



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 2021

Previous reporting period: Year ended 30 June 2020

2. Results for announcement to the market

Consolidated Group	Item	2021 \$'000	2020 \$'000	% Change from the previous period
Revenue from ordinary activities from continuing operations	2.1	90	126	Revenue decreased 29%
Revenue from ordinary activities from continuing and discontinued operations	2.1	90	126	Revenue decreased 29%
Profit/(loss) from ordinary activities after tax	2.2	(25,966)	(33,870)	Loss decreased 23%
Profit/(loss) attributable to members for the period	2.3	(28,687)	(25,597)	Loss increased 12%
Discontinued operations	2.3	-	-	
Total comprehensive profit/(loss) after tax	2.3	(28,687)	(25,597)	Loss increased 12%
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

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Commentary on results

Agricultural Strategy

On 12 August 2021, Kangaroo Island Plantation Timbers Limited (**Company** or **KPT**) announced a strategy to remove the tree crop and convert its land for more traditional agricultural use. The Company will continue to pursue any salvage harvest opportunities, particularly for softwood plantations, if they present attractive risk adjusted returns to shareholders.

As a result of the agricultural strategy:

- The land assets have been independently valued at \$51.4m (June 2020: \$59.3 million). Agricultural (grazing) has been determined as the highest and best use of the land. The independent valuation includes an appropriate allowance for the estimated cost of reversion.
- The wharf asset, previously held at historic cost of \$18.2 million, has been impaired to net realisable value, based on an independent valuation of \$5.0 million. The wharf asset is a current asset held for sale.
- The biological assets, previously valued at \$5.9 million, have been determined to have a fair value of nil.

Land Revaluation

The 30 June 2021 independent valuation by JLL Valuation Advisory – Agribusiness of land and buildings owned by the Company amounts to \$51.4 million.

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 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 \$3,500 per hectare to \$4,500 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.

An appropriate allowance for the cost of rehabilitating the forestry estate for agricultural use has been included in the independent valuation.

Insurance payments

During the year KPT received \$32.4 million (prior year \$35.9 million) in insurance cash proceeds from its tree crop and other insurance policies for the damage caused during the 2019 -20 wildfires. KPT's insurer has retained \$5 million in respect of KPT's insurance claim, of which \$1 million related to replanting, with the remainder against the potential for KPT to obtain a positive margin on salvage timber.

The remaining \$4 million insurance claim (plus interest) has not been recognised and is treated as a contingent asset at 30 June 2021.

Results of operations

Revenue for the period decreased by \$36,000 to \$90,000 (2020: \$126,000) as a result of decreased operating lease revenue.

During the period, the change in fair value of biological assets was a decrease of \$5,981,000 (2020: decrease of \$109,216,000).

Net comprehensive loss for the period was \$28,687,000 (2020: loss of \$25,597,000), this is a \$3,090,000 increase in losses which is primarily due to:



	2021 Income/ (Expense) \$000's	2020 Income/ (Expense) \$000's	Increase/ (decrease) in profits \$000's
Insurance recoveries on fire-affected assets	312	68,026	(67,714)
Biological asset of standing timber decrease in fair value	(5,981)	(109,216)	103,235
Tax benefit primarily relating to derecognition of deferred tax assets on capital losses in 2021	1,309	14,424	(13,115)
Performance rights expensed but not issued as conditions not yet met.	(1,572)	(176)	(1,396)
Wharf development costs expensed due to refusal of development application	(14,114)	(1,422)	(12,692)
Forestry expense	(2,554)	(2,623)	69
Forestry expense increase due to commencement of harvesting	(1,226)	-	(1,226)
Lower borrowing costs due to loan repayment	-	(970)	970
Revaluation of land assets	(2,721)	8,273	(10,994)
Other changes	(2,140)	(1,913)	(227)
Net comprehensive profit	(28,687)	(25,597)	(3,090)

Corporate matters

Share issues / buy-backs

On 12 August 2020, the Company completed an 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.

A further 65,844 shares were issued during the year for services received, including 53,678 shares to Approvals Manager, Peter Lockett to settle \$50,000 of consulting fees and 2,607 shares to a company controlled by Company Secretary, Victoria Allinson to settle \$3,000 of professional services fees. In addition, 8,690 shares valued at \$10,000 were issued to other personnel under the Company's Executive and Employee Share Plan.

At 30 June 2021, there were 56,480,359 ordinary Shares on issue and 1,974,784 Performance Rights.

Subsequent to year end, on 12 August 2021, KPT announced an on-market buy-back of up to 10% of issued shares.

Changes to Board

The Company recorded one change to the Board during the year. On 3 May 2021, Mr John Sergeant resigned as a director.



3. Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Consolidated	
	2021	2020
	\$'000	\$'000
Sales	26	-
Operating lease income	6	61
Bank interest	58	65
Revenue	90	126
Fair value gain / (loss) on biological assets	(5,981)	(109,216)
Other income	391	68,146
Profit / (loss) on assets sold	60	181
Forestry expenses	(3,780)	(2,623)
Wharf feasibility costs	(872)	(1,422)
Wharf asset impaired	(13,242)	-
Administrative and other expenses	(3,941)	(2,516)
Finance costs	-	(970)
Profit / (loss) before income tax	(27,275)	(48,294)
Income tax (expense)/benefit	1,309	14,424
Net profit / (loss) for the year	(25,966)	(33,870)
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	(2,721)	8,273
Other comprehensive income for the year net of tax	(2,721)	8,273
Total comprehensive profit / (loss) for the year attributable to members of the parent	(28,687)	(25,597)

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4. Statement of Financial Position

As at 30 June 2021

	Consolidated	
	2021 \$'000	2020 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	32,735	8,521
Trade and other receivables	150	32,356
Other current assets	146	100
	<u>33,031</u>	<u>40,977</u>
Assets classified as held for sale	5,000	-
Total current assets	<u>38,031</u>	<u>40,977</u>
Non-current assets		
Property, plant and equipment	51,917	74,858
Biological assets	-	5,942
Other non-current assets	4	4
Total non-current assets	<u>51,921</u>	<u>80,804</u>
TOTAL ASSETS	<u>89,952</u>	<u>121,781</u>
LIABILITIES		
Current liabilities		
Trade and other payables	2,242	577
Employee benefits	189	154
Interest-bearing liabilities	-	-
Total current liabilities	<u>2,431</u>	<u>731</u>
Interest-bearing liabilities	-	-
Deferred tax liability	1,261	7,697
Total non-current liabilities	<u>1,261</u>	<u>7,697</u>
TOTAL LIABILITIES	<u>3,692</u>	<u>8,428</u>
NET ASSETS	<u>86,260</u>	<u>113,353</u>
EQUITY		
Contributed equity	90,691	90,669
Reserves	9,905	11,958
Accumulated profit / (loss)	(14,336)	10,726
TOTAL EQUITY	<u>86,260</u>	<u>113,353</u>



5. Statement of Cash Flows

For the year ended 30 June 2021

	Consolidated	
	2021 \$'000	2020 \$'000
Cash flows from operating activities		
Receipts from customers	70	206
Payments to suppliers and employees	(5,491)	(4,488)
Payments to wharf development suppliers	(1,003)	(1,453)
Interest received	58	65
Borrowing costs	-	(1,183)
Tax refund	43	-
Government grant	1,196	50
Insurance recovery	32,412	35,926
Net cash flows (used in) operating activities	27,285	29,123
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	79	287
Purchase of wharf development assets	(2,628)	(1,091)
Purchase of plant and equipment	(478)	(262)
Net cash flows from investing activities	(3,027)	(1,066)
Cash flows from financing activities		
Proceed from the issue of shares	-	660
Payment for share issue costs	(2)	(7)
Purchase of unmarketable shares	(42)	-
Repayment of bank borrowings	-	(29,700)
Net cash flows from financing activities	(44)	(29,047)
Net increase/(decrease) in cash and cash equivalents	24,214	(990)
Cash and cash equivalents at beginning of year	8,521	9,511
Cash and cash equivalents at end of year	32,735	8,521

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6. Statement of Changes in Equity

For the year ended 30 June 2021

	Issued capital \$'000	Treasury shares \$'000	Property, plant & equipment revaluation reserve \$'000	Option & performance rights reserve \$'000	Accumulated profit \$'000	Total \$'000
Balance at 1 July 2019	90,399	(450)	3,685	125	44,296	138,055
Loss 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
Balance at 1 July 2020	91,119	(450)	11,958	-	10,726	113,353
Loss for the period	-	-	-	-	(25,966)	(25,966)
Other comprehensive income	-	-	(2,721)	-	-	(2,721)
Total comprehensive income	-	-	(2,721)	-	(25,966)	(28,687)
Shares issued	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-
Net shares issued	-	-	-	-	-	-
Unmarketable parcel buy-back	-	(42)	-	-	-	(42)
Share-based payments	64	-	-	1,572	-	1,636
Share issue costs	-	-	-	-	-	-
Performance rights lapsed	-	-	-	(904)	904	-
Transaction with owners	64	(42)	-	668	904	1,594
Balance at 30 June 2021	91,183	(492)	9,237	668	(14,336)	86,260



7. Dividends paid or recommended

The Board has neither recommended nor paid any dividends during the year ended 30 June 2021

8. Details of any Dividend or distribution reinvestment plans

N/A

9. Net tangible assets per security

	30 June 2021	30 June 2020
Number of securities	56,480,359	56,463,788
Net tangible assets per security	\$1.55	\$2.14

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 2021 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 2021	30 June 2020
	cents	cents
<i>Continued operations</i>		
Basic earnings per share:	(46.02)	(60.20)

After Balance Date Events

On 14 July 2021, the Company appointed two new non-executive directors, Mr James Davies and Mr Mitch Taylor.

On 9 August 2021, the South Australian Minister for Planning and Local Government refused the Company's application to build a deep-water port facility at Smith Bay.

On 11 August 2021, the Company announced a strategy to remove the tree crop and convert its land for more traditional agricultural use. The Company will continue to pursue any salvage harvest opportunities, particularly for softwood plantations, if they present attractive risk adjusted returns to shareholders.



As a result of the agricultural strategy:

- The wharf asset, previously held at historic cost of \$18.2 million, has been revalued to net realisable value, based on an independent valuation of \$5.0 million. The wharf asset is now a current asset held for sale.
- The biological assets, previously valued at \$5.9 million, have been determined to have a fair value of nil.
- The land assets have been independently valued at \$51.4m. Agricultural (grazing) has been determined as the highest and best use of the land. The independent valuation includes an appropriate allowance for the estimated cost of reversion.

These valuations have been reflected in the financial statements for the year ended 30 June 2021.

On 11 August 2021, the Company announced that Managing Director Keith Lamb will retire from the Company Board as Managing Director, effective at the conclusion of the 2021 Annual General Meeting. James Davies will be appointed as Executive Chairman, effective at the conclusion of the 2021 Annual General Meeting. Paul McKenzie will remain on the Board as a Non-Executive Director.

On 12 August 2021, the Company issued an on-market share buy-back notification for up to 10% of the company's issued share capital, being 5,648,035 shares, under the ASX 10/12 rule. The company sought approval to commence the buy-back from 27 August 2021.

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 the 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 2021.