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Kangaroo Island Plantation Timbers Ltd

ACN 091 247 166

Results for Announcement to the Market
Appendix 4D

Current reporting period: Half-year ended 31 December 2019
Previous corresponding reporting period: Half-year ended 31 December 2018

Results for Announcement to the Market

	Percentage Change %	Amount $'000
Revenue – continued operations	3% decrease	90
Loss after tax – continued operations	912% increase	(36,853)
Net loss attributable to members	912% increase	(36,853)

Dividends paid or proposed

No dividends have been paid or proposed during the period.

Brief explanation of revenue and net loss

Loss from continuing operations increased by $33,210,330, primarily as a result of wildfires that started in December 2019 destroying 95% of the Groups timber plantations. A summary of the major charges is set out below:

	2019 Income/ (Expense) $'000s	**2018 Income/ (Expense) $'000s**	**(Increase)/ Decrease in losses $'000s**
Insurance Funds received had reduced losses	60,000	-	60,000
Profit on Sale of Assets had reduced losses	150	13	137
Wharf development costs expense have decreased	(814)	(1,314)	500
Forestry Wages and Management fees have increased	(480)	(361)	(119)
Legal Fees have decreased	(61)	(148)	87
Fees and interest on the CBA loan decreased	(597)	(681)	84
Directors fees have increased	(612)	(561)	(51)
Loss on Biological Asset has increased	(109,216)	-	(109,216)
Income tax benefit has increased	15,755	244	15,511
Other changes have decreased	(978)	(1,182)	204
Net comprehensive loss has increased	**(36,853)**	**(3,990)**	**(32,863)**

NTA backing

	Half-year Ended 31 December 2019	Half-year Ended 31 December 2018
Net tangible asset backing per security	$1.86	$2.75

The decrease is the result of the loss on biological asset value due to wildfire damage.

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

The Group has not gained or lost control of any entities during the half-year ended 31 December 2019.

Details of dividends

Not applicable

Details of associates or joint ventures

Not applicable

Review dispute or qualification

The Group is not aware of any review, dispute or qualification for the accounts for the half-year ending 31 December 2019.

The half-year financial report should be read in conjunction with the annual report for the year ended 30 June 2019.

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Kangaroo Island Plantation Timbers

Interim Financial Report

ABN 19 091 247 166

For the half year ended

31 December 2019

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Directors' Report

For the half-year ended 31 December 2019

Your directors submit their report for the half-year ended 31 December 2019 for Kangaroo Island Plantation Timbers Limited ("Company") and its controlled entities ("Group").

Directors

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

Director	Position	Appointed to Board	Last elected or re-elected at GM
Paul McKenzie[1]	Non-Executive Chair	29 April 2005	10 November 2017
John Sergeant[2]	Executive Director	2 March 2013	21 November 2019
Shauna Black[3]	Executive Director	17 March 2015	21 November 2019
Graham Holdaway[4]	Executive Director	17 March 2015	21 November 2019
Gregory Boulton AM	Independent Non-Executive	1 November 2016	16 October 2018
Keith Lamb[5]	Managing Director	15 October 2018	-

(1) Appointed Chair on 1 July 2009
(2) Appointed Managing Director on 1 January 2015. Stepped down as Managing Director 31 May 2019.
(3) Appointed Executive Director on 1 May 2016
(4) Appointed Executive Director on 1 April 2016
(5) Appointed Managing Director on 1 June 2019

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

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

As at the date of this report, the interests of the directors, either directly or indirectly, in the shares of Kangaroo Island Plantation Timbers Ltd were:

Interest in ordinary Shares

	Opening interest at 1 July 2019	Net changes during the period	Performance Rights Issued	Closing interest at 31 December 2019
Paul McKenzie[1]	2,654,860	135,000	-	2,789,860
John Sergeant[2]	3,119,970	(500,000)	-	2,619,970
Graham Holdaway[3]	871,785	(225,000)	-	646,785
Shauna Black[4]	456,670	(35,000)	-	421,670
Gregory Boulton AM[5]	183,730	10,000	-	193,730
Keith Lamb	-	15,000	-	15,000
Total	**7,287,015**	**(600,000)**	**-**	**6,687,015**

(1) Paul McKenzie's Shares comprise:

a. 2,132,500 (2019: 2,132,500) held by Aminac Pty Ltd <Aminac S/F A/C> 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) John Sergeant's Shares comprise:

a. 1,599,664 (2019: 2,099,664) held by Phalaenopsis Pty Ltd ATF Sergeant Family Trust of which Mr Sergeant has effective control;

b. 225,730 (2019: 225,730) direct interest;

c. 794,576 (2019: 794,576) held by the Sergeant Family Superannuation Fund of which Mr Sergeant has effective control; and

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Directors' Report continued

For the half-year ended 31 December 2019

d. nil (2019: nil) held by Ms J Sergeant; Ms Sergeant is Mr Sergeant's wife.

e. Mr Sergeant is also a unitholder in the Samuel Terry Absolute Return Fund, a Managed Fund which is a substantial shareholder in the Company. Mr Sergeant has no influence on the acquisition, disposal or voting of the shares held on behalf of Samuel Terry Absolute Return Fund.

(3) Graham Holdaway's Shares comprise:

a. 406,015 (2019: 406,015) held by Mr Graham Ian Holdaway and Mrs Kristina Mary Irving Holdaway <G & K Super Fund A/C> of which Mr Holdaway has effective control;

b. 240,770 (2019: 465,770) held by Holdaway & Holdaway Pty Ltd of which Mr Holdaway has effective control, being a director and shareholder; and

c. nil (2019: nil) direct interest.

(4) Shauna Black's Shares comprise:

a. A direct interest in 66,670 (2019: 66,670) shares; 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.

(5) Gregory Boulton's shares comprise:

a. 193,730 (2019: 183,730) held by G Boulton Pty Ltd ATF <Greg Boulton Family S F A/C>.

Interest in Performance Rights

	Year	Performance Rights dated 21 November 2019 $	Performance Rights dated 16 October 2018 $	Performance Rights dated 10 November 2017 $	Total Performance Rights $
Non-Executive Directors					
P McKenzie	**2019**	2,856	5,031	-	7,887
	2018		14,767	6,777	21,544
G Boulton	**2019**	2,856	5,031	-	7,887
	2018		14,767	6,777	21,544
Executive Directors					
K Lamb(1)	**2019**	5,711	**-**	-	5,711
	2018		21,251	-	21,251
J Sergeant	**2019**	5,711	10,062	-	15,773
	2018		29,534	13,554	43,088
S Black	**2019**	5,711	5,031	-	10,742
	2018		14,767	6,776	21,543
G Holdaway	**2019**	5,711	10,062	-	15,773
	2018		29,534	13,554	43,088
			-		
Total	**2019**	**28,556**	**35,217**	-	**63,773**
	2018	-	**124,620**	**47,438**	**172,058**

Performance Rights Plan

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

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Directors' Report continued

For the half-year ended 31 December 2019

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

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

Performance Rights dated 21 November 2019

At the 21 November 2019 General Meeting, Shareholders approved performance rights dated 21 November 2019, triggered by meeting the following performance condition:

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

Performance Rights dated 16 October 2018 expired on 15 October 2019 and were replaced with Performance Rights dated 21 November 2019.

A summary of the Performance Rights is shown below:

	Shares to be issued to directors:			
20 Business Days VWAP	K Lamb, J Sergeant, S Black & G Holdaway Number	P McKenzie, & G Boulton Number	Total Shares Number	Escrow Period
$3.50 or above	107,140	53,570	537,700	12 months
$4.25 or above	85,720	42,860	428,600	12 months
$5.00 or above	64,280	32,140	321,400	12 months
Total	**257,140**	**128,570**	**1,285,700**	

Performance Rights dated 16 October 2018 and 10 November 2017

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

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

Performance Rights dated 16 October 2018 expired on 15 October 2019 and were replaced with Performance Rights dated 21 November 2019.

Performance Rights dated 10 November 2017 expired on 9 November 2018 and were replaced with Performance Rights dated 16 October 2018.

A summary of the Performance Rights is shown below:

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

Valuation of Performance Rights dated 21 November 2019

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

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Directors’ Report continued

For the half-year ended 31 December 2019

AASB 2 sets the valuation date (termed as Grant Date) as the date at which such a right has been approved, being the date of the General Meeting, 21 November 2019.

The Directors do not believe that Black Scholes or Monte Carlo valuation methods are suitable for the Performance Rights. The performance rights have been valued using the share price at the Grant Date with a probability applied to each tranche. The Rights expire on 20 November 2020. The valuation is based on the probability of achieving VWAP and the share price at 21 November 2019 of $2.22, set out in the table below.

20 Business Days VWAP	Shares to be issued	6 months 31 Dec 2019 $	6 months 30 Jun 2020 $	30 Jun 2021 $	Total Valuation $
$3.50 or above	537,700	21,428	97,497	-	118,925
$4.25 or above	428,600	7,127	32,518	7,929	47,575
$5.00 or above	321,400	-	-	-	
Total	**1,285,700**	**28,555**	**130,016**	**7,929**	**166,500**

Valuation of Performance Rights dated 10 November 2017

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

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

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

20 Business Days VWAP	Shares to be issued	6 months 31 Dec 2018 $	6 month 30 Jun 2018 $	6 months 31 Dec 2017 $	Total Valuation $
$3.50 or above	374,990	21,950	78,864	39,432	140,246
$4.25 or above	300,020	1,788	6,424	4,989	13,201
$5.00 or above	224,980	421	1,150	3,019	4,950
Total	**899,990**	**24,159**	**86,438**	**47,440**	**158,397**

Review and results of operations

The Group experienced a significant increase in losses of $33,210,330 due to wildfires damaging approximately 95% of the Group’s standing timber. A summary of the losses compared with the loss in the 2018 comparable period, is set out below:

	2019 Income/ (Expense) $’000s	2018 Income/ (Expense) $’000s	(Increase)/ Decrease in losses $’000s
Insurance Funds received had reduced losses	60,000	-	60,000
Profit on Sale of Assets had reduced losses	150	13	137
Wharf development costs expense have decreased	(814)	(1,314)	500
Forestry Wages and Management fees have increased	(480)	(361)	(119)
Legal Fees have decreased	(61)	(148)	87
Fees and interest on the CBA loan decreased	(597)	(681)	84
Directors fees have increased	(612)	(561)	(51)
Loss on Biological Asset has increased	(109,216)	-	(109,216)

Directors' Report continued

For the half-year ended 31 December 2019

	2019 Income/ (Expense) $'000s	2018 Income/ (Expense) $'000s	(Increase)/ Decrease in losses $'000s
Income tax benefit has increased	15,755	244	15,511
Other changes have decreased	(978)	(1,182)	204
Net comprehensive loss	**(36,853)**	**(3,990)**	**(32,863)**

Wildfire

The Group was impacted by several wildfires from neighbouring properties between 20th December 2019 and 21st January 2020. Trading Halts were announced 20th December 2019, and 30th December 2019. These announcements followed a communication policy adopted by the board before the fire season. A Voluntary Suspension was approved by the ASX on 7th January 2020, which has since been extended.

Before the 2019-20 fire season, the Group had undertaken its usual fire season preparations which included maintaining mineral earth fire breaks and open access to the plantation estate including water-points for community fire suppression. The people, plant and equipment available to the Group for fire-fighting included a company owned fire tanker, two slip-on units, supported by a network of mainland and Island-based contractors and vehicles, all operating to industry standards. The Group also reinforced its existing relationships with government fire-fighting agencies including Country Fire Service (CFS) and Department of Environment and Water (DEW). This included pre-fire season competency testing of the Group staff by CFS, cooperative planning for seasonal controlled burning for hazard reduction and ecological benefits with DEW, and participation in the Bushfire Management Committee for Kangaroo Island.

From the beginning of the fire season, the Group maintained its fire monitoring protocols, which included cessation of forest work, surveillance and monitoring by employees and contract personnel during high-risk periods. In the week leading up to the 20th December, the Group dispatched spotter planes on two occasions from Adelaide, at its own cost, to monitor the western portion of Kangaroo Island, where the the Group estate is located.

When a predicted dry lightning storm occurred on the 20th December, the Group's staff had been monitoring the situation closely and were among the first responders to the fires which arose on neighbouring properties to the Group estate. None of the fires which occurred between 20th December and 21st January were ignited on the Group's land.

For the period of the fire campaign, the Group employee and contract fire fighters were involved in suppression activities on the Group and third-party land as part of a wider campaign coordinated by state authorities with support from local government, local farm fire fighting units and Australian Defence Forces.

The fire preparations and protocols employed by the Group, its property manager PF Olsen and contract staff are based on industry standards developed on mainland Australia, and in cooperation with the local CFS brigade. The planning, protocols and resources employed were designed to contain and minimise losses to the Group estate under a normal range of fire conditions. Before the 2019-20 fire season the company engaged an independent expert to assess the fire risk and develop a worst-case scenario for wildfire in the Group estate. The worst-case scenario developed by the independent expert was a hypothetical fire emerging from the west, and extending across 20% of the estate. As we now know, the extent of loss in this fire was much worse than any reasonably foreseeable fire event.

The Group has commissioned a forensic analysis of the fire events. Future fire risk management by the Group will be informed and guided by the forensic report, as well as the observations and learnings of staff and Directors from the 2019-20 fires.

At the time of writing the losses incurred to the standing treecrop are being appraised. As has been previously disclosed, the timber crop was insured to its 2019 book value, of approximately $115 million with an annual limit of claims amounting to $68 million, and an excess of $5 million applying to any one claim.

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Directors' Report continued

For the half-year ended 31 December 2019

Kangaroo Island Seaport

Despite the changes in its operating environment, the longer-term outlook for the Group remains unchanged. Kangaroo Island provides favourable conditions for growing timber plantations, and once replanting starts, production from next-generation tree-crops will resemble previous forecasts. The key to realising this value is the KI Seaport at Smith Bay.

In the shorter term, an efficient fire salvage program will require the industrial scale capacity that the KI Seaport will provide. the Group is firmly committed to completing the permitting process for the KI Seaport and is now in its final stages of preparing the final part of the Environmental Impact Statement required by state and federal government as the approving bodies for the project.

During the period, the Group conducted a second round of public consultation, at the direction of the Minister for Planning, following the announced changes by the Group to the design of the marine components of the facility. These changes in design included the replacement of a dredge and causeway model with a suspended deck structure, to sufficient water depth to accommodate vessels capable of servicing export markets. The change in design was in direct response to a recommendation made by the neighbouring abalone business in its submission to the first round of public consultation. The overall response by community and government agencies, to the changed design in the marine components of the facility was positive, and the Group remains confident of a favourable outcome in the approvals process.

The impact of the fires to the business model for the KI Seaport has yet to be fully evaluated. The Group has continued to receive strong support from its project partners and financiers, and is working through potential options to service the demands of the changed resource, and the need for a higher rate of production than previously anticipated in order to optimise salvage value and thereby minimise economic losses from salvage operations on badly-affected compartments. While the design of the KI Seaport was required by government to provide for multi-users, the Group had not previously incorporated third-party access into its business case. The permitting at this stage does not include non-forestry activities. However, it is likely the company will now take a stronger interest in the potential for other island-based trade as part of the business case for the project. Any third-party activity would of course be subject to the necessary approvals, taking into account sensitive receptors including neighbours to the site.

Share issue

At 31 December 2019 and as at the date of this report the ordinary shares on issue:

	No of Ordinary Fully paid Shares
As at 1 July 2019	**56,081,499**
Shares issued as payment for services rendered by Seaview Corporate Services Pty Ltd totalling $25,000 on 18 December 2019	10,925
Cash Placement on 18 December 2019	330,000
At 31 December 2019	**56,422,424**
At the date of this report	**56,422,424**

Events after balance date

In February 2020 the Group received a progress payment from the standing timber insurance policy of $10,000,000. The timber was insured for $65,000,000 with an excess of $5,000,000 applying to any one claim. The insurance policy documents are internally contradictory in regard to the way in which the excess is to be applied in a situation when combined claimable losses from more than one incident significantly exceed the policy limit. As a matter of prudence, the Board has elected to include as a receivable asset only that part of its claimable losses that amounts to the policy limit less the excess. It expresses no opinion on whether a further $5,000,000 may be receivable.

In February 2020 the Group received $1 million progress payment from the infrastructure insurance policy in respect of fire damaged infrastructure.

Directors' Report continued

For the half-year ended 31 December 2019

The Group is not aware of any other significant events occurring after 31 December 2019.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $'000 (where rounding is applicable) under the option available to the company under ASIC Corporations Instrument 2016/191. The company is an entity to which the Class Order applies.

Dividends

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

Auditor independence and non-audit services

The directors have received the auditor's independence declaration, which is included on page 11 of this report and forms part of this report.

Signed in accordance with a resolution of the directors.

Paul McKenzie

Paul McKenzie
Chairman
Dated this 28th February 2020

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Auditor's Independence Declaration

To the Directors of Kangaroo Island Plantation Timbers Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Kangaroo Island Plantation Timbers Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 28 February 2020

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	Notes	Consolidated 31 December 2019 $'000	31 December 2018 $'000
Rent	4	**55**	**56**
Equipment hire	4	**-**	**7**
Bank interest		**35**	**30**
Revenue		**90**	**93**
Sale of property plant and equipment		**150**	**-**
Insurance proceeds	4	**60,000**	
Other income	4	**27**	**17**
Forestry expenses		**(1,017)**	**(610)**
Deep water wharf development costs		**(814)**	**(1,314)**
Administrative expenses		**(134)**	**(221)**
Other expenses	4	**(1,097)**	**(1,170)**
Finance costs		**(598)**	**(681)**
Loss on biological assets		**(109,215)**	**-**
(Loss)/Profit before income tax		**(52,608)**	**(3,886)**
Income tax benefit/(expense)	5	**15,755**	**244**
Net (loss)/Profit for the period from continuing operations		**(36,853)**	**(3,642)**
Profit/(loss) for the period attributable to members of the parent		**(36,853)**	**(3,642)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period net of tax		**(36,853)**	**(3,642)**
Total comprehensive income/(loss) for the period attributable to members of the parent		**(36,853)**	**(3,642)**
		EPS in cents	**EPS in cents**
Basic and diluted earnings per share	6	**(65.68)**	**(7.16)**

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

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	Consolidated 31 December 2019 $'000	30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**6,288**	9,511
Trade and other receivables	8	**60,126**	5
Other current assets		**338**	777
Total current assets		**66,752**	10,293
Non-current assets			
Property, plant and equipment	9	**62,741**	62,091
Biological assets	10	**5,943**	115,158
Deferred tax asset	5	**21,242**	10,948
Other non-current assets		**3**	5
Total non-current assets		**89,929**	188,202
TOTAL ASSETS		**156,681**	198,495
LIABILITIES			
Current liabilities			
Trade and other payables		**828**	1,011
Employee benefits		**140**	199
Interest bearing liabilities	11	**29,700**	-
Total current liabilities		**30,668**	1,210
Non-current liabilities			
Interest bearing liabilities	11	**-**	29,700
Deferred tax liabilities	5	**24,068**	29,530
Total non-current liabilities		**24,068**	59,230
TOTAL LIABILITIES		**54,736**	60,440
NET ASSETS		**101,945**	138,055
EQUITY			
Contributed equity	12	**90,629**	89,949
Reserves	13	**3,713**	3,810
Accumulated profits/(losses)		**7,603**	44,296
TOTAL EQUITY		**101,945**	138,055

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

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Consolidated Statement of Cash Flows

For the half-year ended 31 December 2019

	Notes	Consolidated 31 December 2019 $'000	Consolidated 31 December 2018 $'000
Cash flows from operating activities			
Receipts from customers and other income		82	82
Payments to suppliers and employees		(1,999)	(1,654)
Payment to wharf development expense suppliers		(801)	(1,364)
Interest received		35	29
Tax refund		-	45
Borrowing costs		(690)	(678)
Net cash flows (used in)/from operating activities		(3,373)	(3,540)
Cash flows from investing activities			
Purchase of plant and equipment		-	(1)
Purchase of Wharf development assets		(655)	(1,537)
Proceeds from the sale of plant and equipment		150	-
Net cash flows from/(used in) investing activities		(505)	(1,538)
Cash flows from financing activities			
Proceeds from share issue		660	-
Payment for share issue costs		(5)	(2)
Proceeds from borrowing		-	2,700
Net cash flows (used in)/from financing activities		655	2,698
Net increase/(decrease) in cash and cash equivalents		(3,223)	(2,380)
Cash and cash equivalents at beginning of period		9,511	6,727
Cash and cash equivalents at end of period	7	6,288	4,347

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

	Issued Capital $'000	Treasury Shares $'000	Property, plant & equipment Revaluation Reserve $'000	Option Reserve $'000	Accumulated Profits/ (Losses) $'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
	-	-	-	-	-	-
Share issued	10,306	-	-	-	-	10,306
Share issue costs	(546)	-	-	-	-	(546)
Share issue costs tax	164	-	-		-	164
Net shares issued	9,924	-	-	-	-	9,924
Performance rights lapsed		-	-	(158)	158	-
Share-based payment	62	-	-	172	-	234
Transaction with owners	9,986			14	158	10,158
		-	-	-	-	
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**
Loss for the period	-	-	-	-	(36,853)	**(36,853)**
Other comprehensive income	-	-	-	-	-	**-**
Total comprehensive income	-	-	-	-	(36,853)	**(36,853)**
Shares issue	660	-	-	-	-	660
Share issue costs	(5)	-	-	-	-	(5)
Net shares issued	655	-	-	-	-	655
Performance rights lapsed	-	-	-	(160)	160	-
Share-based payments	25	-	-	63	-	88
Transactions with owners	680	-	-	(97)	160	743
Balance at 31 December 2019	**91,079**	**(450)**	**3,685**	**28**	**7,603**	**101,945**

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

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Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2019

1. Corporate information

The financial report of Kangaroo Island Plantation Timbers Ltd ("the Company") and its controlled entities ("the Group" or "Consolidated Entity") For the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 28 February 2020. Kangaroo Island Plantation Timbers Ltd is a company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

2. Basis of preparation and accounting policies

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2019 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include full note disclosures of the type normally included within the annual financial report. Accordingly, it should be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Kangaroo Island Plantation Timbers Ltd during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of the following standards:

New or amended accounting standards and interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The Company adopted AASB 16 Leases from 1 July 2019. The entity currently has no leases greater than 12 months, there is no impact from the adoption of AASB 16.

(b) 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.

Refer to Notes 3, 8, 9 and 10 for further details.

3. Fair value measurement of non-financial instruments

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as at 31 December 2019:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2019				
Property, plant and equipment				
Land held for production in Australia	-	-	43,720	**43,720**
Land and buildings	-	-	3,756	**3,756**
	-	-	47,476	**47,476**

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2019

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Biological assets				
Standing timber	-	-	**5,943**	**5,943**
30 June 2019				
Property, plant and equipment				
Land held for production in Australia	-	-	43,720	**43,720**
Land and buildings	-	-	3,764	**3,764**
	-	-	47,484	**47,484**
Biological assets				
Standing timber	-	-	115,158	**115,158**

Land held for production in Australia (Level 3)

The fair value of the Group's plantation land was calculated by an independent expert, McGees (SA) Pty Ltd ("McGees Property"), as at 30 June 2017. The Board have resolved that the damaged timber does not affect the value of the land due to the basis on which the land was independently valued. The Board has reviewed the key valuation inputs and has concluded that there are no other indicators that an updated valuation is required at 31 December 2019.

The fair value of the plantation land assets was calculated by an independent expert, McGees Property, in their report dated 19 July 2017. The valuation was carried out in accordance with IFRS 13 Fair Value Measurement, AASB 13 Fair Value Measurement, and AASB 116 Property, Plant and Equipment. The valuation used a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions. Refer to Note 9 for further details.

Biological assets (Level 3)

The fair value of the Group's biological assets was calculated by an independent expert, Geddes Management Pty Ltd, as at 30 June 2019. 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 resolved to value these three plantations using the 30 June 2019 book value which amounts to $5,942,626 and has further resolved that, until the Board has confirmed a viable strategy to remove the damaged timber from other plantations, a salvage value of $nil has been determined for all damaged or partially damaged timber. Refer to Note 10 for further details.

Land held for sale in Australia (Level 3)

The review was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

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Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2019

4. Other income and expenses

	Consolidated	
	31 December 2019 $'000	31 December 2018 $'000
(a) Operating leases income		
Operating leases: freehold land and buildings	**55**	56
Operating leases: equipment Other	**-**	7
	55	63

The Group leases a number of assets on operating leases:

Operating leases: freehold land and buildings $54,998 (2018: $56,600);

- The Lease agreement between Graham Holdaway and the Group commenced on 30 June 1999. The lease is for 187.60 hectares of Land known as "Gosse East' and has a term of 25 years. Annual rent excluding GST amounted to $25,144 (prior year: $24,675);
- The Group also has a residential lease on 10 (2018: 9) properties. The agreement is cancellable and the annual rent received amounted to $36,205 (2018: $34,988). Since the December 2019 wildfires only 2 properties are available to be leased; and
- The Group also casually leases out certain properties for agistment and other purposes. The annual income amounted to $6,221 (2018: $11,316).

Operating leases: equipment $nil (2018: $6,750)

- The Group concluded an equipment lease in February 2019.

	Consolidated	
	31 December 2019 $'000	31 December 2018 $'000
(b) Other income		
Other Income	**27**	17
	27	17
(c) Other income		
Insurance proceeds 8(a)	**60,000**	-
	60,000	-
(d) Forestry expenses:		
Salaries and wages	**163**	139

	Consolidated	
	31 December 2019 $'000	31 December 2018 $'000
(e) Other Expenses		
Directors' fees and remuneration	**612**	561
Directors' performance rights	**64**	82
Total directors' remuneration	**676**	643
Share based payments	**25**	33
Professional fees	**142**	172

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Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2019

	Consolidated 31 December 2019 $'000	31 December 2018 $'000
Legal fees	**61**	148
ASX/Share registry fees/ASIC fees	**45**	48
Audit fees	**44**	31
Depreciation	**65**	62
Other corporate expenses	**39**	33
	1,097	1,170

5. Income tax

	Consolidated 31 December 2019 $'000	31 December 2018 $'000
a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Research and Development tax refund	**-**	(45)
Deferred income tax	**(15,755)**	(199)
Income tax expense/(benefit) reported in profit or loss	**(15,755)**	(244)
Profit/(loss) before tax	**(52,608)**	(3,886)
At the statutory income tax rate of 30% (2018: 30%)	**(15,782)**	(1,166)
Research and development tax refund	**-**	(45)
Other deductions	**27**	682
Tax losses brought into account as a deferred tax asset	**-**	30
Adjustments in respect of prior year	**-**	255
Income tax expense/(benefit) reported in income statement	**(15,755)**	(244)
b) Amounts charged or credited to other comprehensive income		
Deferred income tax related to items charged/(credited) to equity		
Share issue costs	**-**	-
Net gain on property, plant and equipment	**-**	-
Income tax expense reported in equity	**-**	-

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	31 December 2019 $'000	30 June 2019 $'000	**31 December 2019 $'000**	30 June 2019 $'000	**31 December 2019 $'000**	30 June 2019 $'000
CONSOLIDATED						
Trade and other receivables	**486**	616	**(18,226)**	-	**(17,740)**	617
Property, plant and equipment	**2,056**	1,694	**(5,842)**	(5,845)	**(3,786)**	(4,151)
Biological assets	**9,079**	-	**-**	(23,685)	**9,079**	(23,685)
Trade and other payables	**54**	70	**-**	-	**54**	70
Tax losses	**9,567**	8,568	**-**	-	**9,567**	8,567
Net tax assets/(liabilities)	**21,242**	10,948	**(24,068)**	(29,530)	**(2,826)**	(18,582)

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Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2019

6. Earnings per share

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

a) Earnings used in calculating earnings per share

	Consolidated	
	31 December 2019 $'000	31 December 2018 $'000
Continuing Net profit/(loss) attributable to ordinary equity holders of the parent	**(36,853)**	(3,642)

b) Weighted average number of shares

	No.	*No.*
Post-share split		
Weighted average number of ordinary shares for basic earnings per share	**56,105,517**	50,905,871
Effect of dilution:		
Share options and performance rights	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**56,105,517**	50,905,871

There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

7. Cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December 2019.

	Consolidated	
	31 December 2019 $'000	30 June 2019 $'000
Cash at bank and in hand	**6,288**	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 31 December 2019 $1,857,447 (30 June 2019: $2,534,436, 31 December 2018: $3,155,148) is held in a restricted savings account, the funds can only be used to pay for CBA borrowing costs.

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Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2019

8. Current assets – Trade and other receivables

	Consolidated 31 December 2019 $'000	30 June 2019 $'000
Trade receivables	**126**	5
Insurance proceeds receivable (a)	**60,000**	-
Carrying amount of trade and other receivables	**60,126**	5

(a) The December 2019 wildfires affected 95% of the KPT's plantation, as a result there is a $65,000,000 plantation insurance claim and a $3,200,000 extras claim with an excess of $5,000,000 applying to any one claim. In addition, an insurance claim on fire affected structures is being negotiated. At 31 December 2019, the directors have assessed that $60,000,000 is virtually certain in respect of the plantation insurance claim. In February 2020, $10,000,000 of the plantation insurance claim was received as a progress payment. The insurance policy documents are internally contradictory in regard to the way in which the excess is to be applied in a situation when combined claimable losses from more than one incident significantly exceed the policy limit. As a matter of prudence, the Board has elected to include as a receivable asset only that part of its claimable losses that amounts to the policy limit less the excess. It expresses no opinion on whether a further $5,000,000 may be receivable

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

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

	Freehold Land & Buildings $'000	Plant and equipment $'000	Wharf Asset $'000	Total $'000
Half-year ended 31 December 2019				
At 1 July 2019 net of accumulated depreciation and impairment	47,485	318	14,288	**62,091**
Additions	-	56	659	**715**
Disposals	-	(160)		**(160)**
Adjustment in accumulated depreciation in relation to disposals	-	160	-	**160**
Depreciation charge for period	(9)	(56)	-	**(65)**
At 31 December 2019 net of accumulated depreciation & impairment.	**47,476**	**318**	**14,947**	**62,741**
Cost or fair value	47,701	1,084	14,947	**63,732**
Accumulated depreciation	(225)	(766)	-	**(991)**
Net carrying amount at 31 December 2019	**47,476**	**318**	**14,947**	**62,741**
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

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2019

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

At 31 December 2019, the Board and Audit Committee have reviewed the key inputs and have concluded that there are no indicators that a revaluation of the Group's freehold land and buildings is required.

The Increase in wharf assets during the period is due to the acquisition and improvements to a floating pontoon totalling $0.7 million (June 2019: $4.22 million). The wharf asset is not operational and therefore no depreciation has been charged during the period (June 2019: $nil).

10. Biological assets

	Consolidated	
	31 December 2019 $'000	30 June 2019 $'000
At 1 July plantation timber at fair value	**115,158**	107,816
Add fair value adjustment:		
Fair value loss	**(109,215)**	7,342
Total biological assets	**5,943**	115,158
Plantation timber at cost	**25,178**	25,178
Accumulated fair value (loss)/gain	**(19,235)**	89,980
Total biological assets	**5,943**	115,158
Classified as current		
Classified as non-current	**5,943**	115,158

Due to wildfires that started in December 2019 approximately 95% of the Group's timber plantation has been damaged, leaving three plantations with limited fire damage, of which 512.5 acres is undamaged. The Board have resolved to value these thee plantations using the 30 June 2019 book value which amounts to $5,942,626. Until the Board has confirmed a viable strategy to remove the damaged timber from other plantations, a salvage value of $nil has been determined for all damaged or partially damaged timber. The result is a fair value loss of $109,216,356 during the period (2018: $nil).

11. Interest-bearing liabilities

	Consolidated	
	31 December 2019 $'000	30 June 2019 $'000
Current		
Bank borrowings [a]	**29,700**	-
Total current	**29,700**	-
Non-Current		
Bank borrowing [a]	**-**	29,700
Total non-current	**-**	29,700
Total	**29,700**	29,700

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a. The Group has a $57,100,000 facility with the CBA of which $25,000,000 ('first draw down'), $8,000,000 ('second draw down') and $22,000,000 ('third draw down') is available to fund Wharf Construction once approval obtained; in addition, further CBA asset finance will be available.

Due to the events affecting the Company's biological asset value, certain loan covenants have now been breached. The Board emphasises that the loans will be fully repaid, following receipt of the Insurance Proceeds from the recent wildfires (refer to Note 8(a)); as a result, the loans are now shown as current liabilities.

Interest of 0.93% (2018: 1.79%) per annum based on BBSY variable rate and fees of 3.85% (2018: 3.1%) per annum on amounts drawn down amounted to $596,989 (2018: $1,597,384) during the period. The facility is secured by:

- First ranking charge over all assets including all present and acquired property (excluding Smith Bay wharf site and Ballast Head land) and plantation assets; marine leases (if applicable), wharf assets and shares in subsidiary undertakings.
- A charge over Smith Bay wharf site and Ballast Head land will not be registered until the second drawdown is required. The two assets are valued at $1,100,000 by the Independent Valuer.
- An account set off deed over deposited funds of $1,857,447 (June 2019: $2,534,436).

The Group is also subject to a number of loan covenants, until the wildfires all of the covenants have been complied with since drawing down on the facility on 28 April 2017.

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

12. Contributed equity

a) Issued and paid up capital

	Consolidated 31 December 2019 $'000	Consolidated 30 June 2019 $'000
Ordinary shares fully paid	**90,629**	89,949

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

a) Movements in shares on issue

	31 December 2019 Number of shares	31 December 2019 $'000	30 June 2019 Number of shares	30 June 2019 $'000
Beginning of financial year	**56,081,499**	**89,949**	50,897,512	79,963
Placement	**330,000**	**660**	5,153,250	10,306
Share-based payment (Note 14)	**10,925**	**25**	30,737	62
Share issue costs	**-**	**(5)**	-	(382)
End of the financial year	**56,422,424**	**90,629**	56,081,499	89,949

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Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2019

13. Reserves

	Consolidated	
	31 December 2019 $'000	30 June 2019 $'000
Option reserve (a)	**28**	125
Property, plant and equipment reserve	**3,685**	3,685
	3,713	3,810

(a) Option reserve

	Consolidated	
	31 December 2019 $'000	30 June 2019 $'000
Opening balance	**125**	111
Movement:		
Performance rights dated 21 November 2019	**28**	-
Performance rights dated 16 October 2018	**35**	125
Performance rights dated 10 November 2017	**-**	47
Performance rights lapsed	**(160)**	(158)
Closing balance	**28**	125

Further details can be found in Note 19. The option reserve is used to recognise the grant date fair value of options and performance rights issued to employees but not yet exercised.

14. Share-based Payment

Recognised share-based payment expenses

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

	Consolidated	
	31 December 2019 $'000	31 December 2018 $'000
Performance rights [(a)]	**63**	82
Expense arising from equity-settled share-based payment transactions [(b)]	**25**	28
Paid to employees under Executive & Employee Share Plan	**-**	5
Total expense from share-based payment transactions	**88**	115

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

(a) During the period the following $63,773 (31 December 2018: $82,174) of directors' remuneration related to performance rights. The performance rights issued have been valued in accordance with AASB 2 *Share-based payments*:

1) Performance Rights Dated 21 November 2019 valued at $166,500:
    i. $28,556 is recognised in the six month period ended 31 December 2019;
    ii. $130,015 to be recognised in the six month period ended 30 June 2020; and
    iii. $7,929 to be recognised in the year ended 30 June 2021.
2) Performance Rights Dated 16 October 2018 valued at $147,597:
    i. $30,391 is recognised in the six month period ended 31 December 2018;
    ii. $72,978 to be recognised in the six month period ended 30 June 2019; and
    iii. $44,228 to be recognised in the year ended 30 June 2020.
3) Performance Rights Dated 10 November 2017 valued at $158,397:
    i. $24,159 is recognised in the six month period ended 31 December 2017;

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Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2019

ii. $86,798 is recognised in the six month period ended 30 June 2018; and
iii. $47,440 to recognised in the six month period ended 31 December 2018.

(b) Shares issued in lieu of $25,000 (2018: $25,000) consulting fees to Peter Lockett (refer below for further details)

Peter Lockett was appointed as Approvals Manager on 8 May 2017. Mr Lockett's professional services are invoiced by Seaview Corporate Services Pty Ltd, of which, Mr Lockett has effective control. During the period 10,925 ordinary shares were issued in respect of $25,000 of services:

- 5,221 shares at $2.39 as payment for $12,500 of services incurred and accrued in the prior period; and
- 5,704 shares at $2.19 as payment for $12,500 of services incurred in the current period.

During the prior period 12,073 ordinary shares were issued to Peter Lockett in respect to $25,000 of services:

- 5,872 shares at $2.13 as payment for $12,500 of services incurred and accrued in the prior period; and
- 6,201 shares at $2.02 as payment for $12,500 of services incurred in the prior period.

15. Commitments

Commitments

	Consolidated Lease Commitments		**Consolidated Other Commitments**	
	31 December 2019 $'000	30 June 2019 $'000	**31 December 2019 $'000**	30 June 2019 $'000
Due no later than one year	**34**	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	**34**	32	**-**	-

The Group leases two offices.

There are no other commitments at 31 December 2019 or 30 June 2019.

16. Contingent assets and liabilities

The Group is expected to recover on a claim in respect of fire damaged infrastructure, of which a $1 million progress payment was received in February 2020 against cost of infrastructure replacement.

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

There are no other contingent assets or contingent liabilities at 31 December 2019.

17. Operating segments

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

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Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2019

18. Events after balance date

In February 2020 the Group received a progress payment from the standing timber insurance policy of $10,000,000. The timber was insured for $65,000,000 with an excess of $5,000,000 applying to any one claim. The insurance policy documents are internally contradictory in regard to the way in which the excess is to be applied in a situation when combined claimable losses from more than one incident significantly exceed the policy limit. As a matter of prudence, the Board has elected to include as a receivable asset only that part of its claimable losses that amounts to the policy limit less the excess. It expresses no opinion on whether a further $5,000,000 may be receivable.

In February 2020 the Group received $1 million progress payment from the infrastructure insurance policy in respect of fire damaged infrastructure.

The Group is not aware of any other significant events occurring after 31 December 2019.

19. Performance Rights

	Year	Performance Rights dated 21 November 2019 $	Performance Rights dated 16 October 2018 $	Performance Rights dated 10 November 2017 $	Total Performance Rights $
Non-Executive Directors					
P McKenzie	**2019**	2,856	5,031	-	7,887
	2018		14,767	6,777	21,544
G Boulton	**2019**	2,856	5,031	-	7,887
	2018		14,767	6,777	21,544
Executive Directors					
K Lamb[(1)]	**2019**	5,711	**-**	-	5,711
	2018		21,251	-	21,251
J Sergeant	**2019**	5,711	10,062	-	15,773
	2018		29,534	13,554	43,088
S Black	**2019**	5,711	5,031	-	10,742
	2018		14,767	6,776	21,543
G Holdaway	**2019**	5,711	10,062	-	15,773
	2018		29,534	13,554	43,088
			-		
Total	**2019**	**28,556**	**35,217**	-	**63,773**
	2018	-	**124,620**	**47,438**	**172,058**

Performance Rights Plan

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

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

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

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Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2019

Performance Rights dated 21 November 2019

At the 21 November 2019 General Meeting, Shareholders approved performance rights dated 21 November 2019, triggered by meeting the following performance condition:

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

Performance Rights dated 16 October 2018 expired on 15 October 2019 and were replaced with Performance Rights dated 21 November 2019.

A summary of the Performance Rights is shown below:

	Shares to be issued to directors:			
20 Business Days VWAP	K Lamb, J Sergeant, S Black & G Holdaway	P McKenzie, & G Boulton	Total Shares	Escrow Period
	Number	Number	Number	
$3.50 or above	107,140	53,570	537,700	12 months
$4.25 or above	85,720	42,860	428,600	12 months
$5.00 or above	64,280	32,140	321,400	12 months
Total	**257,140**	**128,570**	**1,285,700**	

Performance Rights dated 16 October 2018 and 10 November 2017

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

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

Performance Rights dated 16 October 2018 expired on 15 October 2019 and were replaced with Performance Rights dated 21 November 2019.

Performance Rights dated 10 November 2017 expired on 9 November 2018 and were replaced with Performance Rights dated 16 October 2018.

A summary of the Performance Rights is shown below:

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

Valuation of Performance Rights dated 21 November 2019

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

AASB 2 sets the valuation date (termed as Grant Date) as the date at which such a right has been approved, being the date of the General Meeting, 21 November 2019.

The Directors do not believe that Black Scholes or Monte Carlo valuation methods are suitable for the Performance Rights. The performance rights have been valued using the share price at the Grant Date with a probability applied to each tranche. The Rights expire on 20 November 2020. The valuation is based on the probability of achieving VWAP and the share price at 21 November 2019 of $2.22, set out in the table below.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2019

20 Business Days VWAP	Shares to be issued	6 months 31 Dec 2019 $	6 months 30 Jun 2020 $	30 Jun 2021 $	Total Valuation $
$3.50 or above	535,700	21,429	97,496	-	118,925
$4.25 or above	428,600	7,127	32,519	7,929	47,575
$5.00 or above	321,400	-	-	-	
Total	**1,285,700**	**28,556**	**130,015**	**7,929**	**166,500**

Valuation of Performance Rights dated 10 November 2017

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

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

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

20 Business Days VWAP	Shares to be issued	6 months 31 Dec 2018 $	6 months 30 Jun 2018 $	6 months 31 Dec 2017 $	Total Valuation $
$3.50 or above	374,990	21,950	78,864	39,432	140,246
$4.25 or above	300,020	1,788	6,424	4,989	13,201
$5.00 or above	224,980	421	1,150	3,019	4,950
Total	**899,990**	**24,159**	**86,438**	**47,440**	**158,397**

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Directors' Declaration

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

In the opinion of the directors:

a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
   i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
   ii) Complying with Accounting Standards AASB 134 Interim Financial Reporting; and
b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Paul McKenzie
Chairman

Dated this 28th day of February 2020

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Independent Auditor's Report

To the Members of Kangaroo Island Plantation Timbers Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year 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 31 December 2019, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Kangaroo Island Plantation Timbers Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the Corporations Act 2001, including complying with Accounting Standard AASB 134 Interim Financial Reporting.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kangaroo Island Plantation Timbers Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner – Audit & Assurance

Adelaide, 28 February 2020