exchange rates and international timber prices.

Due to lack of local data, the highest and best use of the Company's plantation timber is considered to be commercial timber production for export markets. In accordance with AASB 141 Agriculture the valuation is on a pre-tax basis.

As with any forward-looking valuation, the outputs are sensitive to the choice of assumptions.

### Significant Observable Inputs

- (i) US Dollar exchange rate used is consistent throughout the valuation model at 1.370 AUD or 73 cents US (2018: 1.266 AUD or 79 cents US).
- (ii) The valuation is derived using a real pre-tax discount rate of 11.43% (nominal 13.78%) (2018 11.65%, nominal 13.78%); calculated using the CAPM formula. Material inputs are an Australian 10 year bond rate for risk free rate of return of 4.75% (2018: 4.75%) and an equity premium of 5% (2018: 5%), a beta of 1 (2018: 1), a gearing of 30% debt (2018: 30%), an alpha of 2.0% (2018: 2.0%) and inflation of 2.1% (2018: 1.9%) forecast to 2020.

A deferral in harvest year may result in higher production as a more mature tree is harvested, this may alter the fair value measurement, depending on the ratio of the growth rate to the discount rate.

### Significant Unobservable Inputs

- (i) Current trees are between 14 and 36 years old. The volumes have been estimated by the valuer assisted by the implementation of a Woodstock inventory model by PF Olsen. The Geddes model assumes a harvesting plan over 11 years commencing in 2022 (2018: commencing 2020).
- (ii) The price of timber is determined with due consideration to market transactions and industry projections including:



## Notes to the Consolidated Financial Statements

The price of hardwood chips is determined after consideration of current market transactions, arriving at a blue, globulous chip price of \$126.16 (USD\$92.09) (2018: \$105.22 (USD\$83.12)) per green metric tonne (GMT) after discounts including dry fibre percentage, anticipated chip losses, discount to allow for market fluctuations and marketing commissions. The estimates are in real dollars.

- o The price of pine logs is determined for a range of log grades after consideration of current market transactions. Using the PF Olsen inventory data, an estimate of revenue per hectare at harvest is calculated on a property by property basis. The average price varies from \$76.33 (2018: \$40.00) per GMT to \$107.14 (2018: \$115.07) per GMT. These estimates are again in real dollars.
  - o Costs to maintain the plantations are estimated on a per hectare per annum basis. Prior to harvest an allowance is made for in plantation roading costs. This is also denominated on a per hectare basis and varies according to the specific conditions on each plantation property.
  - o The costs at harvest (harvesting, haulage, port access and other pre-export costs) are estimated on a per GMT basis for both hardwood and softwood.
- (iii) The fair value measurement of biological assets is sensitive to changes in the unobservable inputs which may result in a significantly higher or lower fair value measurement:
- o An increase in timber production or timber prices would result in a higher fair value measurement.
  - o A decrease in timber production or timber prices would result in a lower fair value measurement.
  - o An increase in harvesting, processing, marketing or plantation maintenance costs would result in a lower fair value measurement.
  - o A decrease in harvesting, processing, marketing or plantation maintenance costs would result in a higher fair value measurement.

### Deferral in harvest year

A deferral in harvest year may result in higher production as a more mature tree is harvested, this may alter the fair value measurement, depending on the ratio of the growth rate to the discount rate. The Company may also accelerate its harvesting plan and complete its first harvesting cycle earlier than originally planned.

The Company is aware that Wharf approval and construction may take longer than forecast. However, it believes that any delays will result in a less than material change in the valuation of the Biological Asset.

### Sensitivity analysis

#### (i) Foreign Currency Sensitivity Analysis

The following tables demonstrate the sensitivity of the fair value measurement of biological assets to a reasonably possible change in USD exchange rate, with all other variables held constant:

	2019 \$'000	2018 \$'000
Change in value		
) Increase in the AUD to USD by 4 cents or 5.48% (2018: 4 cents or 5.06%)	<b>(12,768)</b>	(9,560)
) Decrease in the AUD to USD by 4 cents 5.48% (2018: 4 cents or 5.06%)	<b>14,248</b>	10,620



## Notes to the Consolidated Financial Statements

### (ii) Price Risk Sensitivity Analysis

The following tables demonstrate the sensitivity of the fair value measurement of biological assets to a reasonably possible change in price, with all other variables held constant:

Eucalyptus globulus	2019 \$'000	2018 \$'000
Change in equity		
) Increase in the price by 5% (2018: 5%)	12,936	10,480
) Decrease in the price by 5% (2018: 5%)	(12,936)	(10,480)

### (iii) Discount rate Risk Sensitivity Analysis

The following tables demonstrate the sensitivity of the fair value measurement of biological assets to a reasonably possible change in discount rate, with all other variables held constant:

	2019 \$'000	2018 \$'000
Change in equity and profit		
o Increase in the nominal discount rate by 7% from 13.78% to 14.78% (2018: 7% from 13.78% to 14.78%)	(6,993)	(5,450)
o Decrease in the nominal discount rate by 7% from 13.78% to 12.78% (2018: 7% from 13.78% to 12.78%)	7,580	5,820

### Project Risk

The Group is exposed to the following risks relating to its timber plantations.

#### (i) Supply and Demand Risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of Eucalyptus globulus, Eucalyptus nitens and Pine radiata Sandalwood. When possible, the Group intends to manage this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis for projected harvest volumes and pricing. The Group has signed a Memorandum of Understanding with Mitsui Bussan Woodchip Oceania Pty Ltd (MWO), an Australian subsidiary of a Japanese conglomerate Mitsui & Co Ltd, with a view to entering into an exclusive timber off-take agreement. This Agreement will mitigate an element of demand risk.

#### (ii) Climate and Other Risks

The Group's timber plantations are exposed to the risk of damage from climate changes, diseases, forest fires and other natural forces. The Group has processes in place aimed at monitoring and mitigating these risks, including regular forest health inspections and industry pest and disease surveys. The island location also mitigates some of these risks. In addition, the group is seeking certain local Government protection that is given to other Kangaroo Island businesses in preventing introduction of diseases from the mainland.

#### (iii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Timber prices are typically denominated in \$US, although the main customers are located in Asia. The Group is considering using appropriate financial instruments to reduce its exposure to foreign currency risks.

## 14. Current liabilities – Trade and other payables

	Consolidated	
	2019 \$'000	2018 \$'000
Trade payables (a)	982	1,707
PAYG tax payable	29	13
	<b>1,011</b>	<b>1,720</b>

#### a) Trade payables

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



## Notes to the Consolidated Financial Statements

### 15. Current liabilities – employee benefits

Employee benefits	Consolidated	
	2019 \$'000	2018 \$'000
Annual Leave	164	42
Long service leave	27	20
Superannuation	8	4
	<b>199</b>	<b>66</b>

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

### 16. Interest-bearing liabilities

	Consolidated	
	2019 \$'000	2018 \$'000
<b>Current</b>		
Bank borrowings <sup>(a)</sup>	-	-
Total current	-	-
<b>Non-Current</b>		
Bank borrowings <sup>(a)</sup>	29,700	25,000
Total non-current	29,700	25,000
	<b>29,700</b>	<b>25,000</b>

a) The Company has a \$57,100,000 facility with the CBA that can be drawn down as follows:

- \$25,000,000 ('first draw down'), which was fully drawn down in the prior year;
- \$8,000,000 ('second draw down'); which is available for draw down, at 30 June 2019 \$4,700,000 has been drawn down and \$3,300,000 remains available for drawdown; and
- \$22,000,000 ('third draw down') is available to fund Wharf Construction once approval is obtained.

In addition, further CBA asset finance will be available.

Interest of 1.79% (2018: 1.79%) per annum based on BBSY variable rate and fees of 3.1% (2018: 3.1%) per annum on amounts drawn down amounted to \$1,464,098 (2018: \$1,597,364) during the year. The facility is secured by:

- First ranking charge over all assets including all present and acquired property (excluding Smith Bay wharf site and Ballast Head land) and plantation assets; marine leases (if applicable), wharf assets and shares in subsidiary undertakings.
- A charge over Smith Bay wharf site and Ballast Head land will not be registered until the second drawdown is required. The two assets are valued at \$1,100,000 by the Independent Valuer (refer to Note 12 for further detail).
- An account set off deed over deposited funds of \$2,534,436 (2018: \$3,316,263) (refer to Note 9 for further details).

The Company is also subject to a number of loan covenants, all of which have been complied with since initial draw down of the facility on 28 April 2017.

b) The carrying amount of interest-bearing liabilities approximates their fair value as the interest payable on these borrowings is close to current market rates.



## Notes to the Consolidated Financial Statements

### 17. Contributed equity

	Consolidated	
	2019 \$'000	2018 \$'000
<b>a) Issued and paid up capital</b>		
Ordinary shares fully paid	<b>89,949</b>	79,963

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

#### b) Movements in shares on issue

	2019		2018	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of financial year	<b>50,897,512</b>	<b>79,963</b>	40,874,809	60,648
Placement and share purchase plan announced on 18 February 2019	<b>5,153,250</b>	<b>10,306</b>	-	-
Placement announced on 4 December 2017	-	-	10,000,000	20,000
Share-based payment (Note 26)	<b>30,737</b>	<b>62</b>	22,703	50
Share issue costs	-	<b>(382)</b>	-	(735)
End of the financial year	<b>56,081,499</b>	<b>89,949</b>	50,897,512	79,963

#### c) Capital management

Capital consists of share capital and borrowings of \$119.649 million (2018: \$104.963 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 monitors capital through the gearing ratio (net debt/total capital). The gearing ratios at 30 June 2019 and 30 June 2018 were as follows:

	Consolidated	
	2019 \$'000	2018 \$'000
Trade and other payables	<b>1,011</b>	1,720
Interest bearing liabilities	<b>29,700</b>	25,000
Less cash and cash equivalents	<b>(9,511)</b>	(6,727)
Net debt	<b>21,200</b>	19,993
Total equity	<b>138,055</b>	127,650
Total capital	<b>159,255</b>	147,643
Gearing Ratio	<b>13.31%</b>	13.54%

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

### 18. Reserves

	Consolidated	
	2019 \$'000	2018 \$'000
Option and Performance Rights reserve (a)	<b>125</b>	111
Property, plant and equipment reserve (b)	<b>3,685</b>	3,685
	<b>3,810</b>	3,796



## Notes to the Consolidated Financial Statements

### a) Option and Performance Rights reserve

	Consolidated	
	2019 \$'000	2018 \$'000
Opening balance at 1 July	111	480
Movement:		
Performance rights dated 16 October 2018	125	-
Performance rights dated 10 November 2017 lapsed	(158)	-
Performance rights dated 10 November 2017	47	111
Performance rights dated 24 February 2017 lapsed	-	(584)
Performance rights dated 24 February 2017	-	104
Closing balance at 30 June	125	111

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

The Performance Rights Plan ("Plan") was approved by Shareholders on 16 October 2018. The terms of the Plan involve the issue of Shares that will rank equally with all other existing Shares in all respects including voting rights and entitlement to participate in dividends and in future rights and bonus issues.

In addition, a Plan participant must not dispose of any Shares acquired under the Plan before the end of the restriction period (if any), which are subject to the Plan rules and the terms of the specific offer from time to time.

The rationale for the Plan was, and is, to provide the Executive and Non-Executive Directors of the Company with increased remuneration in recognition of the additional duties of the respective directors, and to incentivise them to align their interests more closely with those of other Shareholders.

While the Company's share price has begun to better reflect the underlying value of its assets, there remains a substantial valuation gap that might be realised once a sustainable forestry industry is established on Kangaroo Island.

### Performance Rights Plan

#### Interest in Performance Rights

Year	Performance Rights dated	Performance Rights dated	Performance Rights dated	Total Performance Rights	
	16 October 2018	10 November 2017	24 February 2017		
	\$	\$	\$	\$	
<b>Non-Executive Directors</b>					
P McKenzie	2019	14,767	6,777	-	21,544
	2018	-	15,851	14,922	30,773
G Boulton	2019	14,767	6,777	-	21,544
	2018	-	15,851	14,922	30,773
<b>Executive Directors</b>					
K Lamb <sup>(1)</sup>	2019	21,251	-	-	21,251
	2018	-	-	-	-
J Sergeant	2019	29,534	13,554	-	43,088
	2018	-	31,702	29,842	61,544
S Black	2019	14,767	6,777	-	21,544
	2018	-	15,851	14,922	30,773
G Holdaway	2019	29,534	13,555	-	43,089
	2018	-	31,702	29,843	61,545
					-
<b>Total</b>	<b>2019</b>	<b>124,620</b>	<b>47,440</b>	<b>-</b>	<b>172,060</b>
	<b>2018</b>	<b>-</b>	<b>110,957</b>	<b>104,451</b>	<b>215,408</b>



## Notes to the Consolidated Financial Statements

- (1) Mr K Lamb was appointed as a Non-Executive Director on 15 October 2018 and as an Executive on 11 March 2019, under his agreement he is entitled to Performance Rights dated 16 October 2018 under the Performance Rights Plan, on the same basis as other Directors subject to Shareholder approval.

### **Performance Rights Plan**

The Performance Rights Plan ("Plan") was approved by Shareholders on 5 October 2016. The terms of the Plan involve the issue of Shares that will rank equally with all other existing Shares in all respects including voting rights and entitlement to participate in dividends and in future rights and bonus issues.

In addition, a Plan participant must not dispose of any Shares acquired under the Plan before the end of the restriction period (if any) which are subject to the Plan rules and the terms of the specific offer from time to time.

The rationale for the Plan was, and is, to provide the Executives and the Non-Executive Directors of the Company with increased remuneration in recognition of the additional duties of the respective directors, and to incentivise them to align their interests more closely with those of Shareholders.

While the Company's share price has begun to better reflect the underlying value of its assets, there remains a substantial valuation gap that might be realised once a sustainable forestry industry is established on Kangaroo Island.

### **Performance Rights dated 16 October 2018 and 10 November 2017**

At the 16 October 2018 General Meeting, Shareholders approved performance rights dated 16 October 2018, triggered by meeting the following performance condition:

- the volume-weighted average price (VWAP) of the Company's Shares exceeds the relevant price, based on the most recently-traded 1,000,000 shares.

Performance Rights dated 10 November 2017 expired on 9 November 2018 and were replaced with Performance Rights dated 16 October 2018. The Performance Rights dated 10 November 2017 were approved by Shareholders on 10 November 2017, had identical performance conditions and expired on 9 November 2018.

A summary of the Performance Rights is shown below:

20 Business Day VWAP	Shares to be issued to directors:			Escrow Period
	J Sergeant & G Holdaway	P McKenzie, S Black & G Boulton	Total Shares	
	Number	Number	Number	
\$3.50 or above	107,140	53,570	374,990	12 months
\$4.25 or above	85,720	42,860	300,020	12 months
\$5.00 or above	64,280	32,140	224,980	12 months
<b>Total</b>	<b>257,140</b>	<b>128,570</b>	<b>899,990</b>	

Mr K Lamb was appointed as a Non-Executive Director on 15 October 2018 and as an Executive on 11 March 2019, under his agreement he is entitled to Performance Rights dated 16 October 2018 under the Performance Rights Plan, on the same basis as other Director's subject to Shareholder approval.

### **Valuation of Performance Rights dated 16 October 2018**

AASB 2 *Share-Based Payment* requires that the Company record the cost of all forms of Director remuneration in the Company's accounts and sets out parameters for determining this cost.

AASB 2 sets the valuation date (termed as Grant Date) as the date at which such a right has been approved, being the date of the General Meeting, 16 October 2018. In addition, the Company has announced that it intends to seek shareholder approval for the issue of Performance Rights 16 October 2018 to newly-appointed non-executive director Keith Lamb, in amounts and on terms identical to those applying to other non-executive directors.

The Directors do not believe that Black Scholes or Monte Carlo valuation methods are suitable for the Performance Rights. The performance rights have been valued using the share price at the Grant Date with a probability applied to each tranche. The Rights expire on 15 October 2019.



## Notes to the Consolidated Financial Statements

The valuation is based on the probability of achieving VWAP and the share price at 16 October 2018 of \$2.05, set out in the table below.

20 Business Day VWAP	Shares to be issued	6 months 31 Dec 2018 \$	6 months 30 Jun 2019 \$	30 Jun 2020 \$	Total Valuation \$
\$3.50 or above	374,990	28,458	68,338	33,888	130,684
\$4.25 or above	300,020	1,498	3,598	7,205	12,300
\$5.00 or above	224,980	434	1,043	3,135	4,612
<b>Total</b>	<b>899,990</b>	<b>30,390</b>	<b>72,978</b>	<b>44,228</b>	<b>147,596</b>

### Valuation of Performance Rights dated 10 November 2017

AASB 2 *Share-Based Payment* requires that the Company record the cost of all forms of Director remuneration in the Company's accounts and sets out parameters for determining this cost.

AASB 2 sets the valuation date (termed as Grant Date) as the date at which such a right has been approved, being the date of the General Meeting, 10 November 2017.

The Directors do not believe that Black Scholes or Monte Carlo valuation methods are suitable for the Performance Rights. The performance rights have been valued using the share price at the Grant Date with a probability applied to each tranche. The Rights expire on 9 November 2018. The valuation is based on the probability of achieving VWAP and the share price at 10 November of \$2.20, set out in the table below.

20 Business Day VWAP	Shares to be issued	6 months 31 Dec 2018 \$	6 month 30 Jun 2018 \$	6 months 31 Dec 2017 \$	Total Valuation \$
\$3.50 or above	374,990	21,950	78,864	39,432	140,246
\$4.25 or above	300,020	1,788	6,424	4,989	13,201
\$5.00 or above	224,980	421	1,510	3,019	4,950
<b>Total</b>	<b>899,990</b>	<b>24,159</b>	<b>86,798</b>	<b>47,440</b>	<b>158,397</b>

### Valuation of Performance Rights dated 24 February 2017

AASB 2 *Share-Based Payment* requires that the Company record the cost of all forms of Director remuneration in the Company's accounts and sets out parameters for determining this cost.

AASB 2 sets the valuation date (termed as Grant Date) as the date at which such a right has been approved, being the date of the General Meeting, 24 February 2017.

The Directors do not believe that Black Scholes or Monte Carlo valuation methods are suitable for the Performance Rights. The performance rights have been valued using the share price at the Grant Date with a probability applied to each tranche. The valuation is set out in the table below.

20 Business Day VWAP	Shares to be issued	6 months 30 Jun 2017 \$	6 months 31 Dec 2017 \$	Total Valuation \$
\$3.50 or above	374,990	412,623	68,771	481,394
\$4.25 or above	300,020	65,359	32,679	98,038
\$5.00 or above	224,980	2,250	3,001	5,251
<b>Total</b>	<b>899,990</b>	<b>480,232</b>	<b>104,451</b>	<b>584,683</b>

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

	Consolidated	
	2019 \$'000	2018 \$'000
Closing balance at 30 June	<u>3,685</u>	<u>3,685</u>

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.



## Notes to the Consolidated Financial Statements

### 19. 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.

As previously disclosed, the Group is a party to litigation, the aim of which is to resolve the status of certain easements affecting and benefitting its property at Smith Bay. It is not expected that the outcome of this litigation will have a material financial impact on the consolidated entity.

### 20. Reconciliation of statement of cash flows

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation from the net profit after tax to the net cash flow:</b>		
<b>from operations</b>		
Net profit/(loss)	247	13,052
<i>Adjustments for</i>		
Depreciation	103	122
(Profit)/Loss on sale of property, plant and equipment	(13)	1
Net Fair value decrease/(increase) on biological assets	(7,343)	(26,926)
Share-based payment (Note 26)	234	265
<i>Changes in assets and liabilities</i>		
Increase/(decrease) in deferred tax	(209)	6,053
(Increase)/decrease in receivables and other debtors	(71)	2
Increase/(decrease) in trade and other payables	118	(5)
<b>Net cash (used in)/from operating activities</b>	<b>(6,934)</b>	<b>(7,434)</b>
<b>Loan facilities</b>		
Facilities available:		
Total facilities – CBA loan facility	57,100	57,100
Facilities used at 30 June	29,700	25,000

On 8 March 2017 the Company secured a funding agreement with the Commonwealth Bank of Australia (CBA or the Bank). Subject to certain conditions precedent, including all necessary development approvals, the Bank will lend up to \$57.1m in total. This will support:

- Ñ Part financing of the FIT land and plantation acquisition \$25 million, as drawn down on 28 April 2017;
- Ñ The anticipated construction cost of the Company's proposed Smith Bay Wharf; plus
- Ñ an allowance for equipment finance and working capital.

### 21. Events after balance date

On 29 July 2019, the Group advised that it had received and analysed all government agency feedback received in response to the Draft EIS and confirmed that it was not aware of any matter that would prevent the project from being approved.

On 19 August 2019, the Group announced a \$10,000 option to acquire a 50ha property adjoining its existing controlled land at Smith Bay, Kangaroo Island, the site of its proposed KI Seaport. The option allows the Group to acquire the land for a minimum price of \$300,000, following approval of the KI Seaport.

On 19 September 2019, the Group announced design enhancements to the proposed deep-water facility that eliminate dredging and utilise a piled jetty structure.

There have been no other significant events after balance date.



## Notes to the Consolidated Financial Statements

### 22. Auditor remuneration

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

	Consolidated	
	2019	2018
	\$	\$
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	57,221	77,547
Taxation services Grant Thornton	4,000	11,055
	<b>61,221</b>	<b>88,602</b>

### 23. Key management personnel

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

	Consolidated	
	2019	2018
	\$	\$
<b>Directors</b>		
Fees	436,078	393,493
Superannuation	9,127	6,507
Performance Rights	64,632	92,319
	<b>509,837</b>	<b>492,319</b>
<b>Executives</b>		
Executive Directors	636,247	334,151
Superannuation	43,758	29,100
Long service leave	-	2,044
Performance Rights	107,427	123,096
Fees	464,742	439,951
Share-based remuneration payment	57,000	50,000
	<b>1,309,174</b>	<b>978,342</b>
<b>Total</b>	<b>1,819,011</b>	<b>1,470,661</b>

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

Refer to the Remuneration Report for further information.

### 24. 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:



## Notes to the Consolidated Financial Statements

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity	
		2019 %	2018 %
KI Seaport Pty Ltd <sup>(i)</sup>	Australia	100	100
KIPT Holdings Pty Ltd (previously APR Pty Ltd) <sup>(iv)</sup>	Australia	100	100
Kangaroo Island Plantation Management Pty Ltd <sup>(ii)</sup>	Australia	100	100
RuralAus Finance Limited <sup>(iii)</sup>	Australia	100	100
Kangaroo Island Land Assets Ltd <sup>(ii)</sup>	Australia	100	100
Kangaroo Island Timbers Pty Ltd <sup>(ii)</sup>	Australia	100	100

(i) KI Seaport Pty Ltd was incorporated on 29 January 2014 and is a wholly owned subsidiary of Kangaroo Island Plantation Timbers Ltd.

(ii) These wholly owned subsidiaries' immediate parent entity is APR Pty Ltd, a wholly owned subsidiary of Kangaroo Island Plantation Timbers Ltd.

(iii) The subsidiary RuralAus Finance Limited was deregistered on 10 July 2019.

(iv) APR Pty Ltd changed its name to KIPT Holdings Pty Ltd on 6 May 2019.

### Key management personnel

Details relating to key management personnel, are included in the Remuneration Report and Note 23.

### 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	
	2019	2018
	\$	\$
<b>Directors transactions</b>		
Income: Annual lease payment <sup>(1)</sup>	<b>24,675</b>	24,121

(1) 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 excluding GST for 30 June 2019 of \$24,675 (2018: \$24,121) is fully paid.

## 25. Parent Entity disclosures

Information relating to Kangaroo Island Plantation Timbers Ltd:

	2019	2018
	\$'000	\$'000
Current assets	9,474	6,688
Non-current assets	8,389	9,661
Intercompany assets	86,850	78,105
<b>Total assets</b>	<b>104,713</b>	<b>94,454</b>
Current liabilities	387	282
Non-current liabilities	29,853	25,293
<b>Total liabilities</b>	<b>30,240</b>	<b>25,575</b>
<b>Total net assets</b>	<b>74,473</b>	<b>68,879</b>



## Notes to the Consolidated Financial Statements

	2019 \$'000	2018 \$'000
Issued capital	89,949	79,963
Option and performance rights reserve	125	111
Property, plant and equipment reserve	895	895
Retained earnings	(16,496)	(12,090)
<b>Total shareholders' equity</b>	<b>74,473</b>	<b>68,879</b>
(Loss) of the parent entity	<b>(4,564)</b>	<b>(2,997)</b>
Total comprehensive (loss)	<b>(4,564)</b>	<b>(2,997)</b>

### Parent entity guarantees, commitments and contingent liabilities

The directors are not aware of any guarantees, commitments or contingent liabilities of the parent entity.

## 26. 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	
	2019 \$	2018 \$
Performance Rights <sup>(a)</sup>	<b>172,060</b>	215,414
Paid to employees during the year under the EESP <sup>(b)</sup>	<b>5,000</b>	5,000
Paid in lieu of consulting fees <sup>(c)</sup>	<b>57,000</b>	50,000
Total expense from security-based payment transactions	<b>234,060</b>	270,414

Equity-settled share-based payment transactions are as follows:

(a) The directors' Performance Rights

	Year	Performance Rights dated 16 October 2018 \$	Performance Rights dated 10 November 2017 \$	Performance Rights dated 24 February 2017 \$	Total Performance Rights \$
<b>Non-Executive Directors</b>					
P McKenzie	<b>2019</b>	14,767	6,777	-	21,544
	2018	-	15,851	14,922	30,773
G Boulton	<b>2019</b>	14,767	6,777	-	21,544
	2018	-	15,851	14,922	30,773
<b>Executive Directors</b>					
K Lamb <sup>(1)</sup>	<b>2019</b>	21,251	-	-	21,251
	2018	-	-	-	-
J Sergeant	<b>2019</b>	29,534	13,554	-	43,088
	2018	-	31,702	29,842	61,544
S Black	<b>2019</b>	14,767	6,777	-	21,544
	2018	-	15,851	14,922	30,773
G Holdaway	<b>2019</b>	29,534	13,555	-	43,089
	2018	-	31,702	29,843	61,545
		-	-	-	-
<b>Total</b>	<b>2019</b>	<b>124,620</b>	<b>47,440</b>	<b>-</b>	<b>172,060</b>
	2018	-	110,957	104,451	215,408



## Notes to the Consolidated Financial Statements

- (1) Mr K Lamb was appointed as a Non-Executive Director on 15 October 2018 and as an Executive on 11 March 2019, under his agreement he is entitled to Performance Rights dated 16 October 2018 under the Performance Rights Plan, on the same basis as other Directors subject to Shareholder approval.

Refer to Note 18 for further details.

- (b) Shares issued under Executive & Employee Share Plan (EESP)
- ) \$5,000 (2018: \$5,000) were paid to employees during the year under the EESP. Under the EESP the five employees were issued 476 (2018: 454) shares each.
- (c) Shares issued in lieu of consulting fees
- ) Mr Peter Lockett was appointed as Approvals Manager on 8 May 2017. Mr Lockett's professional services are invoiced by Seaview Corporate Services Pty Ltd, of which, Mr Lockett has effective control. During the year \$50,000 (2018: \$50,000) of these services have been paid in Shares. At 30 June 2019 \$12,500 (2018: \$12,500) accrued and are payable in ordinary shares.
  - ) Ms Victoria Allinson is the Group's CFO and Company Secretary and provides professional accounting, administration and company secretarial fees which are invoiced by Allinson Accounting Solutions Pty Ltd, of which Victoria Allinson is Managing Director and shareholder. \$7,000 of these fees were paid in shares (2018: \$nil), of which \$2,000 of shares were issues to Ms Allinson and \$5,000 to her employees.

## 27. Commitments

### Commitments

The Group has commissioned a number of studies and expected wharf development assets costs, all such costs at 30 June 2019 can be cancelled. In addition, the Group has leased two offices throughout the year ended 30 June 2019.

	Consolidated Lease Commitments		Consolidated Other Commitments	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Due no later than one year	32	32	-	-
Later than one year but no later than 2 years	-	-	-	-
Later than 2 years but no later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
Total	32	32	-	-

There are no other commitments as at 30 June 2019.



## 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:
  - o The consolidated financial statements and notes of Kangaroo Island Plantation Timbers Ltd for the financial year ended 30 June 2019 are in accordance with the Corporations Act 2001, including:
    - Giving a true and fair view of its financial position as at 30 June 2019 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 2019.

On behalf of the Board

Chairman

Dated this 23<sup>rd</sup> day of September 2019

# Independent Auditor's Report

## To the Members of Kangaroo Island Plantation Timbers Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Kangaroo Island Plantation Timbers Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of land (Note 1(u), 4 and 12)</b></p> <p>The Group has assessed the route to market for its biological assets and has determined the principal and most advantageous market for the land is forestry land.</p> <p>Due to the nature of the asset, the valuation technique includes a model that uses a number of inputs from internal and external sources.</p> <p>This area is a key audit matter due to the significant level of judgement, including:</p> <ul style="list-style-type: none"> <li>• Estimated price per hectare taking into consideration land location, land improvements, plantation details and occupancy; and</li> <li>• The best use of the land.</li> </ul>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Reviewing the Board paper prepared detailing the appropriate basis for the fair value of land;</li> <li>• Performing an assessment of the reasonableness of the impairment triggers adopted by management and assessment of the indicators;</li> <li>• Assessing the expertise and qualification of management's expert; and</li> <li>• Assessing the appropriateness of the related disclosure within the financial statements.</li> </ul>
<p><b>Valuation of biological assets (Note 1(u), 4 and 13)</b></p> <p>Biological assets which include mature and immature radiata pine and eucalypt plantations are stated at fair value less estimated point of sale costs. In the past, the Group has estimated this to be zero on the basis without an export facility, the trees have no value.</p> <p>The Group now considers the development of wharf infrastructure is more probable than not and as a result recognised biological assets in the statement of financial position.</p> <p>The value of the biological assets recorded on the consolidated statement of financial position is significant. Additionally, the Group's assessment of the related value involves judgements about the future results of the assets, including cash flow forecasts.</p> <p>This area is a key audit matter due to the significant level of management judgement, including:</p> <ul style="list-style-type: none"> <li>• Identification and measurement of hardwood and softwood resources;</li> <li>• Assumptions made by management in the discounted cash flow model; and</li> <li>• The assumptions used in relation to the harvesting plans.</li> </ul>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Reviewing the Board paper in relation to consideration of the basis for the fair value of the biological assets;</li> <li>• Assessing the expertise and qualification of management's expert;</li> <li>• Considering the events that have caused the Board to reassess the probability of development of the wharf infrastructure;</li> <li>• Identifying key assumptions in the valuation and comparing to the market data and supporting documentation, where applicable;</li> <li>• Performing sensitivity analysis on key assumptions;</li> <li>• Assessing the appropriateness of the discount rate; and</li> <li>• Assessing the appropriateness of the related disclosures within the financial statements.</li> </ul>

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

#### Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2019.

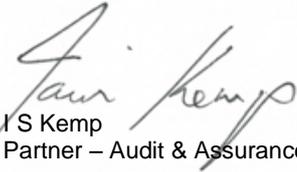
In our opinion, the Remuneration Report of Kangaroo Island Plantation Timbers Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



I S Kemp  
Partner – Audit & Assurance

Adelaide, 23 September 2019



## Investors' supplementary information

As at 18 September 2019

The information contained below is to be read in conjunction with the annual report of Kangaroo Island Plantation Timbers Ltd dated 30 June 2019.

### Details of top 20 shareholders

The following is a list of the top 20 Shareholders of the Company:

Rank	Name	Number of Shares	% of Shares
1.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,831,642	26.45
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,066,311	9.03
3.	WASHINGTON H SOUL PATTINSON AND COMPANY	4,431,440	7.90
4.	MR PETER ROBIN JOY <TRADING A/C>	2,375,000	4.23
5.	AMINAC PTY LTD <AMINAC S/F A/C>	2,132,500	3.80
6.	PHALAEOPSIS PTY LTD <SERGEANT FAMILY A/C>	2,099,664	3.74
7.	NATIONAL NOMINEES LIMITED	2,067,500	3.69
8.	ONE MANAGED INVESTMENT FUNDS LIMITED <CHARTER HALL MAXIM PROPERTY SE>	1,192,051	2.13
9.	GWYNVILL TRADING PTY LTD	1,135,000	2.02
10.	AOTEAROA INVESTMENT COMPANY PTY LIMITED <ROBERTS INVESTMENT NO 2 A/C>	1,050,000	1.87
11.	MR JOHN DAVID SERGEANT <SERGEANT FAMILY S/F A/C>	794,576	1.42
12.	UBS NOMINEES PTY LTD	781,827	1.39
13.	BRISPOIT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	717,622	1.28
14.	ROBERTS PIKE FOUNDATION PTY LTD <ROBERTS PIKE FOUNDATION A/C>	700,000	1.25
15.	CITICORP NOMINEES PTY LIMITED	675,561	1.20
16.	SHANDORA ONE PTY LTD <BENGER SUPER FUND A/C>	560,000	1.00
17.	ALKE PTY LTD <THE P MCKENZIE FAMILY N2 A/C>	522,360	0.93
18.	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	517,212	0.92
19.	MR DAVID NEIL CONSTABLE	515,500	0.92
20.	AUSTRALIAN PHILANTHROPIC SERVICES FOUNDATION PTY LTD <APS FOUNDATION A/C>	500,000	0.89
<b>TOTALS: TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES</b>		<b>42,665,766</b>	<b>76.08</b>
<b>TOTAL REMAINING HOLDERS BALANCE</b>		<b>13,415,733</b>	<b>23.92</b>

### Distribution of shareholder numbers

Range	Total holders	Number of Shares	% of Shares
1 - 1,000	407	101,573	0.18
1,001 - 5,000	145	405,738	0.72
5,001 - 10,000	64	499,570	0.89
10,001 - 100,000	171	5,914,407	10.55
100,001 and over	53	49,160,211	87.66
<b>TOTAL</b>	<b>840</b>		<b>0.00</b>

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

As at 18 September 2019, there were a total of 256 shareholders with less than a marketable parcel of securities held in Kangaroo Island Plantation Timbers Ltd.



## Investors' supplementary information (continued)

### 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
Samuel Terry Asset Management Pty Ltd	JP Morgan Nominees Australia Limited	13,123,544	23.40%
	Mr Frederick Woollard	1,965	0.004%
		13,125,509	24.40%
Washington H Soul Pattinson and Company Limited	Washington H Soul Pattinson and Company Limited	4,585,524	8.18%
	Shareholding in Washington H Soul Pattinson and Company Limited	4,585,524	8.18%
Paradice Investments Management Pty Ltd	Paradice Investments Management Pty Ltd	3,561,894	6.35%
	Transcontinental Asset management Pty Ltd	70,833	0.13%
		3,632,727	6.48%
John Sergeant	John David Sergeant	225,730	0.40%
	Phalaenopsis Pty Ltd	2,099,664	3.74%
	Sergeant Family Superannuation Fund	794,576	1.42%
		3,119,970	5.56%
Paul McKenzie	Aminac Pty Ltd <Aminac S/F A/C>	2,132,500	3.80%
	Alke Pty Ltd (The McKenzie Family Trust No 2 A/C)	522,360	0.93%
		2,654,486	4.73%

### Unlisted options

There are no unlisted options.

### Performance rights

There are 899,990 performance rights shares that have been approved by Shareholders but not been issued.

### 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 ordinary 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.