Kangaroo Island Plantation Timbers Ltd

Annual Financial Report

ABN 19 091 247 166

For the year ended

30 June 2020

Corporate Information

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

Company Secretary
Victoria Marie Allinson

Registered Office
Unit 3B, Level 3,
60 Hindmarsh Square, Adelaide, South Australia 5000
Telephone: (08) 8227 2482
Facsimile: (08) 8223 1685

Principal Places of Business
Unit 3B, Level 3,
60 Hindmarsh Square
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 Registry
Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell St
Adelaide, South Australia 5000
Telephone: (08) 8236 2300

Website
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 2020.

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	Non-Executive Director(1)	2 March 2013	21 November 2019	-
Shauna Black	Executive Director	17 March 2015	21 November 2019	-
Graham Holdaway	Executive Director	17 March 2015	21 November 2019	6 May 2020
Gregory Boulton AM	Non-Executive Director	1 November 2016	16 October 2018	-

(1) Mr Sergeant was appointed as a non-executive director on 1 April 2020. He had served as an Executive Director since 1 January 2015, including as Managing Director between 1 January 2015 and 1 June 2019, and before that had served as a non-executive director for the company from 2 March 2013.

Names, qualifications, experience and special responsibilities

Paul McKenzie BSc(Agric), BCom, FAICD, AIAST
Non-Executive Chair

Board member since April 2005, appointed Chair July 2009. Member of the Audit & Risk Committee.

Mr McKenzie is the Managing Partner of Agrarian Management, a leading Western Australian agriculture consultancy with offices in Geraldton, Perth and Esperance. He has 29 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. Mr McKenzie 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, he 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.

Mr McKenzie is Chair of the CRC for Honey Bee Products Ltd, Chair of Hay Australia Pty Ltd, and a director of SALIC Australia Pty Ltd (the Saudi Agricultural & Livestock Investment Company's Australian entity). In the three years prior to 30 June 2020, Mr McKenzie held no director positions with any other ASX listed companies.

Keith Lamb BForSc, GrDip (REM), MFor, EMBA, GAIDC, MIFA
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 $2.5 billion 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

In the three years prior to 30 June 2020, Mr Lamb held no director positions with any other ASX listed companies.

John Sergeant BSc, BA (Hons I), FTRS, GAICD
Non-Executive Director

Board member since March 2013, Managing Director from January 2015 to June 2019, appointed Non-Executive Director on 1 April 2020. Member of the Audit & Risk Committee.

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 is committed to working with the Island community, local and State government and other stakeholders to help deliver a deep-water export facility on Kangaroo Island that is fairly priced and accessible to all, and to establish plantation timber as a significant employer and source of economic activity for Kangaroo Island and South Australia.

Prior to joining the Company, he 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. In the three years prior to 30 June 2020, Mr Sergeant held no director positions with any other ASX listed companies.

Shauna Black Dip Proj Mgt
Executive Director

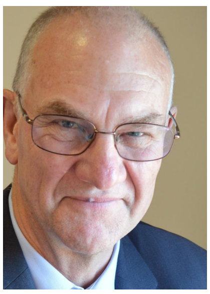
Board member since March 2015 and Executive Director of Community Engagement since May 2017.

Ms Black has been a well-known and respected resident of Kangaroo Island ("KI") for 15 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 KI's newspaper, The Islander, for almost eight years. This followed a move from Adelaide after a 15-year stint at The Advertiser, where amongst other things, she was 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. In the three years prior to 30 June 2020, Ms Black held no director positions with any other ASX listed companies.

Graham Holdaway BCA, Dip Acc, MAICD
Executive Director (*resigned 6 May 2020*)



Board member from March 2015 and Executive Director of Operations from April 2017 to his resignation on 6 May 2020.

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. In the three years prior to 30 June 2020 held no director positions with other ASX listed companies.

Directors' Report

Gregory Boulton AM BA(Accounting), FCA, FCPA, FAICD
Independent Non-Executive Director

Board member since November 2016.Chairman of Audit Committee.

Mr Boulton is a leading Adelaide Company Director with 35 years' experience in both public and private companies. He is the Chair of Southern Gold Ltd (ASX: SAU), Chair of Kogi Iron Limited (ASX: KFE), Chair of SA Pine Pty Ltd and Chair of Super SA. He is also a Director of the Cancer Council of South Australia.

He has significant experience in 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.

He was President of Port Adelaide Football Club for 16 years.

Company Secretary and Chief Financial Officer

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 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.

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

As at 30 June 2020 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 2019	Placement Shares	Other Changes	Shares on resignation	Closing interest at date of this report
Paul McKenzie	2,654,860	125,000	10,000	-	2,789,860
Keith Lamb	-	15,000	-	-	15,000
John Sergeant	3,119,970	125,000	(625,000)	-	2,619,970
Graham Holdaway[(1)]	871,785	25,000	(250,000)	(646,785)	-
Shauna Black	456,670	25,000	(60,000)	-	421,670
Gregory Boulton	183,730	10,000	-	-	193,730
Total	**7,287,015**	**325,000**	**(925,000)**	**(646,785)**	**6,040,230**

(1) Resigned on 6 May 2020.

Interest in Performance Rights

On 30 June 2020, directors were issued with a total of 2,256,896 Performance Rights under the Group's Performance Rights Plan which was last approved by Shareholders at the 2019 Annual General Meeting ("AGM"). All other Performance Rights held by directors during the year expired without vesting during the year. Individual holding of the Rights issued on 30 June 2020 are as follows:

- Paul McKenzie 282,112
- Keith Lamb 1,128,448
- John Sergeant 282,112
- Shauna Black 282,112
- Gregory Boulton AM 282,112

These Rights have not vested and have an expiry date of 29 June 2021. Refer to the Remuneration Report for vesting conditions and further information.

Dividends

The directors have resolved not to declare a dividend for the year ended 30 June 2020. No dividends were declared or paid during the previous year.

Principal activities

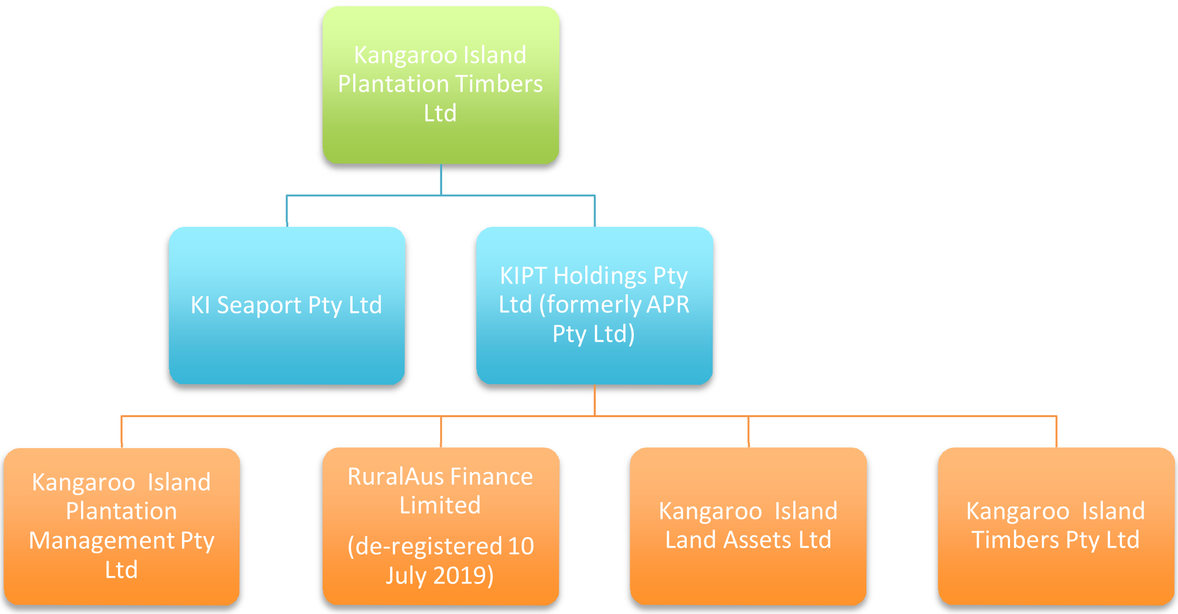
The principal activity during the year of entities within the consolidated group is forestry.

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 ("Group"):



Directors' Report

Employees

The consolidated entity employed 8 (full time equivalent) employees and 1.4 (full time equivalent) Executive Directors at 30 June 2020 (2019: 4 employees and 3 Executive Directors).

Operating and financial review

Results of operations

Revenue for the period decreased by $89,000 to $126,000 (2019: $215,000) as a result of decreased operating lease revenue.

During the period, the change in fair value of biological assets was a decrease of $109,216,000 (2019: increase of $7,342,000) as a result of the bushfires over the December 2019 and January 2020 period.

Net comprehensive loss for the period was $25,597,268 (2019: profit $247,000), this is a $25,844,268 decrease in profits which is primarily due to:

	2020 Income/ (Expense) $000's	2019 Income/ (Expense) $000's	Increase/ (decrease) in profits $000's
Insurance Recoveries on fire-affected assets	**68,026**	-	68,026
Biological asset of standing timber decrease in fair value	**(109,216)**	7,342	(116,558)
Tax benefit primarily relating to the deferred tax on the revalued biological assets	**14,424**	297	14,127
Performance rights expensed but not vested as conditions not yet met.	**(176)**	(172)	(4)
Wharf development costs expensed	**(1,422)**	(2,273)	851
Forestry expense increase due to wildfires	**(2,623)**	(1,585)	(1,038)
Lower borrowing costs due to loan repayment	**(970)**	(1,464)	494
Revaluation of land assets, net of tax	**8,273**	-	8,273
Other changes	(1,913)	(1,898)	(15)
Net comprehensive profit	**(25,597)**	**247**	(25,844)

Performance indicators

	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Revenue from ordinary activities from continuing operations	**126**	215	230	185
Revenue from ordinary activities from continuing and discontinued operations	**126**	215	230	185
Profit/(loss) from ordinary activities	**(33,870)**	247	13,052	36,086
Profit/(loss) from discontinued operations		-	-	-
Profit/(loss) attributable to members for the period	**(33,870)**	247	13,052	36,086
Other comprehensive income	**8,273**	**-**	-	227

Directors' Report

	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Total comprehensive profit/(loss) after tax	**(25,597)**	**247**	13,052	36,313
Basic earnings per share (cents)	**(60.2)**	0.4	28	148
Net tangible asset backing per security (cents)	**214**	279	289	233

Commentary on results

Wildfire

KPT was impacted by several wildfires from neighbouring properties between 20th December 2019 and 21st January 2020. The impact of wildfire and associated backburning operations on the KPT treecrop caused the Board to revalue the forest estate from $115.2 million (30 June 2019) to $5.95 million. In the immediate aftermath, the Board sought, and was granted, a suspension of trading in the Company's securities while it assessed the fire damage, associated insurance claims and future business strategy. This suspension was lifted, at the Company's request, on 31 March 2020.

In March and April 2020, KPT provided written submissions to the South Australian Government Independent Inquiry and the Commonwealth Royal Commission for the 2019-20 wildfires. We shared our vision that improvements to landscape management and firefighting efficacy can ameliorate the risk and impact of future wildfire, on the community and ecology of Kangaroo Island. Our submission, developed in cooperation with the Institute of Foresters of Australia (IFA) and Australian Forest Products Association (AFPA), made several recommendations that we believe, if adopted, will provide sufficient confidence for KPT, and the farming and tourist business communities, to reinvest in Kangaroo Island. With this in mind, the Company has recently replanted a small section of its estate that had been clear-felled before closure of the Timber Creek Mill.

Kangaroo Island Seaport

On 23 March 2020 Kangaroo Island Plantation Timbers (KPT or "the Company") submitted to state government the Response Document to the two rounds of public consultation (14 weeks in total), held in calendar year 2019. As reported on 25 March 2020, this milestone was the final stage of an extensive Environmental Impact Statement which demonstrates the overall positive social and economic benefits of the Seaport to the community of Kangaroo Island, while minimising, mitigating and in some cases eliminating entirely, any adverse environmental impact.

While the Company awaits advice from state government on its decision to approve the development application, it is progressing with planning for the additional secondary approvals (which follow the initial approval) for construction and operation of the seaport. These secondary approvals include native title (of the seafloor), a road and traffic management plan, an environmental management plan as well as industry standard workplace health and safety measures. Planning for the detailed design and construction is also progressing, in anticipation that the undertakings made by the Company will be adopted, together with any conditions required by state and federal government for approval of the Seaport.

Land Revaluation

A recent valuation of land and buildings owned by the Company shows an $11.8 million increase in fair value. After accounting for tax, this equates to an $8.3 million increase. The independent valuation of land and structures at 30 June 2020 amounts to $59.3 million.

The Board has used valuations provided by the independent external valuer, JLL Valuation Advisory - Agribusiness.

The fair value valuation was prepared using a 'Summation Approach' whereby 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 assessed the rate per hectare for the productive component of the land (exclusive of remnant vegetation and water bodies) as in the range of $2,730 per hectare to $3,413 per hectare. The land's location, rainfall, physical attributes, location of amenities and improvements all influence where in this range a particular parcel of land is valued.

Directors' Report

Insurance

Progress payments for the treecrop insurance received as at 30 June 2020 amount to $30 million (consisting of three $10 million progress payments received: 4 February 2020, 20 April 2020 and 2 June 2020) against an expected total of $68 million, and for farmpack insurance $5.92 million (consisting of four payments received: 25 February 2020 $1.0 million, 7 April 2020 $3.2 million, 4 June 2020 $0.71 million and 18 June 2020 $1.01 million) against an expected total of $6.2 million. The majority of the payout received to date has been directed towards reducing debt, with a small amount reserved for ongoing operations. The Company is confident that the total claim will be settled in full and will continue to advise the market accordingly. As it did in its half year report, the Company again notes that an additional $5m in treecrop insurance may be receivable, given ambiguity in the wording of its insurance policy concerning the interaction of $5 million per-event excesses and the overall limit of claims, which is $65 million. This additional amount has not been recognised in the Company's accounts.

Business Strategy

As a result of the wildfires, KPT has reviewed its business plan, with consideration given to market positioning of the fire-affected product, and the business case for the Kangaroo Island Seaport (Seaport). The impact of the fires introduced a new level of commercial risk and uncertainty and KPT has therefore developed new finance strategies for the construction of the Seaport and ongoing operations, which take into account the change to the resource, as well as options to reduce cost in the supply chain. The overall goal of the Company is to restore the productive capacity of the estate as quickly as possible, by removing the fire-affected trees in the most commercially efficient manner available. Based on this financial analysis, it is the Company's view that commercially harvesting and exporting the fire-affected product is a better overall option than chaining and burning, which would also cause ongoing environmental impact to our neighbours on Kangaroo Island and the mainland through emissions of smoke and ash over a period of several years.

While the approvals and construction process for the Seaport continue, the Company has investigated several options to start early harvesting and sales. As previously advised, no option has been found to be capable of handling the entire volume of forest products from Kangaroo Island, or of providing a margin better than that available from the proposed Seaport at Smith Bay.

As reported previously, KPT has begun restoring Company infrastructure, with removal of fire-damaged dwellings, restoration of roads and water crossings, and a major refencing program.

Covid-19

While the Company acknowledges the trauma created by Covid-19 to the regional community of Kangaroo Island and the national economy, we are able to report that neither the lockdown requirements of the national Cabinet, the border restrictions imposed by the State Government, nor the virus itself have adversely affected Company employees or operations. The Board has introduced and updated policies and procedures for managing Covid-19 risk, and will continue to adhere to government requirements and recommendations as new information and developments arise.

As we look forward to emerging from the coronavirus pandemic, it is reasonable to ask what the impact will be on the Company's future, and specifically our prospective markets. The forest sector and importantly, the products produced from forests, are recognised as essential for the community and economy. Plantation forests produce many products, the most widely recognised being timber for house construction and pulp for printing, packaging (including food) and sanitary products (including toilet paper). The Company's prospective customers, both domestic and export, value Australian forest products for their sustainability, reliability and quality. With many decades of established customer relationships, our confidence in the longer-term business prospects of KPT, and the products we supply, remains high despite the impact of the summer wildfires and more recently the interruption of the Covid-19 response to supply chains.

KPT believes the Kangaroo Island Seaport will play a prominent part in the recovery of Kangaroo Island and the wider South Australian economy. While the Covid-19 response continues, the Company has reassured State and Federal governments of our commitment to the Seaport project and the longer-term opportunities it provides for the benefit of our community.

Directors' Report

Corporate Operations

Share issues

During the year, a total of 382,289 fully-paid ordinary Shares were issued, including 330,000 to directors and management under a previous irrevocable and binding commitment to participate in capital raising conducted in the prior financial year, subject to shareholder approval. These shares, which raised a total of $660,000, were issued in December 2019 following receipt of shareholder approval at the 21 November 2019 AGM.

A further 52,289 shares were issued during the year for services received, including 32,535 shares to Approvals Manager Peter Lockett to settle $50,000 of consulting fees and 5,810 shares to a company controlled by Company Secretary Victoria Allinson to settle $5,000 of professional services fees. In addition, 13,944 shares valued at $12,000 were issued to other personnel under the Company's Executive and Employee Share Plan.

As at 30 June 2020 there were 56,463,788 ordinary Shares on issue and 2,256,896 Performance Rights.

Changes to Board and Management

The Company recorded two changes to the Board during the period; on 1 April 2020 John Sergeant completed his foreshadowed transition from Executive to Non-Executive Director, and on 6 May 2020 Graham Holdaway resigned as a Director of KPT to focus on his significant other commitments.

Following these changes to the Board, the Company welcomed two new specialists to the executive team in the form of Alan Braggs and Rob Heathcote. Alan, a structural engineer, joins the KIPT team as KI Seaport Manager bringing with him 28 years' experience in project leadership, while Rob brings his 38 years' experience in production forestry to the fore as Operations Manager. In addition, Luke Tregurtha joined the Company as a Business Analyst.

Commonwealth Bank of Australia ("CBA") loan facilities

KPT has utilised insurance funds to fully repay its facility with the CBA, of which $29,700,000 was drawn at 30 June 2019. The Company remains engaged with CBA regarding its finance requirements for construction of the KI Seaport.

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 16 July 2020 the Company received a further insurance progress payment of $19.6 million, of which $17.5 million relates to timber and $2.1 million to extras.

On 31 July 2020, the Company relocated its registered address and place of business to Unit 3B, Level 3, 60 Hindmarsh Square, Adelaide SA 5000.

On 12 August 2020, the Company completed its unmarketable parcel buy back and 49,273 shares were bought back at $0.85.

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 for export.

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.

Directors' Report

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. 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 $19,238 (2019: $15,293) insurance premiums in respect of directors' and officers' insurance against liability, except wilful breach of duty. 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' 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	12	12	3	3
Keith Lamb(1)	12	12	-	-
John Sergeant(4)	12	12	-	-
Shauna Black(1)	12	12	-	-
Graham Holdaway(1)(3)	10	9	-	-
Gregory Boulton AM(2)	12	10	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) Resigned 6 May 2020.
(4) Appointed to as a member of a Audit and Risk Committee from 1 April 2020.

Committee membership

As at the date of this report, the Company had an Audit and Risk Committee of the Non-Executive Directors, of which Mr Boulton was the Independent Chair. The directors have considered that the committee is adequate for the Company's current circumstances.

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.

Directors' Report

Auditor independence and non-audit services

The directors have received the auditor's independence declaration, which is included on page 20 of this report. The declaration forms part of the Directors' report.

No director of the Group is currently, or was formerly, a partner of Grant Thornton Audit Pty Ltd.

Non-Audit Services

Grant Thornton Audit Pty Ltd were appointed as auditors on 28 August 2013 and the appointment confirmed by shareholders at a General Meeting held on 28 August 2013.

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and

The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

See Note 21 for amounts received or due and receivable by Grant Thornton Audit Pty Ltd.

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 Company and the Group.

Key management personnel

Key management personnel are as follows:

Directors	Position
Paul McKenzie	Chairman - Non-executive Director
Keith Lamb	Managing Director
John Sergeant	Non-Executive Director
Shauna Black	Executive Director
Graham Holdaway (resigned 6 May 2020)	Executive Director
Gregory Boulton	Independent Non-executive Director

Executives	Position
Victoria Allinson	Company Secretary, Chief Financial Officer
Peter Lockett	Approvals Manager
Luke Tregurtha	Business Development Analyst
Alan Braggs	KI Seaport Manager
Rob Heathcote	Operations Manager

Directors' Report

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

Remuneration committee

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

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

The Board 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.

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 remuneration levels was not conducted during the year as the Board remains of the opinion that total remuneration should only be changed once the Group's strategic plans are further developed. It is noted that Kangaroo Island Plantation Timbers Ltd received 99.5% of 'yes' proxy votes and the Remuneration Report for the financial year ending 30 June 2019 was adopted via a poll (also 99.5% in favour). The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

The Board 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 Board 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.

In addition to cash remuneration, the Board utilises Performance Rights with vesting conditions tied to Group share price performance to incentive directors and align a portion of their remuneration with the objective of increasing shareholder wealth. The Group also has an Executive and Employee Share Plan whereby shares can be issued to employees as a means of aligning a component of employee remuneration with the Group's share price performance.

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 2020.

Key performance indicators

The following table shows the results of key 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
2020	$2.14	($0.60)	$0.80
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

Directors' Report

With the exception of awards of Performance Rights, there is not a direct correlation between the results of key performance measures set out above and the remuneration awarded.

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 in cash to non-executive directors is fixed at $400,000 per year.

Non-executive directors are paid a fixed amount per year. They are not eligible for any additional payments, other than reimbursement of expenses incurred on behalf of the Group, and excluding the value of any Performance Rights issued.

In the year ended 30 June 2020:

- Non-executive fees amounted to $75,000 (2019: $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 (2019: $10,000) and
- Non-executive chair fees amounted to $100,000 (2019: $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.

Executive remuneration

Objective
The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities with the Group so as to:

- Align the interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Structure
The Group reviews its staffing requirements on an ongoing basis. At the date of this report, there were seventeen (2019: nine) employees (part time and full time), including the Executive Directors. Twelve (2019: six) employees are based on Kangaroo Island, including one Executive Director.

The Company's Company Secretary and CFO Victoria Allinson, Approvals Manager Peter Lockett, KI Seaport Manager Alan Braggs and Operations Manager Rob Heathcote provide their services as contractors:

- Allinson Accounting Solutions Pty Ltd is engaged to provide the Company's financial, administrative and company secretarial functions;
- Seaview Corporate Services Pty Ltd is engaged to provide the approval managerial services of Peter Lockett;
- Infrastructure Consulting Pty Ltd is engaged to provide the KI Seaport management services of Alan Braggs; and
- Heathcote Resources Pty Ltd is engaged to provide the operations management services of Rob Heathcote.

Executive Directors have signed contracts setting out their obligations and remuneration. In addition, Executive Directors are entitled to Performance Rights under the Plan.

There are no termination obligations regarding any of 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 KPIs set by the Board each year. The amount of salary and fees and the payment of cash bonuses, if any, are at the Board's ultimate discretion.

Total Remuneration - Key Management Personnel

Remuneration is reviewed by the Board and is set at around the mid-point for professional personnel as measured by knowledge of the members of the Board.

Details of the nature and amount of each element of the remuneration for each member of KMP of the Company are shown in the table below:

		Short term benefits			Post employment benefits	Long term benefits	Share-based payment		
	Year	Salary & fees $	Cash bonus $	Annual leave provision $	Super $	Long service leave $	Executive share & Rights Plan[9] $	Shares $	Total $
Non-Executive Directors (NED)									
P McKenzie[1]	**2020**	**100,000**	-	-	-	-	**20,888**	-	**120,888**
	2019	100,000	-	-	-	-	21,544	-	121,544
G Boulton[2]	**2020**	**85,000**	-	-	-	-	**20,888**	-	**105,888**
	2019	90,000	-	-	-	-	21,544	-	111,544
K Lamb[3]	**2020**	**68,493**	-	-	**6,507**	-	-	-	**75,000**
	2019	27,585	-	-	2,621	-	-	-	30,206
J Sergeant[4]	**2020**	**68,493**	-	-	**6,507**	-	**3,964**	-	**78,964**
	2019	68,493	-	-	6,507	-	-	-	75,000
S Black[5]	**2020**	**75,000**	-	-	-	-	-	-	**75,000**
	2019	75,000	-	-	-	-	21,544	-	96,544
G Holdaway[6]	**2020**	**63,668**	-	-	-	-	-	-	**63,668**
	2019	75,000	-	-	-	-	-	-	75,000
Total NED	**2020**	**460,654**	-	-	**13,014**	-	**45,740**	-	**519,408**
	2019	436,078	-	-	9,127	-	64,632	-	509,837
Executive Directors (ED)									
K Lamb[3]	**2020**	**251,142**	-	**22,440**	**23,858**	**2,843**	**31,714**	-	**331,997**
	2019	87,706	-	8,088	8,332	-	21,251	-	125,377
J Sergeant[4]	**2020**	**101,065**	-	**26,575**	**22,685**	-	**37,812**	-	**188,137**
	2019	258,752	-	96,506	24,581	-	43,088	-	422,927
S Black[5]	**2020**	**59,763**	-	**8,010**	-	**6,627**	**36,745**	-	**111,145**
	2019	50,000	-	6,778	-	-	-	-	56,778
G Holdaway[6]	**2020**	**96,941**	-	**12,820**	**10,934**	-	**23,681**	-	**144,376**
	2019	114,155	-	14,262	10,845	-	43,088	-	182,350
Total ED	**2020**	**508,911**	-	**69,845**	**57,477**	**9,470**	**129,952**	-	**775,655**
	2019	510,613	-	125,634	43,758	-	107,427	-	787,432
Other KMP									
L Tregurtha[7]	**2020**	**6,227**	-	-	**591**	**12**	-	**1,000**	**7,830**
	2019	-	-	-	-	-	-	-	-
A Braggs[8]	**2020**	**19,500**	-	-	-	-	-	-	**19,500**
	2019	-	-	-	-	-	-	-	-
R Heathcote[9]	**2020**	**48,122**	-	-	-	-	-	-	**48,122**
	2019	-	-	-	-	-	-	-	-
P Lockett[10]	**2020**	**200,000**	-	-	-	-	-	**50,000**	**250,000**
	2019	200,000	-	-	-	-	-	50,000	250,000
V Allinson[11]	**2020**	**266,901**	-	-	-	-	-	**5,000**	**271,901**

Directors' Report

		Short term benefits			Post employ-ment benefits	Long term benefits	Share-based payment		
	Year	Salary & fees $	Cash bonus $	Annual leave provision $	Super $	Long service leave $	Executive share & Rights Plan[9] $	Shares $	Total $
	2019	264,742	-	-	-	-	-	7,000	271,742
Total Other KMP	**2020**	**540,750**	**-**	**-**	**591**	**12**	**-**	**56,000**	**597,353**
	2019	464,742	-	-	-	-	-	57,000	521,742
TOTAL	**2020**	**1,510,315**	**-**	**69,845**	**71,082**	**9,482**	**175,692**	**56,000**	**1,892,416**
	2019	1,454,623	-	125,634	52,885	-	172,059	57,000	1,862,202

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

Notes:

(1) Mr McKenzie's annual director's fees are comprised of $100,000 (2019: $100,000) Chairman's fee.

(2) Mr Boulton's annual director's fees are comprised of $75,000 (2019: $75,000) Director's fee and a $10,000 (2019: $15,000) Audit & Risk Committee Chair extra duties fee.

(3) Managing Director, Mr Lamb's annual directors fees are comprised of $75,000 (2019: $30,205) Director's fee and $275,000 (2019: $96,038) Executive fee.

(4) Mr Sergeant's annual director's fees are comprised of $75,000 (2019: $75,000) Director's fee and $123,750 (2019: $283,334) Executive fee. Mr Sergeant was appointed as a non-executive director on 1 April 2020.

(5) Ms Black's annual director's fees comprised of $75,000 (2019: $75,000) Director's fee and $67,773 (2019: $50,000) Executive fee.

(6) Mr Holdaway's director's fees to the date of his resignation comprised of $63,668 (2019: $75,000) Director's fee and $107,875 (2019: $125,000) Executive fee.

(7) Mr Tregurtha was appointed as Business Development Analyst on 12 June 2020. During the period $6,818 (2019: $nil) was paid in salary to Mr Tregurtha.

(8) Mr Braggs was appointed as KI Seaport Manager on 10 June 2020. During the period $19,500 (2019: $Nil) of professional services were invoiced by Infrastructure Consulting Pty Ltd, of which Mr Braggs has effective control. At 30 June 2020 $Nil (2019: $Nil) of fees were payable.

(9) Mr Heathcote was appointed as Operations Manager on 6 May 2020. During the period $48,122 (2019: $Nil) of professional services were invoiced by Heathcote Resources Pty Ltd, of which Mr Heathcote has effective control. At 30 June 2020 $8,851.99 (2019: $Nil) of fees were payable.

(10) Mr Lockett was appointed as Approvals Manager on 8 May 2017. During the period $250,000 (2019: $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 (2019: $50,000) of these fees were paid in ordinary shares. At 30 June 2020 $12,500 (2019: $12,500) of fees were payable.

(11) Ms Allinson was appointed as CFO and Company Secretary on 14 May 2013. During the year, professional accounting, administration and company secretarial fees of $271,901 (2019: $271,742) were invoiced by Allinson Accounting Solutions Pty Ltd, of which Victoria Allinson is Managing Director and shareholder. $5,000 of these fees were paid in shares (2019: $7,000), of which $1,000 of shares were issues to Ms Allinson and $4,000 to her staff. At 30 June 2020, $37,356 (2019: $30,898) of fees were payable.

(12) During the year, the Board issued Performance Rights to directors on 21 November 2019 (expired on 30 June 2020), and on 30 June 2020 following shareholder approval in both cases. The Rights were valued based on AASB 2 Share-based Payment, further details are set out below and in Note 25.

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

Directors' Report

Performance Rights

The value of performance rights issued during the current and prior years which has been recognised as Director Remuneration is shown below, organised by the issue date of the relevant batch of Performance Rights. Note that the 2,256,896 Rights issued on 30 June 2020 have been valued (refer below) but the related remuneration expense will not be recognised until the 2021 financial year.

Share based Remuneration - Performance Rights

	Year	Issued 21 November 2019 $	Issued 16 October 2018 $	Issued 10 November 2017 $	Total Performance Rights $
Non-Executive Directors					
P McKenzie	**2020**	**15,857**	**5,031**	**-**	**20,888**
	2019	-	14,767	6,777	21,544
G Boulton	**2020**	**15,857**	**5,031**	**-**	**20,888**
	2019	-	14,767	6,777	21,544
Executive Directors					
K Lamb	**2020**	**31,714**	**-**	**-**	**31,714**
	2019	-	21,251	-	21,251
J Sergeant(1)	**2020**	**31,714**	**10,062**	**-**	**41,776**
	2019	-	29,534	13,554	43,088
S Black	**2020**	**31,714**	**5,031**	**-**	**36,745**
	2019	-	14,767	6,776	21,544
G Holdaway(2)	**2020**	**13,620**	**10,062**	**-**	**23,681**
	2019	-	29,534	13,554	43,088
Total	**2020**	**140,476**	**35,216**	**-**	**175,692**
	2019	-	124,620	47,439	172,059

(1) Mr Sergeant was appointed as a non-executive director on 1 April 2020. He had served as an Executive Director from 1 January 2015 to 31 March 2020.

(2) Mr Holdaway resigned on 6 May 2020.

Performance Rights Plan

The Performance Rights Plan ("Plan") was last approved by Shareholders on 21 November 2019. Under the Plan, the Board can issue Performance Rights to Executive and the Non-Executive Directors as remuneration for additional duties performed and to incentivise them to align their interests more closely with those of Shareholders.

If the performance conditions and any other vesting conditions are met, an equivalent number of Shares will be issued that rank equally with all other existing Shares in all respects.

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 Directors have used an adapted Monte Carlo valuation method to value the Performance Rights, refer to Note 25 for further details. All Performance Rights expire the earlier of twelve months after issue or if they are replaced by new Performance Rights.

Performance Rights Issued 30 June 2020

At the 30 June 2020 General Meeting, shareholders approved the issue of a total of 2,256,896 Performance Rights that expire on 29 June 2021. These Performance Rights replaced the expired Performance Rights that had been issued on 21 November 2019. Keith Lamb received 50% of the total Rights pool each, with John Sergeant, Shauna Black, Paul McKenzie and Greg Boulton receiving 12.5% each. The Performance Rights are triggered by meeting the following performance vesting conditions:

- 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.

Last 1,000,000 Shares Traded VWAP	Keith Lamb Rights (each)	John Sergeant Shauna Black Paul McKenzie Greg Boulton Rights (each)	Total Rights	Total Valuation $
$1.25 or above	376,149	94,037	752,297	270,827
$1.50 or above	501,533	125,383	1,003,065	120,368
$1.75 or above	250,766	62,692	501,534	20,061
Total	**1,128,448**	**1,128,448**	**2,256,896**	**411,256**

Performance Rights dated 21 November 2019

At the 21 November 2019 Annual General Meeting, shareholders approved the issue of a total of 1,285,700 Performance Rights, effectively replacing the expired Performance Rights that had been issued on 16 October 2018. Keith Lamb, John Sergeant, Shauna Black and Graham Holdaway received 20% of the total Rights pool each, with Paul McKenzie and Greg Boulton receiving 10% each. These performance rights expired on 29 June 2020.

The Performance Rights are triggered by meeting the following performance vesting conditions:

- 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.

Last 1,000,000 Shares Traded VWAP	Keith Lamb John Sergeant Shauna Black Graham Holdaway Rights (each)	Paul McKenzie Greg Boulton Rights (each)	Total Rights	Total Valuation $
$3.50 or above	107,140	53,570	535,700	118,925
$4.25 or above	85,720	42,860	428,600	47,575
$5.00 or above	64,280	32,140	321,400	-
Total	**257,140**	**128,570**	**1,285,700**	**166,500**

These Rights were resolved by the Directors to have expired unvested on 30 June 2020. Under Accounting Standards, the value of these Rights must nonetheless be recognised and therefore the value of $140,476 is included in individual director remuneration tables shown previously for the year ended 30 June 2020.

Performance Rights - 16 October 2018

At the 16 October 2018 General Meeting, Shareholders approved 899,990 Performance Rights, triggered by meeting the following performance vesting 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.

These performance rights expired on 15 October 2019.

Last 1,000,000 Shares Traded VWAP	John Sergeant Graham Holdaway Rights (each)	Paul McKenzie Greg Boulton Shauna Black Rights (each)	Total Rights	Total Valuation $
$3.50 or above	107,140	53,570	374,990	130,684
$4.25 or above	85,720	42,860	300,020	12,300
$5.00 or above	64,280	32,140	224,980	4,612
Total	**257,140**	**128,570**	**899,990**	**147,596**

The total value of these rights of $147,596 included a portion ($35,216) that was recognised in the current financial year and is reflected in the individual director remuneration table shown previously.

Directors' Report

Shareholdings of key management personnel

	Opening interest at 1 July 2019	Placement Shares Issued	Other Changes	Closing interest at 30 June 2020
Directors				
Paul McKenzie (1)	2,654,860	125,000	10,000	2,789,860
Keith Lamb (2)	-	15,000	-	15,000
John Sergeant (3)	3,119,970	125,000	(625,000)	2,619,970
Graham Holdaway (4)	871,785	25,000	(896,785)	-
Shauna Black (5)	456,670	25,000	(60,000)	421,670
Gregory Boulton AM (6)	183,730	10,000	-	193,730
Executives				
Luke Tregurtha(7)	-	-	1,162	1,162
Alan Braggs	-	-	-	-
Rob Heathcote	-	-	-	-
Peter Lockett (8)	62,910	5,000	32,535	100,445
Victoria Allinson (9)	27,954	-	1,162	29,116
Total	**7,377,879**	**330,000**	**(1,536,926)**	**6,170,953**

(1) Paul McKenzie's Shares comprise:
  a. 2,132,500 (2019: 2,132,500) held by Aminac Pty Ltd ATF Aminac Superfund of which Mr McKenzie is the Managing Director; and
  b. 657,360 (2019: 522,360) held by Alke Pty Ltd <The McKenzie Family Trust No 2 A/C> of which Mr McKenzie is the Managing Director.

(2) Keith Lamb's Shares are held directly.

(3) John Sergeant's Shares comprise:
  a. 1,042,759 (2019: 2,099,664) held by Phalaenopsis Pty Ltd ATF Sergeant Family Trust of which Mr Sergeant has effective control; and
  b. 1,577,211 (2019: 794,596) held by the Sergeant Family Superannuation Fund of which Mr Sergeant has effective control.
  c. In the prior year, 225,730 Shares were held directly.
  d. 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.

(4) At 6 May 2020, the date of his resignation, Graham Holdaway's Shares comprised:
  a. 406,015 (2019: 406,015) held by G & K Super Fund A/C of which Mr Holdaway has effective control; and
  b. 240,770 (2019: 265,770) held by Holdaway & Holdaway Pty Ltd of which Mr Holdaway has effective control.

(5) Shauna Black's Shares comprise:
  a. 66,670 (2019: 66,670) held directly; and
  b. 355,000 (2019: 390,000) held by Black Stump Regional Pty Ltd ATF the Taybric Family Trust of which Ms Black has effective control.

(6) Greg Boulton's Shares are held by G Boulton Pty Ltd ATF <Greg Boulton Family S F A/C> (same as in prior year).

(7) Luke Tregurtha's Shares are held directly.

(8) Peter Lockett's Shares are held by Mr P Lockett and Ms C Charnock <Seaview> S/F AC of which Mr Lockett has effective control.

(9) Victoria Allinson's Shares comprise:
  a. 24,978 (2019: 24,978) held by Allinson Super Funds A/C of which she has effective control;
  b. 1,162 (2019: Nil) held by AZV Super Fund of which she has effective control; and
  c. 2,976 (2019: 2,976) held directly.

Directors' Report

Other Rights and Option holdings of key management personnel

The Group does not have any share options on issue. Shown below are the holdings of KMP in Performance Rights.

Performance rights

	Opening interest at 1 July 2019	Performance Rights issued	Performance Right lapsed	Closing interest at date of report
Non-executives				
Paul McKenzie	**128,570**	410,682	(257,140)	**282,112**
Gregory Boulton	**128,570**	410,682	(257,140)	**282,112**
Executive directors				
Keith Lamb	**126,820**	1,385,588	(383,960)	**1,128,448**
John Sergeant	**257,140**	539,252	(514,280)	**282,112**
Graham Holdaway	**257,140**	257,140	(514,280)	**-**
Shauna Black	**128,570**	539,252	(385,710)	**282,112**
Total	**1,026,810**	**3,542,596**	**(2,312,510)**	**2,256,896**

During the year there were two issues of Performance Rights, 1,285,700 on 21 November 2019 and 2,256,896 on 30 June 2020. The 21 November 2019 Rights, as well as all Rights held at the beginning of the year (from 16 October 2018) expired during the year. Performance Rights on hand at 30 June 2020, and at the date of this report, therefore reflect the 30 June 2020 issue only.

Other Related party transactions

	Consolidated	
	2020 $	2019 $
Directors transaction		
Income: Annual lease payment (1)	**11,885**	24,675

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 2020 amounted to $25,144 (2019: $24,675). Due to the impacts of wildfires, the Company forgave all lease payments relating to the period following the fires, including Mr Holdaway. Hence, Mr Holdaway's lease was forgiven by $13,259. As at 30 June 2020 $11,885 remains outstanding. As noted previously, Mr Holdaway resigned from the Board on 6 May 2020.

End of Remuneration Report

Signed in accordance with a resolution of the directors

Paul McKenzie
Chairman

Dated: 29th September 2020

Grant Thornton

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Auditor's Independence Declaration

To the Directors of Kangaroo Island Plantation Timbers Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Kangaroo Island Plantation Timbers Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 29 September 2020

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 fourth edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 February 2019 and is effective for financial years beginning on or after 1 July 2020.

The Group's Corporate Governance Statement for the financial year ending 30 June 2020 was approved by the Board on 29th September 2020. The Corporate Governance Statement is available at 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 2020

	Notes	Consolidated 2020 $'000	Consolidated 2019 $'000
Operating lease income	6a	**61**	141
Bank interest		**65**	74
Revenue		**126**	215
Fair value gain/(loss) on biological assets	13	**(109,216)**	7,342
Other income	6b	**68,146**	5
Profit/(loss) on assets sold	6c	**181**	13
Forestry expenses		**(2,623)**	(1,585)
Wharf feasibility costs		**(1,422)**	(2,273)
Administrative expenses		**(60)**	(32)
Other expenses	6d	**(2,456)**	(2,271)
Finance costs	6e	**(970)**	(1,464)
Profit/(loss) before income tax		**(48,294)**	(50)
Income tax (expense)/benefit	7	**14,424**	297
Net profit/(loss) for the year		**(33,870)**	247
Other comprehensive income			
Items that will not be classified subsequently to profit or loss			
Net fair value gain in property, plant and equipment	12	**8,273**	-
Other comprehensive income for the year net of tax		**8,273**	-
Total comprehensive profit/(loss) for the year attributable to members of the parent		**(25,597)**	247

	Notes	**EPS in cents**	EPS in cents
Basic and diluted earnings per share	8	**(60.20)**	0.47

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 2020

	Notes	Consolidated 2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**8,521**	9,511
Trade and other receivables	10	**32,356**	5
Other current assets	11	**100**	777
Total current assets		**40,977**	10,293
Non-current assets			
Property, plant and equipment	12	**74,858**	62,091
Biological assets	13	**5,942**	115,158
Other non-current assets		**4**	5
Total non-current assets		**80,804**	177,254
TOTAL ASSETS		**121,781**	187,547
LIABILITIES			
Current liabilities			
Trade and other payables	14	**577**	1,011
Employee benefits	15	**154**	199
Interest-bearing liabilities	16	**-**	-
Total current liabilities		**731**	1,210
Interest-bearing liabilities	16	**-**	29,700
Deferred tax liability	7	**7,697**	18,582
Total non-current liabilities		**7,697**	48,282
TOTAL LIABILITIES		**8,428**	49,492
NET ASSETS		**113,353**	138,055
EQUITY			
Contributed equity	17	**90,669**	89,949
Reserves	18	**11,958**	3,810
Accumulated profit		**10,726**	44,296
TOTAL EQUITY		**113,353**	138,055

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 2020

	Notes	Consolidated 2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		**206**	135
Payments to suppliers and employees		**(4,488)**	(3,575)
Payments to wharf development suppliers		**(1,453)**	(2,332)
Interest received		**65**	74
Borrowing costs		**(1,183)**	(1,445)
Tax refund		**-**	209
Government grant		**50**	-
Insurance Recovery		**35,926**	-
Net cash flows (used in) operating activities	20	**29,123**	(6,934)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		**287**	13
Purchase of wharf development assets		**(1,091)**	(4,721)
Purchase of plant and equipment		**(262)**	(34)
Net cash flows from (used in) investing activities		**(1,066)**	(4,742)
Cash flows from financing activities			
Proceeds from the issue of shares		**660**	10,306
Payment for share issue costs		**(7)**	(546)
Proceeds from (repayment of) bank borrowings		**(29,700)**	4,700
Net cash flows from (used in) financing activities		**(29,047)**	14,460
Net increase/(decrease) in cash and cash equivalents		**(990)**	2,784
Cash and cash equivalents at beginning of year		**9,511**	6,727
Cash and cash equivalents at end of year	9	**8,521**	9,511

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 2020

	Issued Capital $'000	Treasury Shares $'000	Property, plant & equipment Revaluation Reserve $'000	Option & performance Rights Reserve $'000	Accum-ulated Profit $'000	Total $'000
Balance at 1 July 2018	80,413	(450)	3,685	111	43,891	127,650
Profit for the period	-	-	-	-	247	247
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	247	247
Shares issued	10,306	-	-	-	-	10,306
Share issue costs	(546)	-	-	-	-	(546)
Share issue costs tax benefit	164	-	-	-	-	164
Net shares issued	9,924	-	-	-	-	9,924
Performance rights lapsed	-	-	-	(158)	158	-
Share-based payments	62	-	-	172	-	234
Transaction with owners	9,986	-	-	14	158	10,158
Balance at 30 June 2019	**90,399**	**(450)**	**3,685**	**125**	**44,296**	**138,055**
Balance at 1 July 2019	90,399	(450)	3,685	125	44,296	138,055
Profit for the period	-	-	-	-	(33,870)	(33,870)
Other comprehensive income	-	-	8,273	-	-	8,273
Total comprehensive income	-	-	8,273	-	(33,870)	(25,597)
Shares issued	660	-	-	-	-	660
Share issue costs	(5)	-	-	-	-	(5)
Net shares issued	655	-	-	-	-	655
Performance rights lapsed	-	-	-	(300)	300	-
Share-based payments	67	-	-	175	-	242
Share issue costs	(2)	-	-	-	-	(2)
Transaction with owners	720	-	-	(125)	300	895
Balance at 30 June 2020	**91,119**	**(450)**	**11,958**	**-**	**10,726**	**113,353**

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 2020 was authorised for issue in accordance with a resolution of the directors on 29 September 2020.

Kangaroo Island Plantation Timbers Ltd is a for-profit 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 biological assets, investment properties and freehold land that have been measured at fair value.

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.

Impact of COVID-19 pandemic - Judgment has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the operations of the Group and its financial position and results. At present it is not expected that the pandemic will have any significant impact on the Group's operations.

Group personnel, key supply chains, and other important stakeholder relationships have remained largely unaffected by the pandemic. As at 30 June 2020 and the date of this report, there has been no significant impact upon the financial results and position of the Group reported on in these consolidated financial statements as a result of the COVID-19 pandemic. The Board and management will continue to monitor the impact of the pandemic on the Group's operations and state of affairs.

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

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

The accounting policies applied by the Group in the consolidated financial statements are consistent with those applied in the prior year, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group applies, for the first time, AASB 16 Leases and AASB Interpretation 23 - Uncertainty over Income tax treatments, for the year ending 30 June 2020. As required by AASB 134, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group.

AASB 16 Leases

AASB 16 was issued in January 2016 and replaces AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

Transition to AASB 16

The Group has elected to account for it's leases using one of the practical expedients as described in AASB 16 C10(c), due to the short-term nature of the remaining lease terms on transition. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases and low value leases are recognised as an expense in profit or loss on a straight-line basis over the lease terms. At the date of transition a total of $9,000 was payable over the remaining period of short-term lease of the Kangaroo Island office.

Interpretation 23 - Uncertainty over income tax treatments

The first-time adoption of this amendment did not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.

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 0 for parent entity information.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit 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.

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 expected credit losses/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 valuer or by a Directors' assessment of their fair value less costs to sell each year. Fair value is determined as the net present value of 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:

- Financial assets at amortised cost;
- Financial assets at Fair Value Through Profit or Loss ('FVTPL'); or
- Financial assets at Fair Value Through Other Comprehensive Income ('FVTOCI').

All financial assets except for those carried 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.

Notes to the Consolidated Financial Statements

Financial Assets at Amortised Cost

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are measured initially at fair value, and subsequently at amortised cost using the effective interest method less provision for expected credit losses. Discounting is omitted where the effect of discounting is immaterial. Financial assets at amortised cost are those instruments where contractual cashflows are solely payments of principal and interest owing and the instruments are managed as such. The Group's cash and cash equivalents, trade and most other receivables fall into this category.

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.

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.

Financial Assets at FVTOCI

Non-derivative financial assets that are not held for trading are recognised at fair value, with movements after initial recognition recorded as a separate component of equity until the asset is derecognised or determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

Reversals of impairment losses are recognised in other comprehensive income.

The fair values of assets 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 assets 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.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trade and other payables.

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 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.

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 include 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:

	Straight Line
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(v)), less any impairment losses recognised at the date of revaluation.

In accordance with AASB 13 *Fair Value Measurement* paragraph 27, the Group's valuation basis for its freehold land is as forestry land. The fair value valuation has been prepared using a 'Summation Approach' whereby the land value has been assessed as a rate per hectare which is summated with the added value of any structural improvement. 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.

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.

Management has considered the triggers for impairment and concludes that no impairment is required for the year ended 30 June 2020.

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) Leases

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. At 30 June 2020 the Group was committed to a short-term lease of the Kangaroo Island office expiring on 10 April 2021, and the total commitment at that date was $12,000. The group was also committed to a low-value lease expiring on 13 July 2022, and the total commitment at that date was $47,000.

Leases (Accounting policy applicable before 1 July 2019)

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of interest on lease liabilities in the Statement of Profit and Loss.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease. All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

m) 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. Intangible assets with indefinite useful lives and non-financial assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. 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.

n) Trade and other payables

Trade payables and other payables are carried at amortised cost due to their short-term nature, and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year on which the Group is obliged to make future payments. The amounts are unsecured and are usually paid within 30 days of recognition.

o) 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 than 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.

p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or other securities are shown in equity as a deduction, net of tax, from the proceeds.

q) 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.

Insurance claims

The Group recognises income from insurance claims at fair value at the time the insured event occurs. Fair value is assessed as the best estimate of the insurance proceeds to be received and is revised as necessary at reporting dates.

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 earns rental income from operating leases over some of its property (see Note 6). Rental income is recognised on a straight-line basis over the term of the lease.

Notes to the Consolidated Financial Statements

r) Share-based payment transactions

Equity settled share-based payments including the issue of performance rights made to directors and other Group personnel are measured at fair value at grant date. Market based vesting conditions, such as the achievement of specified share prices, are incorporated into the fair value assessment at grant date. The fair value of performance rights is recognised as an expense, with a corresponding increase in the share-based payments reserve in equity, over the period during which the recipient becomes unconditionally entitled to the rights. The expense is not revised in subsequent reporting periods for instruments that do not vest due to a failure to meet market based vesting conditions.

Equity settled share-based payments to other parties are measured at the fair value of goods and services received, except where the fair value cannot be estimated reliably, in which the transaction is measured at the fair value of the equity instruments granted on the date the goods or services are received.

s) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor 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.

Notes to the Consolidated Financial Statements

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 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.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in Note 7.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

t) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to 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 on issue, adjusted for any bonus element.

u) Comparative figures

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

v) 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 and reports these to the Audit Committee. Management regularly reviews significant components of fair value measurements, including unobservable inputs and other 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 through the Audit Committee.

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).
- 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.

The fair value of cash and short-term deposits, trade receivables, other current financial assets, trade payables and other current liabilities approximate their carrying values largely due to the short-term maturities of these instruments. Management reviews this assessment at least annually.

w) 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

The Board has resolved to value the Group's biological assets using the 30 June 2020 using a director's updated valuation which amounts to $5,942,626. The director's valuation assumes that until the Board has confirmed a viable strategy to remove the damaged timber from other plantations, a fair value of $nil has been determined for all damaged or partially damaged timber plantations.

The fair value of the Group's biological assets has been calculated using a Directors valuation which 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.

Key Estimate – Valuation of Land
The fair value of the plantation land assets was calculated by an independent expert, JLL Valuations and Advisory ('JLL'), in their report dated 30 June 2020. The value provided is that of the Market Value of the Company's portfolio and also takes into account fair value measurements in accordance with Australian Accounting Standards Board (AASB) 13. The combined approach utilises the Highest and Best Use (HBU) of each property, 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.

A significant assumption in JLL's valuation is the classification of all forestry areas within the portfolio as "viable". This is based on salvageability of standing timber over the next 4 years.

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

Key Estimate – Carrying value of Wharf asset
The carrying amount of the Wharf asset (refer to note 12 for further detail) does not exceed the recoverable amount and as a result no impairment is required, under AASB 116 Property, Plant and Equipment. In accordance with AASB 136 *Impairment of Assets* the recoverable amount was determined using the net present value of Value In use of the group of assets referred to as the Wharf asset. The Wharf asset is capable of generating independent cash inflows.

Key Estimate – Valuation of Performance rights
The fair value of performance rights is measured at grant date using probabilistic estimates in relation to future share prices and taking into account the terms and conditions upon which the rights were granted.

The amount recognised as an expense for the 30 June 2020 and 30 June 2019 financial periods is calculated using estimates of the expected vesting periods. Refer to Notes 18 and 25 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.

Notes to the Consolidated Financial Statements

Categories of Financial Assets and Liabilities

30 June 2020	Note	Assets at FVTOCI $'000	Assets at FVTPL $'000	Financial assets at amortised cost $'000	**Total $'000**
Financial Assets					
Cash and cash equivalents	9	-	-	8,521	**8,521**
Trade and other receivables	10	-	-	32,356	**32,356**
Other financial assets	11	-	-	100	**100**
		-	-	40,977	**40,977**

	Note	*Designated at FVTPL $'000	*Other liabilities at FVTPL $'000	#Other liabilities $'000	**Total $'000**
Financial Liabilities					
Trade and other payables	14	-	-	577	**577**
Non-current borrowings	16	-	-	-	**-**
Total		-	-	577	**577**

30 June 2019	Note	Assets at FVTOCI $'000	Assets at FVTPL $'000	Financial assets at amortised cost $'000	Total $'000
Financial Assets					
Cash and cash equivalents	9	-	-	9,511	9,511
Trade and other receivables	10	-	-	782	782
Other financial assets		-	-	5	5
		-	-	10,298	10,298

	Note	*Designated at FVTPL $'000	*Other liabilities at FVTPL $'000	#Other liabilities $'000	Total $'000
Financial Liabilities					
Trade and other payables	14	-	-	1,210	1,210
Non-current borrowings	16	-	-	29,700	29,700
Total		-	-	30,910	30,910

* 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:

	Consolidated 2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	**8,521**	9,511
Term deposits	**-**	-
	8,521	9,511
Financial liabilities		
Interest bearing liabilities	**-**	(29,700)
Net exposure	**8,521**	(20,189)

The Group has utilised insurance funds to fully repay its facility with the CBA, of which $29,700,000 was drawn at 30 June 2019.

At 30 June 2020, 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:

Judgements of reasonably possible movements:	Post tax profit Higher/(lower) 2020 $'000	2019 $'000	Equity Higher/(lower) 2020 $'000	2019 $'000
Consolidated				
+1%	85	(202)	-	-
-0.5%	(42)	101	-	-

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 and other 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 2020.

Cash flows for financial assets and liabilities without fixed amounts or timing are based on the conditions existing at 30 June 2020.

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

	Consolidated 2020 $'000	2019 $'000
6 months or less	**(577)**	**(1,210)**
6-12 months	**-**	**-**
1-5 years	**-**	**(5,000)**
Over 5 years	**-**	**(24,700)**
	(577)	**(30,910)**

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
Year ended 30 June 2020					
Financial Assets					
Cash and cash equivalents	8,521	-	-	-	8,521
Trade and other receivables	32,356	-	-	-	32,356
Other financial assets	100	-	-	-	100
	40,977	-	-	-	40,977
Financial Liabilities					
Trade and other payables	(577)	-	-	-	(577)
Non-current borrowings	-	-	-	-	-
	(577)	-	-	-	(577)
Net Maturity	**40,400**	-	-	-	**40,400**

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

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 assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 June 2020:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2020				
Property, plant and equipment				
Land held for production in Australia	-	-	56,778	**56,778**
Land and buildings	-	-	2,502	**2,502**
	-	-	59,280	**59,280**
Biological assets				
Standing timber	-	-	5,942	**5,942**
30 June 2019				
Property, plant and equipment				
Land held for production in Australia	-	-	43,720	43,720
Land and buildings	-	-	3,765	3,764
	-	-	47,485	47,484
Biological assets				
Standing timber	-	-	115,158	115,158

Land held for production in Australia (Level 3)

The fair value of the plantation land assets was calculated by an independent expert, JLL Valuations and Advisory, in their report dated 30 June 2020.

Refer to Note 12 for further details.

Biological assets (Level 3)

The fair value of the Group's biological assets was calculated by a Director's valuation. Due to wildfires that started in December 2019 approximately 95% of the plantation has been damaged, leaving three plantations with limited fire damage, of which 512.5 acres is undamaged. The Board has determined that the fair value of Group's biological assets which amounts to $5,942,626. It was determined that the fair value of damaged timber plantations are $nil.

5. Segment reporting

Consistent with the prior year, 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

	Consolidated **2020** **$'000**	2019 $'000
(a) Operating lease income		
Operating leases: freehold land and buildings	**61**	132
Operating leases: equipment	**-**	9
Total	**61**	141

The Group leases a number of assets to third parties under operating lease arrangements:

Freehold land and buildings leases $61,019 (2019: $132,091)

- 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 2020 amounted to $11,885 (2019: $24,675). Due to the impacts of wildfires, the Company forgave lease payments relating to the period following the fires. Hence, Mr Holdaway's lease was forgiven by $13,259.

  As at 30 June 2020 $11,885 remains outstanding.

- The Group has a residential lease on 2 (2019: 10) properties. The reduced number of leased properties is due to domestic dwellings being destroyed or severely damaged by wildfire. The remaining agreement is cancellable and the annual rent received amounted to $41,707 (2019: $72,618); and

- The Group also casually leases out certain properties for agistment and other purposes. Annual income amounted to $7,427 (2019: $34,600). The decrease in annual income from leased properties pertains to 2020 lease fees not being charged as part of wildfire relief.

- Equipment leases $Nil (2019: $8,755)

  The Group had an equipment lease which concluded in February 2019.

	Consolidated	
	2020	2019
	$'000	$'000
(b) Other income		
Government Rebates	**50**	-
Insurance Recoveries	**68,026**	-
Other income	**70**	5
Total Other income	**68,146**	5
(c) Sale of assets		
Sale of equipment and motor vehicles	**287**	13
Cost of assets sold	**(106)**	-
(Loss)/profit on assets sold	**181**	13
Total profit/(loss) on assets sold	**181**	13
(d) Other expenses		
Share-based payment	**243**	234
Audit fees	**100**	61
ASIC fees	**11**	12
Depreciation	**158**	104
ASX/share registry fees	**90**	99
Directors fees	**1,127**	1,117
Legal fees	**75**	7
Professional fees	**354**	377
Other corporate expenses	**298**	260
Other expenses	**2,456**	2,271
(e) Finance costs		
Borrowing costs	**970**	1,464
Other interest	**-**	-
Finance costs	**970**	1,464

Notes to the Consolidated Financial Statements

	Consolidated 2020 $'000	2019 $'000
(f) Employee benefits expense		
Wages and salaries	**1,203**	1,003
Non-Executive Directors' fees (including super)	**185**	190
Share based payments	**12**	5
Performance rights	**176**	172
Annual leave provision	**84**	122
Long service leave provision	**27**	6
Superannuation	**107**	76
Total employee and directors' remuneration	**1,794**	1,574

7. Income Tax

	Consolidated 2020 $'000	2019 $'000
a) Income tax expense		
The major components of income tax expense are:		
Current income tax	**-**	-
Deferred income tax	**(14,424)**	(297)
Income tax expense/(benefit) reported in profit or loss	**(14,424)**	(297)
Profit/(loss) before tax	**(48,294)**	(50)
Tax expense/(benefit) at the statutory income tax rate of 30% (2019: 30%)	**(14,489)**	(15)
Non-deductible expenses/capital gain on sale of land	**65**	-
Adjustment in respect of prior year	**-**	312
Recognition of previously unrecognised tax losses	**-**	-
Income tax expense/(benefit) reported in income statement	**(14,424)**	297
b) Amounts charged or credited to equity		
Share issue costs	**-**	(164)
Revaluation of land	**(3,539)**	
Income tax expense reported in equity	**(3,539)**	(164)

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.

Notes to the Consolidated Financial Statements

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 2020 amounted to $23,225,757 (2019: $28,559,182).

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Capital raising Costs	**-**	616	**-**	**-**	**-**	616
Trade and other receivables	**374**	-	**(16,830)**	**-**	**(16,456)**	-
Property, plant & equipment	**2,034**	1,694	**(9,384)**	(5,845)	**(7,350)**	(4,151)
Biological assets	**9,079**	-	**-**	(23,685)	**9,079**	(23,685)
Trade and other payables	**62**	70	**-**	-	**62**	70
Tax losses	**6,968**	8,568	**-**	-	**6,968**	8,568
Net deferred tax assets/(liabilities)	**18,517**	10,948	**(26,214)**	(29,530)	**(7,697)**	(18,582)

Deferred income tax

Deferred income tax for the year ended 30 June 2020 relates to the following:

Movements in temporary differences during the year	Balance 1 July 19 $'000	Recognised in Income $'000	Recognised on Acquisition $'000	Recognised in Equity $'000	**Balance 30 June 20 $'000**
Property, plant & equipment	(4,151)	340	-	(3,539)	**(7,350)**
Biological assets	(23,685)	32,764	-	-	**9,079**
Capital raising costs	616	(616)	-	-	**-**
Trade and other receivables	-	(16,456)	-	-	**(16,456)**
Trade and other payables	70	(8)	-	-	**62**
Tax losses	8,568	(1,600)	-	-	**6,968**
	(18,582)	14,424	-	(3,539)	**(7,697)**

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

Notes to the Consolidated Financial Statements

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:

	Consolidated 2020 $'000	2019 $'000
a) Earnings used in calculating earnings per share		
Net profit/(loss) attributable to ordinary equity holders of the parent	**(33,870)**	247

There is no dilutive effect of the Performance Rights on earnings.

	2020 Number Thousands	2019 Number Thousands
b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	**56,264**	52,659
Effect of dilution:		
Share options and performance rights	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**56,264**	52,659

c) Basic and diluted earnings per share

	EPS in cents	EPS in cents
Basic and diluted earnings per share	**(60.20)**	0.47

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 both periods presented.

On 12 August 2020, the Company completed its unmarketable parcel buy back and 49,273 shares were bought back at $0.85 per share.

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 2020 $'000	2019 $'000
Cash at bank and in hand	**8,521**	9,511
	8,521	9,511

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 2020 $Nil (2019: $2,534,436) is held in a restricted savings account, the funds can only be used to pay for CBA borrowing costs.

Notes to the Consolidated Financial Statements

10. Current assets – Trade and other receivables

	Consolidated 2020 $'000	2019 $'000
Trade receivables (a)	**128**	5
Insurance receivable	**32,100**	-
Sundry Debtors	**128**	-
Carrying amount of trade and other receivables	**32,356**	5

a) Terms of trade

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

b) 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.

11. Other Current Assets

	Consolidated 2020 $'000	2019 $'000
Prepayments	**100**	777
	100	777

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**
Year ended 30 June 2020				
At 1 July 2019 net of accumulated depreciation and impairment	47,485	318	14,288	**62,091**
Additions	-	264	956	**1,220**
Disposals	-	(605)	-	**(605)**
Revaluation	11,812	-	-	**11,812**
Adjustment in accumulated depreciation in relation to disposal/revaluation	-	499	-	**499**
Depreciation charge for year	(17)	(142)	-	**(159)**
At 30 June 2020 net of accumulated depreciation and impairment	59,280	334	15,244	**74,858**
At 30 June 2020				
Cost or fair value	59,280	847	15,244	**75,371**
Accumulated depreciation and impairment	-	(513)	-	**(513)**
Net carrying amount	**59,280**	**334**	**15,244**	**74,858**

	Freehold land and Buildings $'000	Plant and equipment $'000	Wharf asset $'000	**Total $'000**
Year ended 30 June 2019				
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	47,485	318	14,288	62,091
At 30 June 2019				
Cost or fair value	47,701	1,186	14,288	63,175
Accumulated depreciation and impairment	(216)	(868)	-	(1,084)
Net carrying amount	47,485	318	14,288	62,091

Additions to wharf assets during the year is due to improvements to the floating pontoon of $0.96 million (2019: $4.22 million). The wharf is not yet operational and therefore no depreciation has been charged during the year (2019: $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. The fair value measurements of the Group's freehold land and buildings as at 30 June 2020 are based on an independent expert's valuation. The net result of the independent revaluation amounted to $11,812,000 of which $8,273,000 was recognised in the asset revaluation reserve and $3,539,000 as deferred tax.

Independent expert's valuation technique

The Board has elected to use valuations provided by the independent external valuer, JLL Valuations and Advisory ('JLL').

The fair value of the land assets was calculated by JLL in their report dated 30 June 2020. The valuation was carried out in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment. This valuation method has been used by JLL as it provides the best estimate of a price reasonably obtainable in the property market at the report date. The fair value valuation has been prepared using a 'Summation Approach' whereby 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 for the productive component of the land (exclusive of remnant vegetation and water bodies) as in the range of $2,730 per hectare to $3,413 per hectare. The land's location, rainfall, physical attributes, location of amenities and improvements all influence where in this range a particular is valued.

All fair value estimates for land and buildings are included in Level 2 of the fair value hierarchy.

Significant Observable Inputs

(i) Recent sales of land on Kangaroo Island and recent trends in the sale of land in other agricultural regions, adjusted for comparability considerations.
(ii) Land use deemed as Commercial Forestry.

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) A highly probable 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.

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	
Forestry land	**2020 $'000**	2019 $'000
Increase in estimated market value per hectare by 2%	**1,186**	905
Decrease in estimated market per hectare by 2%	**(1,186)**	(905)
	-	-

c) Wharf asset

The carry amount does not exceed the recoverable amount under AASB 116 *Property, Plant and Equipment*, as a result management recommend that no impairment is required. In accordance with AASB 136 *Impairment of Assets* the recoverable amount was determined by performing a Value In Use calculation based on a 5-year cash flow forecast previously approved by the Board. The net present value of the cash flows has been discounted based on a discount rate of 11.44%, assuming an internal port access charge for the Company's and other Growers timbers both undamaged and an estimated proportion of damaged timber. The Wharf assets original value is based on cost and there is no goodwill.

d) Operating lease

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

13. Biological assets

	Consolidated	
	2020 $'000	2019 $'000
Opening balance at 1 July	**115,158**	107,816
Add fair value adjustment:		
Fair value gain/(loss)	**(109,216)**	7,342
Closing balance as at 30 June	**5,942**	115,158
Plantation timber at cost	**25,178**	25,178
Accumulated fair value gain	**(19,236)**	89,980
Total biological assets	**5,942**	115,158
Classified as non-current	**5,942**	115,158

Notes to the Consolidated Financial Statements

Fair value

The fair value of the Group's biological assets was calculated by an independent expert, Geddes Management Pty Ltd (Geddes), as at 30 June 2019. Due to wildfires that started in December 2019 approximately 95% of the Group's biological assets has been damaged, leaving three plantations with limited fire damage, of which 512.5 acres is undamaged.

The Board has resolved to value the Group's biological assets at 30 June 2020 using a director's updated valuation which amounts to $5,942,626. The director's valuation assumes that until the Board has confirmed a viable strategy to remove the damaged timber from other plantations, a fair value of $nil has been determined for all damaged or partially damaged timber plantations. The model used is detailed below.

The valuation model used by directors 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, in the current year the key milestone is:

- On 23 March 2020, the Company submitted the Response Document to the public consultation process which, together with the Addendum Document submitted October 2019, and the Revised EIS Submitted January 2019, represents the final form of documentation required by government.

The fair value measurements for the biological assets is categorised as Level 2 in the fair value hierarchy.

Due to lack of local data, the highest and best use of the Group'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 1.389 AUD or 72 cents US (2019: 1.370 AUD or 73 cents US).

(ii) The valuation is derived using a real pre-tax discount rate of 11.43% (nominal 13.78%) (2019 11.43% (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% (2019: 4.75%) and an equity premium of 5% (2019: 5%), a beta of 1 (2019: 1), a gearing of 30% debt (2019: 30%), an alpha of 2.0% (2019: 2.0%) and inflation of 2.1% (2019: 1.9%) forecast to 2021.

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 directors model assumes a harvesting plan over 5 years commencing in 2021 (2019: commencing 2022 over 11 years).

(ii) The price of timber is determined with due consideration to market transactions and industry projections including:

- The price of hardwood logs (2019: hardwood chips) is determined after consideration of current market transactions, arriving at a blue globulous log price of $90.42 (USD$65.10) (2019: Chip Price $126.16 (USD$92.09)) per green metric tonne (GMT) after discounts including dry fibre percentage, anticipated losses, discount to allow for market fluctuations and marketing commissions The estimates are in real dollars.
- 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 $124.96 per GMT (2019: between $76.33 (2018: $40.00) per GMT to $107.14) per GMT. These estimates are again in real dollars.
- 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.
- 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:

- An increase in timber production or timber prices would result in a higher fair value measurement.
- A decrease in timber production or timber prices would result in a lower fair value measurement.
- An increase in harvesting, processing, marketing or plantation maintenance costs would result in a lower fair value measurement.
- 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 Group may also accelerate its harvesting plan and complete its first harvesting cycle earlier than originally planned.

The Group 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:

	2020 $'000	2019 $'000
Change in value		
• Increase in the AUD to USD by 4 cents or 5.0% (2019: 4 cents or 5.48%)	**(822)**	(12,768)
• Decrease in the AUD to USD by 4 cents 5.0% (2019: 4 cents or 5.48%)	**822**	14,248

(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:

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Eucalyptus globulus	**2020 $'000**	2019 $'000
Change in value		
• Increase in the price by 5% (2019: 5%)	**801**	12,936
• Decrease in the price by 5% (2019: 5%)	**(801)**	(12,936)

(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:

	2020 $'000	2019 $'000
Change in value		
○ Increase in the nominal discount rate by 5% from 11.44% to 12.01% (2019: 7% from 13.78% to 14.78%)	**(28)**	(6,993)
○ Decrease in the nominal discount rate by 7% from 11.44% to 12.01% (2019: 7% from 13.78% to 12.78%)	**28**	7,580

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. 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 of variation in future cash flows due to 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	
	2020 $'000	2019 $'000
Trade payables [(a)]	**553**	982
PAYG tax payable	**24**	29
	577	1,011

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

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15. Current liabilities – employee benefits

Employee benefits	Consolidated 2020 $'000	2019 $'000
Annual Leave	**92**	164
Long service leave	**53**	27
Superannuation	**9**	8
	154	199

Employee benefits are non-interest bearing.

16. Interest-bearing liabilities

	Consolidated 2020 $'000	2019 $'000
Current		
Bank borrowings	**-**	**-**
Total current	**-**	**-**
Non-Current		
Bank borrowings [(a)]	**-**	29,700
Total non-current	**-**	29,700
	-	29,700

a) KPT has utilised insurance funds to fully repay its facility with the CBA, of which $29,700,000 was drawn at 30 June 2019.

17. Contributed equity

a) Issued and paid up capital	Consolidated 2020 $'000	2019 $'000
Ordinary shares fully paid	**90,669**	89,949

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

b) Movements in shares on issue

	2020 Number of shares	2020 $'000	2019 Number of shares	2019 $'000
Beginning of financial year	**56,081,499**	**89,949**	50,897,512	79,963
Director participation in share placement (approved by shareholders 21 November 2019)	**330,000**	**660**	5,153,250	10,306
Share-based payment (Note 25)	**52,289**	**67**	30,737	62
Share issue costs, net of tax	**-**	**(7)**	-	(382)
End of the financial year	**56,463,788**	**90,669**	56,081,499	89,949

c) Capital management

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 2020 and 30 June 2019 were as follows:

	Consolidated	
	2020	2019
	$'000	$'000
Trade and other payables	**577**	1,011
Interest bearing liabilities	**-**	29,700
Less cash and cash equivalents	**(8,521)**	(9,511)
Net debt	**(7,944)**	21,200
Total equity	**113,353**	138,055
Total capital	**105,409**	159,255
Gearing Ratio	**-**	13.31%

As at 30 June 2020 the Company's net cash exceeds debt.

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

18. Reserves

	Consolidated	
	2020	2019
	$'000	$'000
Share based payments reserve (a)	**-**	125
Property, plant and equipment reserve (b)	**11,958**	3,685
	11,958	3,810

a) Share based payments reserve

	Consolidated	
	2020	2019
	$'000	$'000
Opening balance at 1 July	**125**	111
Movement:		
Performance rights dated 21 November 2019	**140**	-
Performance rights dated 16 October 2018	**35**	125
Performance rights dated 21 November 2019 lapsed	**(140)**	-
Performance rights dated 16 October 2018 lapsed	**(160)**	-
Performance rights dated 10 November 2017 lapsed	**-**	(158)
Performance rights dated 10 November 2017	**-**	47
Closing balance at 30 June	**-**	125

The share based payments reserve records the grant date fair value of performance rights issued to directors, employees and other parties that has been recognised as an expense at the reporting date. It also reflects the value of performance rights that are on issue but have not yet converted into shares.

During the year, there were two separate issues of Performance Rights to directors: 21 November 2019 and 30 June 2020. A total of 1,285,700 Rights were issued in the former, which all expired early on 30 June 2020. On 30 June 2020, a further 2,256,896 Rights were issued in the allocations and with share price performance conditions as outlined in Note 26. The 30 June 2020 Performance Rights expire on 29 June 2021.

Share-based payment expense for the year ended 30 June 2020 totalling $175,692 consists of the full value of the 21 November 2019 issue ($140,475) and the final previously unrecognised portion of Rights issued in the prior year ($35,217). The value of the 30 June 2020 Rights will be recognised in future financial periods.

Notes to the Consolidated Financial Statements

The value of the 21 November 2019 Rights and the 16 October 2018 Rights (which includes the balance at 1 July 2019) was transferred from the share based payment reserve to accumulated profits at year end, as none of these rights actually vested.

Refer to Note 25 for further detail of the terms, conditions and allocations of the Rights issued during the current financial year and related share based payment expense.

b) Property, plant and equipment revaluation reserve

	Consolidated	
	2020	2019
	$'000	$'000
Opening balance at 1 July	**3,685**	3,685
Increase based on independent valuation	**11,812**	-
Deferred tax applicable to revaluation	**(3,539)**	-
Closing balance at 30 June	**11,958**	3,685

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.

19. Contingent assets and liabilities

The Company notes a contingent assts, being an additional $5m (2019: $nil) treecrop insurance claim, which may be receivable, given ambiguity in the wording of its insurance policy concerning the interaction of $5 million per-event excesses and the overall limit of claims, which is $65 million. This additional amount has not been recognised in the Company's accounts.

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.

20. Reconciliation of statement of cash flows

	Consolidated	
	2020	2019
	$'000	$'000
Reconciliation from the net profit after tax to the net cash flows from operations		
Net profit/(loss)	**(33,870)**	247
Adjustments for		
Depreciation	**158**	103
(Profit)/Loss on sale of property, plant and equipment	**(181)**	(13)
Net Fair value decrease/(increase) on biological assets	**109,216**	(7,343)
Share-based payment (Note 25)	**243**	234
Changes in assets and liabilities		
Increase/(decrease) in deferred tax	**(14,425)**	(209)
(Increase)/decrease in receivables and other debtors	**(31,673)**	(71)
Increase/(decrease) in trade and other payables	**(345)**	118
Net cash (used in)/from operating activities	**29,123**	(6,934)
Loan facilities		
Facilities available:		
Total facilities – CBA loan facility	**-**	57,100
Facilities used at 30 June	**-**	29,700

KPT has utilised insurance funds to fully repay its facility with the CBA, of which $29,700,000 was drawn at 30 June 2019.

21. Auditor remuneration

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

	Consolidated	
	2020	2019
	$	$
An audit or review of the financial report of the Group	**64,452**	57,221
Taxation services	**3,500**	4,000
Total	**37,952**	61,221

22. Key management personnel

(a) Compensation of key management personnel

	Consolidated	
	2020	2019
	$	$
Non-executive Directors		
Short-term benefits	**460,654**	436,078
Superannuation	**13,014**	9,127
Performance Rights	**45,740**	64,632
	519,408	509,837
Executives		
Short-term benefits	**578,756**	636,247
Superannuation	**57,477**	43,758
Long service leave	**9,470**	-
Performance Rights	**129,952**	107,427
Remuneration	**541,353**	464,742
Share-based remuneration payment	**56,000**	57,000
	1,373,008	1,309,174
Total	**1,892,416**	1,819,011

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

23. Related party disclosures

Ultimate parent

The ultimate parent entity is Kangaroo Island Plantation Timbers Ltd, a publicly listed company domiciled and incorporated in Australia.

Subsidiaries

The consolidated financial statements include the financial statements of Kangaroo Island Plantation Timbers Ltd and the subsidiaries listed in the following table:

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity 2020 %	2019 %
KI Seaport Pty Ltd[(i)]	Australia	**100**	100
KIPT Holdings Pty Ltd[(ii)]	Australia	**100**	100
Kangaroo Island Plantation Management Pty Ltd	Australia	**100**	100
RuralAus Finance Limited[(iii)]	Australia	**nil**	100
Kangaroo Island Land Assets Ltd	Australia	**100**	100
Kangaroo Island Timbers Pty Ltd	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.

Notes to the Consolidated Financial Statements

(ii) KIPT Holdings Pty Ltd is a wholly owned subsidiary of Kangaroo Island Plantation Timbers Ltd and is the immediate parent entity to Kangaroo Island Plantation Management Pty Ltd, Kangaroo Island Land Assets Ltd and Kangaroo Island Timbers Pty Ltd.
(iii) Deregistered on 10 July 2019.

Transactions with related parties
Controlled Entities

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.

Key management personnel

Details of the remuneration of key management personnel are included in Note 22 and 25 and in the Remuneration Report.

	Consolidated	
	2020	2019
	$	$
Directors transactions		
Income: Annual lease payment[(1)]	**11,885**	24,675

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 2020 amounted to $25,144 (2018: $24,675). Due to the impacts of wildfires, the Company forgave lease payments relating to the period following the fires. Hence, Mr Holdaway's lease was forgiven by $13,259. As at 30 June 2020 $11,885 remains outstanding. As noted previously, Mr Holdaway resigned from the Board on 6 May 2020.

24. Parent Entity disclosures

Information relating to Kangaroo Island Plantation Timbers Ltd:

	2020	2019
	$'000	$'000
Current assets	**8,369**	9,474
Non-current assets	**9,506**	8,389
Intercompany assets[(a)]	**56,454**	86,850
Total assets	**74,329**	104,713
Current liabilities	**148**	387
Non-current liabilities	**291**	29,853
Total liabilities	**439**	30,240
Total net assets	**73,890**	74,473
Issued capital	**90,669**	89,949
Option and performance rights reserve	**-**	125
Property, plant and equipment reserve	**970**	895
Retained earnings	**(17,749)**	(16,496)
Total shareholders' equity	**73,890**	74,473
(Loss) of the parent entity	**(1,253)**	(4,564)
Net fair value gain in property, plant and equipment	**75**	-
Total comprehensive (loss)	**(1,178)**	(4,564)

Notes to the Consolidated Financial Statements

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

25. Share based payments

Recognised share-based payment expenses
The expense recognised for remuneration and other services received during the year is shown in the table below:

	Consolidated 2020 $	2019 $
Performance Rights - Directors [(a)]	**175,692**	172,060
Shares issued to employees under the EESP [(b)]	**12,000**	5,000
Shares issued in lieu of consulting fees [(c)]	**55,000**	57,000
Total	**242,692**	234,060

(a) Performance Rights – Directors
During the year, there were two separate issues of Performance Rights to directors: 21 November 2019 and 30 June 2020. A total of 1,285,700 Rights were issued in the former, which all expired early by resolution of the Board on 30 June 2020. On 30 June 2020, a further 2,256,896 Rights were issued. The 30 June 2020 Performance Rights have an expiry date of 29 June 2021. The allocations and share price performance conditions of both the November and June Rights issues are outlined in further detail below.

Share-based payment expense for the year ended 30 June 2020 totalling $175,692 consists of the full value of the 21 November 2019 issue ($140,475) and the final previously unrecognised portion of Rights issued in the prior year ($35,217). The value of the 30 June 2020 Rights will be recognised in future financial periods. Detail of share-based payment expense for the year is shown below.

(b) Share based payments - Performance Rights

	Year	Issued 21 November 2019 $	Issued 16 October 2018 $	Issued 10 November 2017 $	Total Performance Rights $
Non-Executive Directors					
P McKenzie	**2020**	**15,857**	**5,031**	**-**	**20,888**
	2019	-	14,767	6,777	21,544
G Boulton	**2020**	**15,857**	**5,031**	**-**	**20,888**
	2019	-	14,767	6,777	21,544
Executive Directors				-	
K Lamb	**2020**	**31,714**	**-**	**-**	**31,714**
	2019	-	21,251	-	21,251
J Sergeant	**2020**	**31,714**	**10,062**	**-**	**41,776**
	2019	-	29,534	13,554	43,088
S Black	**2020**	**31,714**	**5,031**	**-**	**36,745**
	2019	-	14,767	6,776	21,544
G Holdaway	**2020**	**13,620**	**10,062**	**-**	**23,682**
	2019	-	29,534	13,554	43,088
Total	**2020**	**140,476**	**35,216**	**-**	**175,692**
	2019	-	124,620	47,439	172,059

Notes to the Consolidated Financial Statements

Director Holdings of Performance rights

	Opening interest at 1 July 2019	Performance Rights issued	Performance Right lapsed	Closing interest at 30 June 2020
Non-executives				
Paul McKenzie	**128,570**	410,682	(257,140)	**282,112**
Gregory Boulton	**128,570**	410,682	(257,140)	**282,112**
Executive directors				
Keith Lamb	**126,820**	1,385,628	(383,960)	**1,128,448**
John Sergeant	**257,140**	539,252	(514,280)	**282,112**
Graham Holdaway	**257,140**	257,140	(514,280)	**-**
Shauna Black	**128,570**	539,252	(385,710)	**282,112**
Executives				
Peter Lockett	**-**	-	-	**-**
Victoria Allinson	**-**	-	-	**-**
Total	**1,026,810**	**3,542,636**	**(2,312,510)**	**2,256,896**

Performance Rights Plan

The Performance Rights Plan ("Plan") was last approved by Shareholders on 21 November 2019. Under the Plan, the Board can issue performance rights to executive and non-executive directors as remuneration for additional duties performed and to incentivise them to align their interests more closely with those of shareholders.

If the performance conditions and any other vesting conditions are met, an equivalent number of shares will be issued that rank equally with all other existing shares in all respects.

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.

Valuation and Recognition of Remuneration

Under AASB 2 Share-Based Payment the fair value of any share-based remuneration is determined at the grant date and then recognised as an expense over the relevant vesting period. Performance rights are normally valued based on the Company's share price at the Grant Date and an assessed probability of achievement. Vesting conditions that are market-based (such as achievement of a particular share price) are included in the fair value assessment. The directors have used an adapted Monte Carlo valuation method to value the performance rights

Remuneration expense is then recognised over the relevant term of the performance rights, on the basis that the recipient must be in the employ of the Group at the time a performance condition is met in order for the rights to vest. Amounts recognised as remuneration expense are not reversed through profit and loss if the rights do not vest because of a failure to meet a market-based performance condition. However, the value of performance rights that have lapsed or expired is transferred from the share-based payment reserve to retaining earnings/accumulated profits.

The Performance Rights expire at the earlier of twelve months after approval or if they are replaced with new Performance Rights.

Performance Rights Issued 30 June 2020

Due to impact of the wildfires on Kangaroo Island during the year on the Group's timber plantation assets and consequently on the Company's share price, the directors resolved that the terms of the performance rights issued on 21 November 2019 (discussed below) were no longer appropriate. On the 30 June 2020 shareholders approved new performance rights dated 30 June 2020) and the expiry of the on 21 November 2019 performance rights issued.

The 30 June 2020 Performance Rights were issued in the three tranches with different share price performance conditions as shown below and expiring 29 June 2021. Managing Director Keith Lamb was allocated 50% of the total Rights pool, with the remaining 4 directors are allocated 12.5% of the pool each.

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The Performance Rights are triggered by meeting the following performance vesting conditions:

- 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

Last 1,000,000 Shares Traded VWAP	Managing Director Keith Lamb Rights	4 Other Director Rights (each)	Total Right s	Total Valuation $
$1.25 or above	376,149	94,037	752,297	270,827
$1.50 or above	501,533	125,383	1,003,065	120,368
$1.75 or above	250,766	62,692	501,534	20,061
Total	**1,128,448**	**282,112**	**2,256,896**	**411,256**

The valuation of each tranche is based on the probability of achieving the relevant volume-weighted average share price (VWAP) and the share price at 30 June 2020 of $0.80. As noted previously, remuneration expense related to these rights will be recognised commencing 1 July 2020 and no expense was recognised at 30 June 2020.

The valuation is set out in the table below.

20 Business Day VWAP	Post-split Shares to be issued	Share price at grant date	Probability	Valuation $
$1.25 or above	752,297	$0.80	45%	270,827
$2.50 or above	1,003,065	$0.80	15%	120,368
$1.75 or above	501,534	$0.80	5%	20,061
Total	**2,256,896**			**411,256**

Any shares issued on the vesting of rights will be subject to a mandatory 12 month escrow period.

Performance Rights dated 21 November 2019

At the 21 November 2019 Annual General Meeting, shareholders approved the issue of a total of 1,285,700 Performance Rights, effectively replacing the expired performance rights that had been issued on 16 October 2018. Keith Lamb, John Sergeant, Shauna Black and Graham Holdaway received 20% of the total Rights pool each, with Paul McKenzie and Greg Boulton receiving 10% each.

The Performance Rights are triggered by meeting the following performance vesting conditions:

- 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

Last 1,000,000 Shares Traded VWAP	Keith Lamb John Sergeant Shauna Black Graham Holdaway Rights (each)	Paul McKenzie Greg Boulton Rights (each)	Total Rights	Total Valuation $
$3.50 or above	107,140	53,570	535,700	118,925
$4.25 or above	85,720	42,860	428,600	47,575
$5.00 or above	64,280	32,140	321,400	-
Total	**257,140**	**128,570**	**1,285,700**	**166,500**

These rights were resolved by the Directors to have expired unvested on 30 June 2020. Under Accounting Standards the value of these rights must nonetheless be recognised and therefore a value of $140,476 is recognised in the current year.

The valuation is set out in the table below.

20 Business Day VWAP	Post-split Shares to be issued	Share price at grant date	Probability	Valuation $
$3.50 or above	535,700	$2.22	10%	118,925
$4.25 or above	428,600	$2.22	5%	47,575
$5.00 or above	321,400	$2.22	0%	-
Total	**1,285,700**			**166,500**

Performance Rights - 16 October 2018

899,990 Performance Rights dated 16 October 2018 expired in October 2019. 899,990 Performance rights dated 16 October 2018 expired in October 2019. The total value of these rights of $147,597 included a portion, being $44,228, that was recognised in the current financial year.

The Performance Rights are triggered by meeting the following performance vesting conditions:

- 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

Last 1,000,000 Shares Traded VWAP	John Sergeant Graham Holdaway Rights (each)	Paul McKenzie Greg Boulton Shauna Black Rights (each)	Total Rights	Total Valuation $
$3.50 or above	107,140	53,570	374,990	130,684
$4.25 or above	85,720	42,860	300,020	12,300
$5.00 or above	64,280	32,140	224,980	4,612
Total	**257,140**	**128,570**	**899,990**	**147,596**

The performance rights were valued via an adapted Monte Carlo valuation method using the share price at the Grant Date with a probability applied to each tranche. The valuation was based on the probability of achieving VWAP and the share price at 16 October 2018 of $2.05, set out in the table below.

The valuation is set out in the table below.

20 Business Day VWAP	Post-split Shares to be issued	Share price at grant date	Probability	Valuation $
$3.50 or above	374,990	$2.05	17%	130,684
$4.25 or above	300,020	$2.05	2%	12,301
$5.00 or above	224,980	$2.05	1%	4,612
Total	**899,990**			**147,597**

(b) Shares issued under Executive & Employee Share Plan (EESP)

- 13,944 shares were issued to employees during the year under the EESP. Shares were valued at the Company's closing price on the ASX on the date of issue ($0.86) and remuneration expense of $12,000 was recognised (2019: $5,000). Eleven employees were issued 1,162 (2019: 476) shares each.

(c) Shares issued in lieu of consulting fees

- The Group's Approvals Manager Mr Peter Lockett invoices his services via Seaview Corporate Services Pty Ltd, of which Mr Lockett has effective control. During the year $50,000 (2019: $50,000) of these services have been paid in Shares. Shares are paid at 20-day VWAP as at the last day of each quarter.

Mr Lockett's shares issued in lieu of fees for the period are outlined in the table below.

Date of Issue	Fees Invoiced $	20-Day VWAP	Shares Issued	Consideration $
18 December 2019	12,500	$2.394	5,221	12,500
18 December 2019	12,500	$2.191	5,704	12,500
24 June 2020	12,500	$2.273	5,500	12,500
24 June 2020	12,500	$0.776	16,110	12,500
	50,000		**32,535**	**50,000**

- 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. $5,000 of these fees were paid in shares (2019: $7,000), of which $1,000 of shares were issues to Ms Allinson and $4,000 to her employees. 5,810 shares were issued at $0.861 per share; 1,162 shares to Ms Allinson and 4,648 to her employees.

26. Commitments

Commitments
The Group has commissioned a number of studies and expected wharf development assets costs, however the Group is not committed to incurring these costs at 30 June 2020. In addition, the Group has leased two offices throughout the year ended 30 June 2020.

	Consolidated Lease Commitments		**Consolidated Other Commitments**	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Due no later than one year	**35**	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	**35**	32	-	-

There are no other commitments as at 30 June 2020.

27. Events after balance date

On 16 July 2020 the Company received a further insurance progress payment of $19.6 million, of which $17.5 million relates to timber and $2.1 million to extras.

On 31 July 2020, the Company relocated its registered address and place of business to Unit 3B, Level 3 60 Hindmarsh Square, Adelaide SA 5000.

On 12 August 2020, the Company completed its unmarketable parcel buy back and 49,273 shares were bought back at $0.85.

The Board does not believe the COVID-19 pandemic will have any impact on the Group's ability to continue as a going concern.

There have been no other significant events after balance date.

Directors' Declaration

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

- In the opinion of the directors:
    - The consolidated financial statements and notes of Kangaroo Island Plantation Timbers Ltd for the financial year ended 30 June 2020 are in accordance with the Corporations Act 2001, including:
        - Giving a true and fair view of its financial position as at 30 June 2020 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 2020.

On behalf of the Board

Paul McKenzie

Chairman

Dated this 29th day of September 2020

Grant Thornton

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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 2020 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 2020 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
Valuation of land (Note 2(w), 4 and 12)	
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 core forestry land. Due to the nature of the asset, the valuation technique includes a model that uses a number of inputs from internal and external sources. This area is a key audit matter due to the significant level of judgement, including: • Estimated price per hectare taking into consideration land location, land improvements, plantation details and occupancy; and • The best use of the land.	Our procedures included, amongst others: • Reviewing the Board paper prepared detailing the appropriate basis for the fair value of land; • Obtaining the external valuation for land; • Assessing the expertise and qualification of management's expert; • Considering the appropriateness of the valuation technique against the requirements of the relevant Australian Accounting Standard; • Identifying key assumptions in the valuation and comparing to the market data and supporting documentation; • Testing mathematical accuracy of the valuation by agreeing inputs utilised in the valuation model to supporting documentation such as land titles and available market data; and • Assessing the appropriateness of the related disclosures within the financial statements.
Valuation of biological assets (Note 2(w), 4 and 13)	
Biological assets which include mature and immature radiata pine and eucalypt plantations are stated at fair value less estimated point of sale costs. The Group's biological assets were significantly affected by the bushfires on Kangaroo Island in December 2019 and January 2020, resulting in a significant reduction in the fair value of the biological assets. The value of the biological assets recorded on the consolidated statement of financial position is material and fair value adjustment significant. Additionally, the Group's assessment of the related value involves judgements about the future results of the assets, including cash flow forecasts. This area is a key audit matter due to the significant level of management judgement, including: • Identification and measurement of hardwood and softwood resources; • Assumptions made by management in the discounted cash flow model; and • The assumptions used in relation to the harvesting plans.	Our procedures included, amongst others: • Reviewing the Board paper in relation to consideration of the appropriate basis for the fair value of the biological assets; • Assessing the expertise and qualification of management's expert; • Considering the events that have caused the Board to reassess the probability of development of the wharf infrastructure; • Considering the appropriateness of the valuation methodology against the relevant Australian Accounting Standard and industry wide valuation technique; • Identifying key assumptions in the valuation and comparing to the market data and supporting documentation, where applicable; • Performing sensitivity analysis on key assumptions; • Utilising the expertise of an internal expert to assess the appropriateness of the discount rate; and • Assessing the appropriateness of the related disclosures within the financial statements.

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 2020, but does not include the financial report and our auditor's report thereon.

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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: https://www.auasb.gov.au/auditors_responsibilites/ar1_2020.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 pages 11 to 19 of the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Kangaroo Island Plantation Timbers Limited, for the year ended 30 June 2020 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.

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GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 29 September 2020

Investors' supplementary information

As at 18 September 2020

The information contained below is to be read in conjunction with the annual report of Kangaroo Island Plantation Timbers Ltd dated 30 June 2020.

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	16,894,463	29.95
2	WASHINGTON H SOUL PATTINSON AND COMPANY	6,506,003	11.53
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,943,492	8.76
4	NATIONAL NOMINEES LIMITED	2,179,976	3.86
5	AMINAC PTY LTD <AGRARIAN MANAGEMENT S/F A/C>	2,132,500	3.78
6	MR JOHN DAVID SERGEANT <SERGEANT FAMILY S/F A/C>	1,807,211	3.20
7	GWYNVILL TRADING PTY LTD	1,135,000	2.01
8	MR STEPHEN PATRICK WARD + MRS JULIE PATRICIA WARD + MR JAMES MICHAEL WARD <TALISMAN NO 1 A/C>	1,050,000	1.86
9	UBS NOMINEES PTY LTD	903,357	1.60
10	SHANDORA ONE PTY LTD <BENGER SUPER FUND A/C>	701,500	1.24
11	ROBERTS PIKE FOUNDATION PTY LTD <ROBERTS PIKE FOUNDATION A/C>	700,000	1.24
12	PHALAENOPSIS PTY LTD <SERGEANT FAMILY A/C>	687,759	1.22
13	ALKE PTY LTD <THE P MCKENZIE FAMILY N2 A/C>	657,360	1.17
14	AUSTRALIAN PHILANTHROPIC SERVICES FOUNDATION PTY LTD <APS FOUNDATION A/C>	585,000	1.04
15	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	559,614	0.99
16	CITICORP NOMINEES PTY LIMITED	495,210	0.88
17	BENGER SUPERANNUATION PTY LIMITED <BENGER SUPER FUND A/C>	429,529	0.76
18	MR GRAHAM IAN HOLDAWAY + MRS KRISTINA MARY IRVING HOLDAWAY <G & K SUPER FUND A/C>	406,015	0.72
19	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	400,987	0.71
20	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	394,329	0.70
TOTALS: TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES		**43,569,305**	**77.23**
TOTAL REMAINING HOLDERS BALANCE		**12,845,210**	**22.77**

Distribution of shareholder numbers

Range	Total holders	Number of Shares	% of Shares
1 - 1,000	111	63,252	0.11
1,001 - 5,000	181	464,226	0.82
5,001 - 10,000	62	483,437	0.86
10,001 - 100,000	159	5,617,304	9.96
100,001 and over	53	49,786,296	88.25
TOTAL	**566**	**56,414,515**	**100.00**

Number of shareholders with less than a marketable parcel of securities

On 12 August 2020, the Company completed its unmarketable parcel buy back and 49,273 shares were bought back at $0.85.

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	14,813,544	26.26%
	Mr Frederick Woollard	1,965	0.003%
	Total	14,815,509	26.26%
Washington H Soul Pattinson and Company Limited	Washington H Soul Pattinson and Company Limited	6,660,087	11.81%
Brickworks Limited	Shareholding in Washington H Soul Pattinson and Company Limited	6,660,087	11.81%
Paradice Investments Management Pty Ltd	Paradice Investments Management Pty Ltd	3,561,894	6.31%
	Transcontinental Asset management Pty Ltd	70,833	0.13%
	Total	3,632,727	6.44%
John Sergeant	John David Sergeant	-	-
	Phalaenopsis Pty Ltd	1,042,759	1.85%
	Sergeant Family Superannuation Fund	1,577,211	2.80%
	Total	2,619,970	4.64%
Paul McKenzie	Aminac Pty Ltd <Aminac S/F A/C>	2,132,500	3.78%
	Alke Pty Ltd (The McKenzie Family Trust No 2 A/C)	657,360	1.17%
	Total	2,789,860	4.95%

Unlisted options

There are no unlisted options.

Performance rights

There are 2,256,896 performance rights on issue.

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.

Buy Backs

On 12 August 2020, the Company completed a unmarketable parcel buy-back and 49,273 shares were bought back at $0.85. No Shareholder approval was required due to the size of this buy-back.

Securities Exchange

The Company is listed on the Australian Securities Exchange under the ASX stock code KPT.