



Kangaroo Island Plantation Timbers Ltd

ACN 091 247 166

Results for Announcement to the Market Appendix 4E Preliminary Final Report

The following information is given to the ASX under Listing Rule 4.3A

1. Reporting Period

Current reporting period: Year ended 30 June 2020

Previous reporting period: Year ended 30 June 2019

2. Results for announcement to the market

Consolidated Group	Item	2020 \$'000	2019 \$'000	% Change from the previous period
Revenue from ordinary activities from continuing operations	2.1	126	215	Revenue decreased 41%
Revenue from ordinary activities from continuing and discontinued operations	2.1	126	215	Revenue decreased 41%
Profit/(loss) from ordinary activities after tax	2.2	(33,870)	247	Profits decreased 13,813%
Profit/(loss) attributable to members for the period	2.3	(22,058)	247	Profits decreased 9,030%
Discontinued operations	2.3	-	-	
Total comprehensive profit/(loss) after tax	2.3	(22,058)	247	Profits decreased 9,030%
Dividends	2.4	No dividends have been paid or proposed during the period.		
The record date for determining entitlement to dividend	2.5	N/A		
Explanatory information	2.6	For further information refer to Commentary on Results which accompanies this announcement		

Commentary on results

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.



Resumption of Trade

On 30 March 2020 KPT requested to the Australian Securities Exchange that the voluntary suspension be halted and trading of Company shares resumed on 31 March 2020. The voluntary suspension had been requested by the KPT board in response to several wildfires which had ignited on neighbouring private land and national park, and subsequently entered the KPT estate between 20 December 2019 and 21 January 2020.

Land Revaluation

KPT is pleased to announce that a recent valuation of land and buildings owned by the Company shows an \$11.8 million increase in fair value. 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 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 parcel of land is valued.

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.

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 farmcrop 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.

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, including barging to the mainland or transshipping to export, as well as on-island processing. 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. It is our position that while the interests of KPT shareholders, third party growers and ultimately the community of Kangaroo Island are best served by the proposed Seaport, the Company will continue to engage with third party providers capable of addressing the permitting requirements and the



capital investment required to provide barging services, in the period required to complete the Seaport.

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.

In March and April 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.

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.

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).

Net comprehensive loss for the period was \$22,058,000 (2019: profit \$247,000), this is a \$22,305,000 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



	2020 Income/ (Expense) \$000's	2019 Income/ (Expense) \$000's	Increase/ (decrease) in profits \$000's
Performance rights expensed but not issued as conditions not yet met.	(202)	(172)	(30)
Wharf development costs expensed	(1,422)	(2,273)	851
Forestry expense increase due to wildfires	(2,622)	(1,585)	(1,037)
Lower borrowing costs due to loan repayment	(970)	(1,464)	494
Revaluation of land assets	11,812	-	11,812
Other changes	(1,888)	(1,898)	10
Net comprehensive profit	(22,058)	247	(22,305)

Corporate matters

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 Forestry Salvage Consultant.

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.



3. Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Consolidated	
	2020	2019
	\$'000	\$'000
Operating lease income	61	141
Bank interest	65	74
Revenue	126	215
Cost of sales	-	-
Gross profit	126	215
Fair value gain/(loss) on biological assets	(109,216)	7,343
Other income	68,146	4
Profit/(loss) on assets sold	181	13
Forestry expenses	(2,623)	(1,585)
Wharf development costs	(1,422)	(2,273)
Administrative expenses	(60)	(32)
Other expenses	(2,456)	(2,271)
Finance costs	(970)	(1,464)
Profit/(loss) before income tax	(48,294)	(50)
Income tax benefit/(expense)	14,424	297
Net profit/(loss) for the year	(33,870)	247
Discontinuing operations		
Other comprehensive income		
<i>Items that will not be classified subsequently to profit or loss</i>		
Net fair value gain in property, plant and equipment	11,812	-
Other comprehensive income for the year net of tax	11,812	-
Total comprehensive profit/(loss) for the year attributable to members of the parent	(22,058)	247



4. Statement of Financial Position

As at 30 June 2020

	Consolidated	
	2020	2019
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	8,521	9,511
Trade and other receivables	128	5
Other current assets	32,327	777
Total current assets	40,976	10,293
Non-current assets		
Property, plant and equipment	74,858	62,091
Biological assets	5,942	115,158
Deferred tax asset	18,518	10,948
Other non-current assets	5	5
Total non-current assets	99,323	188,202
TOTAL ASSETS	140,299	198,495
LIABILITIES		
Current liabilities		
Trade and other payables	577	1,011
Employee benefits	154	199
Interest-bearing liabilities	-	-
Total current liabilities	731	1,210
Interest-bearing liabilities	-	29,700
Deferred tax liability	22,676	29,530
Total non-current liabilities	22,676	59,230
TOTAL LIABILITIES	23,407	60,440
NET ASSETS	116,892	138,055
EQUITY		
Contributed equity	90,669	89,949
Reserves	15,497	3,810
Accumulated profit/(losses)	10,726	44,296
TOTAL EQUITY	116,892	138,055



5. Statement of Cash Flows

For the year ended 30 June 2020

	Consolidated	
	2020	2019
	\$'000	\$'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	(1,454)	(2,332)
Interest received	65	74
Borrowing costs	(1,183)	(1,445)
Tax refund	-	209
Government Rebate	50	-
Insurance Recovery	35,926	-
Net cash flows (used in) operating activities	29,122	(6,934)
Cash flows from investing activities		
Purchase of land	-	-
Proceeds from sale of investment properties	-	-
Proceeds from sale of plant and equipment	287	13
Purchase of wharf development assets	(1,091)	(4,721)
Purchase of plant and equipment	(261)	(34)
Net cash flows from investing activities	(1,065)	(4,742)
Cash flows from financing activities		
Proceed from the issue of shares	660	10,306
Payment for share issue costs	(7)	(546)
Proceeds from bank borrowings	(29,700)	4,700
Net cash flows from 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	8,521	9,511



6. 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 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
Profit (Loss) for the period	-	-	-	-	(33,870)	(33,870)
Other comprehensive income	-	-	11,812	-	-	11,812
Total comprehensive income	-	-	11,812	-	(33,870)	(22,058)
Shares issued	660	-	-	-	-	660
Share issue costs	(5)	-	-	-	-	(5)
Share issue costs tax benefit	-	-	-	-	-	-
Net shares issued	655	-	-	-	-	655
Performance rights lapsed	-	-	-	(300)	300	-
Share-based payment	67	-	-	175	-	242
Share issue costs	(2)	-	-	-	-	(2)
Transaction with owners	720	-	-	(125)	300	895
Balance at 30 June 2020	91,119	(450)	15,497	-	10,726	116,892



7. Dividends Paid or Recommended

The Board has neither recommended nor paid any dividends during the year ended 30 June 2020.

8. Details of any Dividend or distribution reinvestment plans

N/A

9. Net tangible assets per security

	30 June 2020	30 June 2019
Number of securities (post share split)	56,463,788	56,081,499
Net tangible assets per security	\$2.14	\$2.79

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

There have been no other changes in controlled entities during the year ended 30 June 2020 nor in prior year.

11. Details of associates and joint venture entities

N/A

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer *Commentary on Results* which accompanies this announcement.

13. Foreign entities disclosures

N/A

14. Commentary on the results for the period

Refer *Commentary on Results* which accompanies this announcement.

<u>Earnings per Share</u>	30 June 2020 cents	30 June 2019 cents
<i>Continued operations</i>		
Basic earnings per share:	(60.20)	0.47

After Balance Date Events

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.

15. Audit status

The Preliminary Final Report is unaudited.

16. Audit dispute or qualification

KPT is not aware of any audit dispute or qualification for the accounts for the year ending 30 June 2020.

Appendix 4E for the year ended 30 June 2020