Kangaroo Island Plantation Timbers Ltd

Annual Financial Report

ABN 19 091 247 166

For the year ended

30 June 2018

Corporate Information

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

Company Secretary
Victoria Marie Allinson

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

Principal Places of Business
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147 Pirie Street
Adelaide, South Australia 5000

70 Dauncey Street
Kingscote, South Australia 5223

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

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

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

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

Website
www.kipt.com.au

Australian Securities Exchange Code
KPT

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Directors' Report

Your directors submit their report for the year ended 30 June 2018.

Directors

The names and details of the Company's directors in office during or since the end of the financial year are as follows:

Director	Position	Appointed	Last elected or re-elected at AGM	Resigned
Paul McKenzie	Non-Executive Chair	29 April 2005	10 November 2017	-
John Sergeant	Managing Director	2 March 2013	18 November 2014	-
Shauna Black	Executive	17 March 2015	8 September 2015	-
Graham Holdaway	Executive	17 March 2015	5 October 2016	-
Gregory Colin Boulton	Non-Executive	1 November 2016	24 February 2017	-

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

Names, qualifications, experience and special responsibilities

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

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

Paul was appointed Chair of the CRC for Honey Bee Products Ltd in July 2017, and is Ferrier Hodgson's WA Agribusiness Specialist for advisory, reconstruction and recovery appointments.

Directors' Report

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

Board member since March 2013, Managing Director since January 2015.

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

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

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

He is currently a member of the boards of a number of private companies and until 28 February 2018 a non-executive director of one other listed public company: Asset Resolution Ltd (NSX: ASS).

Shauna Black (appointed 17 March 2015)
Executive Director

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

Ms Black has been a well-known and respected resident of Kangaroo Island for 13 years and has a 30-year career in media. For almost eight years, she was the Managing Editor of the Island's newspaper, *The Islander*, having moved from Adelaide after a 15-year stint at *The Advertiser*, including as its first personal finance editor and superannuation writer.

Ms Black is a member of the board of Media Super and its Investment Committee. She is active in a number of local associations on Kangaroo Island. Ms Black is the proprietor of Black Stump Media, a Kangaroo Island business specialising in media and project management services.

Ms Black is the Manager of the Kangaroo Island Industry and Brand Alliance. Ms Black acted as Flood Recovery Co-ordinator for Kangaroo Island Council, following the severe flood damage sustained in June 2013 in the MacGillivray/Haines area of KI.

Directors' Report

Graham Holdaway (appointed 17 March 2015)
BCA, Dip Accy, ACA, MAICD
Executive Director

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

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

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

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

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

In the period June 2012 to June 2014, Mr Holdaway was a member of two listed boards: Asia Resource Minerals plc and PT Apexindo Pratama Duta Tbk.

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

Board member since November 2016.

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

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

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

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

Directors' Report

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

As at 30 June 2018 and at the date of this report, the interests of the directors, either directly or indirectly, in the shares of Kangaroo Island Plantation Timbers Ltd were:

Interest in ordinary Shares

	Opening interest	Net changes during the period[6]	Performance Rights Issued	Closing interest
Paul McKenzie[1]	2,522,360	132,500	-	2,654,860
John Sergeant[2]	3,004,970	115,000	-	3,119,970
Graham Holdaway[3]	866,785	5,000	-	871,785
Shauna Black[4]	451,670	5,000	-	456,670
Gregory Boulton[5]	76,230	100,000	-	176,230
Total	**6,922,015**	**357,500**	**-**	**7,279,515**

(1) Paul McKenzie's Shares comprise:
   a. 2,132,500 (2017: 2,000,000) held by Aminac Pty Ltd ATF Agrarian Management S/F A/C of which Mr McKenzie is the Managing Director; and
   b. 522,360 (2017: 522,360) held by Alke Pty Ltd (The McKenzie Family Trust No 2 A/C) of which Mr McKenzie is the Managing Director.

(2) John Sergeant's Shares comprise:
   a. 2,099,664 (2017: 2,099,664) held by Phalaenopsis Pty Ltd ATF Sergeant Family Trust of which Mr Sergeant has effective control;
   b. 418,230 (2017: 418,230) direct interest;
   c. 596,366 (2017: 474,366) held by Sergeant Family Superannuation Fund of which Mr Sergeant has effective control; and
   d. 5,710 (2017: 12,710) held by Ms J Sergeant; Ms Sergeant is Mr Sergeant's wife.

(3) Graham Holdaway's Shares comprise:
   a. 406,015 (2017: 401,015) 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; and
   b. 465,770 (2017: 465,770) held by Holdaway & Holdaway Pty Ltd of which Mr Holdaway has effective control, being a director and shareholder.

(4) Shauna Black's Shares comprise:
   a. A direct interest in 66,670 (2017: 66,670) Shares; and
   b. 390,000 (2017: 385,000) 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. 176,230 (2017: 76,230) are held by G Boulton Pty Ltd ATF <Greg Boulton Family S F A/C>.

(6) The increase in Shares related to the placement, the 345,000 Shares were issued at $2.00 per Share on 23 February 2018 following Shareholder approval at the General Meeting held on 5 February 2018. In addition, Mr McKenzie acquired 12,500 Shares off market at $2.15 on 25 June 2018.

Interest in Performance Rights

The Performance Rights Plan ("Plan") and the corresponding Rights dated 10 November 2017 were approved by Shareholders at the 2017 Annual General Meeting ("AGM"). At 30 June 2018, the performance conditions had not been met. Refer to Remuneration Report for further details.

Directors' Report

CFO and Company Secretary

Victoria Allinson (appointed 14 May 2013)

FCCA, AGIA

Vicky is a Fellow of The Association of Certified Chartered Accountants and a member of the Governance Institute of Australia. She has over 24 years' accounting and auditing experience, including senior accounting positions in a number of listed companies and was an audit manager for Deloitte Touche Tohmatsu. In addition, Vicky has gained professional experience while living and working in both Australia and the United Kingdom.

She is current Chief Financial Officer ("CFO") and Company Secretary of listed company, Asset Resolution Limited (NSX: ASS). Her previous experience has included being Company Secretary and CFO for a number of ASX listed companies, including: Marmota Limited, Safety Medical Products Ltd, Centrex Metals Ltd, Adelaide Energy Ltd, Enterprise Energy NL, and Island Sky Australia Ltd as well as a number of unlisted companies. In her role as Company Secretary, Vicky has assisted a number of companies to list on the ASX.

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

Dividends

The directors have resolved not to declare a dividend for the year ended 30 June 2018. No dividends were paid during the previous year.

Principal activities

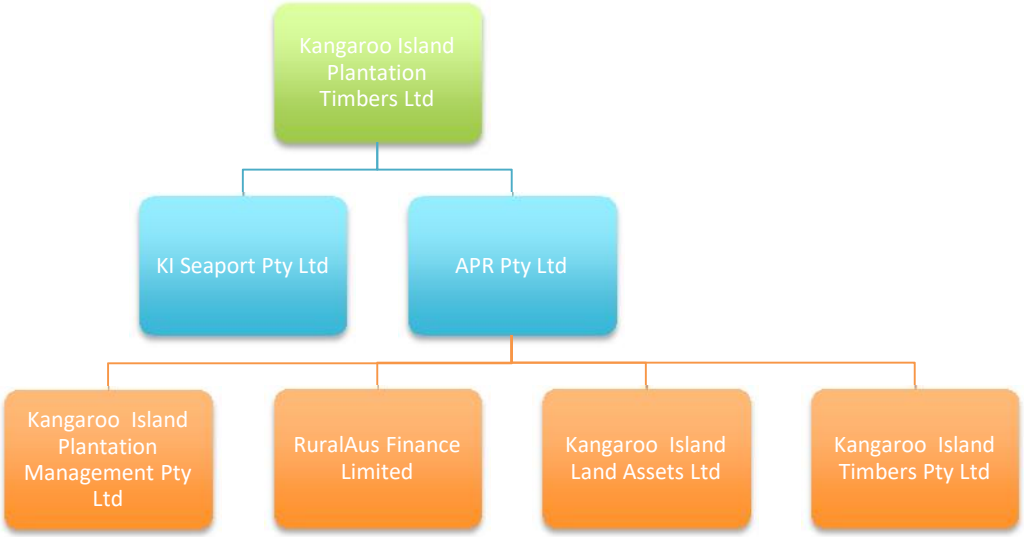
The principal activity during the year of entities within the consolidated group is forestry.

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

Corporate information

Corporate structure

Kangaroo Island Plantation Timbers Ltd is a publicly listed company that is incorporated and domiciled in Australia. Kangaroo Island Plantation Timbers Ltd has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the Group's corporate structure:



Directors' Report

Employees

The consolidated entity employed 4 (full time equivalent) employees and 3 Executive Directors at 30 June 2018 (2017: 3 employees and 3 Executive Directors).

Operating and financial review

Group overview

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

Woodchip offtake agreement with Mitsui Bussan Woodchip Oceania

The Company announced that, following the earlier Memorandum of Understanding with Mitsui Bussan Woodchip Oceania Pty Ltd (Mitsui) creating an exclusive marketing arrangement, the Group signed a rolling five-year Woodchip Sale and Purchase Agreement with Mitsui. This agreement establishes key terms under which the hardwood timber resource on Kangaroo Island will be monetised. To provide the required level of certainty for both parties, and for pulp mill customers, an automatic term extension is built into the agreement.

The agreement provides that Mitsui will purchase up to 500,000 green tonnes per annum of hardwood woodchip from KPT on a free-on-board basis or equivalent.

Eucalyptus globulus grown on Kangaroo Island is expected to be equal to the best quality woodchips currently exported from Australia. There is an emerging shortage of quality hardwood woodchips available to Asian markets, due to growing demand for fibre-based consumer goods, and significant supply constraints. This shortage of hardwood woodchips has been reflected in strong price growth over the last six to twelve months.

$20 million Institutional placement

The Group announced the successful completion of a placement (Placement) of up to 10 million new KPT shares (**New Shares**). The New Shares were issued at a price of $2.00 per New Share, which represented a 13.5% discount to the 30-day volume weighted average price, at Wednesday 29 November 2017, the last day of trading before the Placement.

Results of offshore geotechnical sampling and coastal process modelling

The Group has received the results of two critical studies relating to marine conditions at Smith Bay, the site of the proposed KI Seaport. The geotechnical sampling determined the seabed composition in the zone of 10-12m water depth, and the coastal process modelling addressed the primary and secondary effects of the dredging that is needed to create a berth pocket and to level the seaward approaches.

The results of both studies are favourable, and show that:

- The seabed composition was found to be consistent with inferences made on the basis of previous offshore geophysical investigations and onshore geotechnical sampling. In particular, no elevated hard rock was found in the area that will form the berth pocket or in the berth approaches.
- The geotechnical conditions encountered generally comprise sand overlaying a mixture of cobbles and sediment. Sand is the largest proportion of this material. No toxic materials were identified. These materials can be removed in a cost-effective and environmentally sound manner, and a large portion of the liberated material is capable of being reused as bulk fill on land or for causeway construction, following any required treatment on shore;
- Smith Bay is subject to natural variation in water quality. Fine materials are periodically deposited from nearby watercourses and then re-suspended and dispersed during periods of wind-driven waves.
- The coastal process modelling showed that, having regard to the strength and direction of currents, and the composition of the seabed, the facility can be constructed without adverse effects on the abalone farm located east of the development site.

Directors' Report

Operating and financial review (continued)

- The coastal process modelling did not identify any significant or persistent effects on marine flora and fauna beyond the footprint of the development itself.

The Group remains committed to delivering and operating the KI Seaport in a way that minimises negative impacts on water quality. Full details of this and other studies will be available in the forthcoming Environmental Impact Statement for the project, which the Company has announced will be lodged around the end of September 2018.

Land purchase at Smith Bay

The Group bought an additional 173ha coastal site that adjoins its existing Smith Bay land to the west. The purchase price was $2.15 million and the transaction settled in early April 2018.

The additional land provides the Group with greater flexibility in the layout and capability of its onshore facilities and gives room for the facility to expand in the future, should this be required, subject to government consent.

FSC® certification

Following a comprehensive audit of its operations and policies, all of the Group's timber plantations were granted certification under the Forestry Stewardship Council scheme. While the Group regards this as a source of pricing and marketing advantage, it has publicly stated that FSC® certification is more important as a sign to the community of its commitment to operate in a sustainable and responsible manner, in keeping with the clean, green image of Kangaroo Island. More recently, PEFC® certification was also achieved, based on accreditation to the Australian Standard for sustainable forestry management.

Purchased a floating pontoon

The floating pontoon is large enough to accommodate panamax cargo ships. This purchase effectively locked in a key component of the proposed wharf, potentially reducing the construction time following approval.

Substantial progress in the compilation of an environmental impact study

The Group has announced that it expects to lodge the Environmental Impact Study for its KI Seaport development in September 2018. The Group is committed to working with the South Australia Government to ensure that the benefits of the development to the community are maximised, and that any negative effects are minimised and, where possible, offset. With the assistance of the South Australia Government, the Group will seek to ensure that development consent is secured in a timely manner, with reasonable conditions. The Group is not seeking any direct financial assistance from the South Australia Government.

Results of operations

Revenue for the period increased by $45,000 to $230,000 (2017: $185,000), due to increased rent from land and buildings acquired part way through the prior year.

During the period the change in fair value of biological assets amounted to $26,926,000 (2017: $55,711,000).

Net comprehensive profit for the period was $13,052,000 (2017: $36,313,000), this is a $23,261,000 decrease in profits which is primarily due to:

Directors' Report

Operating and financial review (continued)

	2017 Income/ (Expense) $000's	2018 Income/ (Expense) $000's	Increase/ (decrease) in profits $000's
Biological assets being standing timber increase in fair value based on valuations	55,711	26,926	(28,785)
Tax expense primarily relating to the deferred tax on the revalued biological assets	(13,699)	(6,053)	7,646
Performance rights expensed but not issued as conditions not yet met.	(2,214)	(215)	1,999
Wharf development costs expensed	(1,027)	(2,881)	(1,854)
First full year of interest on the CBA loan that was drawn down in March 2017	(278)	(1,692)	(1,414)
Higher professional fees	(191)	(448)	(257)
No revaluation of land in the current year	227	-	(227)
Executive directors fees have increased due to the full year cost of the two additional executive directors	(148)	(363)	(215)
Other changes	(1,593)	(1,023)	571
Net comprehensive profit	**36,313**	**13,052**	**(23,261)**

Corporate Operations

Share issues

The Company announced the successful completion of a placement (Placement) of up to 10 million new Kangaroo Island Plantation Timbers Ltd shares ("New Shares"). The New Shares were issued at a price of $2.00 per New Share, which represented a 13.5% discount to the 30-day volume weighted average price, at Wednesday 29 November 2017, the last day of trading before the Placement.

Members of the Board and Management of the Company subscribed for 360,000 New Shares, under the Placement the Shares were issued on 23 February 2018.

In addition, 20,433 shares were issued to a related party of Peter Lockett in lieu of consulting fees totalling $44,897 and 2,270 shares valued at $5,000 were issued to employees under the Executive and Employee Share Plan.

Commonwealth Bank of Australia ("CBA") loan facilities

The Group has a $57,100,000 facility with the CBA. At the date of this report, $25 million has been drawn down and $8 million is available to draw down. The remaining $22,000,000 is available to fund Wharf Construction once approval is obtained, in addition further CBA asset finance is available.

Directors' Report

Operating and financial review (continued)

Other Corporate matters

The Group held a General Meeting on 5 February 2018. The following matters were approved by Shareholders at the General Meeting:

- ratification of the $19,800,000 share issue; and
- approval of issue of 360,000 shares to Directors and Key Management Personnel at $2.00 per Share.

During the year the Group changed the names of the following subsidiaries:

Prior name	New name
RuralAus Landholdings Limited	Kangaroo Island Land Assets Limited
RuralAus Plantation Management Pty Ltd	Kangaroo Island Plantation Management Pty Ltd
RuralAus Plantation Timbers Pty Ltd	Kangaroo Island Timbers Pty Ltd
Cinerea Pty Ltd	KI Seaport Pty Ltd

Performance indicators

	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Revenue from ordinary activities from continuing operations	**230**	185	85	100
Revenue from ordinary activities from continuing and discontinued operations	**230**	185	85	100
Profit/(loss) from ordinary activities	**13,052**	36,086	(2,831)	(966)
Profit/(loss) from discontinued operations	**-**	-	-	-
Profit/(loss) attributable to members for the period	**13,052**	36,086	(2,831)	(966)
Other comprehensive income	**-**	227	135	-
Total comprehensive profit/(loss) after tax	**13,052**	36,313	(2,696)	(966)

	2018	2017	2016	2015
Basic earnings per share				
Post-share split	**28 cents**	148 cents	(17) cents	(6) cents
Pre-share split	**281 cents**	1,478 cents	(166) cents	(58) cents
Net tangible asset backing per security:				
Post-share split	**289 cents**	233 cents	73 cents	79 cents
Pre-share split	**2,894 cents**	2,326 cents	731 cents	793 cents

Significant changes in the state of affairs

The significant changes affecting the Company and its subsidiaries are set out in Group Overview.

There have been no other significant changes in the state of affairs of the Group.

Directors' Report

Significant events after balance date

On 4 September 2018, the Group announced a $10,000 option to acquire a 41ha property south of and adjoining its existing land at Smith Bay, Kangaroo Island, the site of its proposed KI Seaport. The option allows the Group to acquire the land for a minimum price of $600,000, following approval of the KI Seaport.

On 7 September 2018, the Group announced a change in its CBA facility, allowing up to an additional $8,000,000 to be drawn down as and when required.

There have been no other significant events after balance date.

Likely developments

The Group will continue to pursue its principal activities, being forestry and the production of timber on Kangaroo Island.

The Company remains committed to working with other timber producers on Kangaroo Island, and with local and state government, to develop a new deep-water wharf on Kangaroo Island.

Diversity Report

Introduction

The following is the Diversity Report for the financial year ended 30 June 2018 for Kangaroo Island Plantation Timbers Ltd ("the Company") prepared for the purposes of the Company's Annual Report for the year ended 30 June 2018.

Diversity Policy

The ASX introduced a requirement for all listed companies to adopt a Diversity Policy and a Diversity Strategy by no later than 30 June 2011, to disclose those documents to the shareholders, and to report to the shareholders each year on the current diversity position in the Company including culture, gender and age, and the progress towards achievement of the strategy objectives.

The Diversity Policy is based upon the recommendations of the ASX and the Australian Institute of Company Directors ("AICD") and as such will include requirements that may not be appropriate for a small company such as Kangaroo Island Plantation Timbers Ltd. As with all matters included in the ASX Corporate Governance Principles and Recommendations, any recommendation that is not considered appropriate for the Company will be disclosed on an "if not why not" basis. The Policy is outlined in the Statement of Corporate Governance which is available on the Company's web site.

Responsibility

The Remuneration Committee (if formed, otherwise the Board) is charged with the responsibility for implementation of the Diversity Policy and the oversight of the Diversity Strategy progress and delegates that responsibility to the CEO. The Company Secretary is charged with the responsibility for reporting to the Committee each year in accordance with the requirements of the Policy.

Current Position

As at 30 June 2018 there is an aggregate of 14 staff (full time and part time) including Directors, employees and contractors (full and part time) in the Company. Of the aggregate 6 are female (including 2 KMP, an Executive Director and the Company Secretary/Chief Financial Officer), 1 is of different ethnic or cultural background, and 1 is of mature age. Consequently, it could be said that the Company is already harnessing the benefits of a diverse workforce. A number of diversity objectives were not implemented by the Group at this stage given its size and low staff numbers. These are set out in the table below.

Directors' Report

Diversity Report (continued)

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

Table 1

Strategy, initiative or program	By when	Current position
Phase 1 – Strategies		
1.1(a) The development and adoption of the Policy	June 2013	Completed
1.1(b) Embody within the Statement of Corporate Governance	June 2013	Completed
1.1(c) Assignment of responsibility	June 2013	Completed
Phase 2 - Initiatives and Programs		
At Board / Board Committee Level		
1.2(a)(i)(A) Diversity is embedded as a relevant attribute	June 2013	Completed
1.2(a)(i)(B) Any skill / gap analysis matrix includes due regard for the attributes of diversity	As required	Will be prepared when required
1.2(a)(i)(C) Clear statement exists as to the mix of skills and diversity that the Board is looking to achieve	June 2013	Stated below and Included in the Charter for the Board of Directors
1.2(a)(ii) When addressing Board succession planning	June 2013	Included in the Charter for the Board of Directors
1.2(a)(iii) Inclusion of Diversity related KPIs for CEO and senior executives	June 2013	N/A given the size of Group and number of staff
1.2(b)(i) Review the Company's HR policies	June 2013	N/A given the size of Group and number of staff
1.2(b)(ii) Review the Company's physical environment & cultural practices to ensure compliance with the Policy	June 2013	N/A given the size of Group and number of staff
1.2(b)(iii) Ensure that the Company's recruitment practices follow the Policy requirements	As required	Will be prepared when required
1.2(c)(i) Commit to career development	June 2013	N/A given the size of Group and number of staff
1.2(c)(ii) Develop standing program and provide budget for career development	Annual	As required

Notes:

- The size and nature of the group limits the number of initiatives and programs that are viable. This will be reviewed as the group changes.

- It should be noted that the ASX recognizes that there is an historical "skewed' pipeline of qualified and experienced personnel in the market and accordingly the gender diversity targets must be regarded as "soft" and subject to the overriding caveat stated at Item 8 in the Diversity Policy. The gender diversity targets are detailed at Item 2(c) of the Diversity Strategy.

  "Since good governance principles require independence, transparency, diversity and flexibility, the Board acknowledges the importance of Board structure and, as a consequence, the Board seeks to use the following provisions as guidance when implementing an effective governance structure in the Company."

Directors' Report

Diversity Report (continued)

Board Skills

The Board should contain a relevant blend of expertise and diversity attributes (refer to corporate governance statement for further information) as appropriate for a Company of its size in:

- Forestry;
- Accounting;
- Finance;
- Business;
- Financial instruments;
- Legal matters (especially when not present in the Company Secretary); and
- Marketing.

Diversity at Board Level and Generally

The Board respects the values and the competitive advantage of culture, gender, ethnicity and age "diversity", and the benefits of its integration throughout the Group. The Board has adopted a specific Diversity Policy in order to enrich the Group's perspective, improve corporate performance, increase shareholder value, and enhance the probability of achievement of the Group's objectives.

When addressing Board succession planning (and other appointments throughout the Company) the Board has ensured that the Diversity Policy is respected, efforts are made to identify prospective appointees who have Diversity attributes and efforts are made for any short list of prospective appointees to include at least one male and one female candidate.

Compliance

Having regard to the size of the Group and the nature of its business, it is considered that the Company complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations in respect to diversity.

Environmental regulation and performance

The Group's operations are subject to environmental regulations pursuant to the conditions of tree farm planning permissions and the requirements of planning and regulatory approvals of local government councils. The Group also operates under environmental legal and licence requirements governing its sawmill. To the best of the directors' knowledge, the Group has complied with all environmental regulations relating to its activities during the year.

Indemnification and insurance of directors and officers

During the financial year the controlled entity, on behalf of the Group, paid insurance premiums in respect of directors' and officers' insurance against liability, except wilful breach of duty, of a nature that is required to be disclosed under section 300(8) of the Corporations Act 2001. In accordance with the insurance policy, further details of the nature of the liabilities insured against and the amount of the premium are prohibited from being disclosed.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Directors' Report

Directors' meetings

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

	Number of Directors Meetings Held while in office	Directors Meetings Attended	Number of Audit & Risk Meetings Held while in office	Audit & Risk Meetings Attended
Paul McKenzie	12	11	2	2
John Sergeant(1)	12	11	n/a	n/a
Shauna Black(1)	12	10	n/a	n/a
Graham Holdaway(1)	12	12	n/a	n/a
Gregory Boulton(2)	12	11	2	2

(1) Executive Directors attend Audit and Risk Committee meetings by invitation.
(2) Appointed on 1 November 2016 and appointed as Audit and Risk Committee Chair on 28 February 2017.

Committee membership

As at the date of this report, the Company had an Audit and Risk Committee of the Board of Directors. Mr Boulton was the Independent Chair from 28 February 2017 (previously Mr Holdaway), and half of the members are independent non-executive directors. The directors have considered that the committee is adequate for the Company's current circumstances.

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

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which the Class Order applies.

Auditor independence and non-audit services

The directors have received the auditor's independence declaration, which is included on page 26 of this report. The declaration forms part of the Directors' report.

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

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

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

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

Directors' Report

Auditor independence and non-audit services (continued)

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

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

The amounts received or due and receivable by Grant Thornton Audit Pty Ltd for:

	Consolidated	
	2018 $	2017 $
An audit or review of the financial report of the entity and any other entity in the consolidated entity		
Grant Thornton	77,547	53,000
Taxation services Grant Thornton	11,055	13,050
Total	**88,602**	66,050

Remuneration report (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purpose of this report, the term "executive" encompasses the Managing Director and Chief Financial Officer of the Parent and the Group.

Shareholders AGM votes on Remuneration Report

Kangaroo Island Plantation Timbers Ltd received 99.51% of 'yes' proxy votes and the Remuneration Report for the financial year ending 30 June 2017 was adopted unanimously on a show of hands. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Key management personnel

Key management personnel are as follows:

Directors	**Position**
Paul McKenzie (appointed 29 April 2005)	Chairman - Non-executive Director
John Sergeant (appointed 2 March 2013)	Managing Director (since 1 January 2015)
Shauna Black (appointed 17 March 2015)	Executive Director (since 1 May 2017)
Graham Holdaway (appointed 17 March 2015)	Executive Director (since 1 April 2017)
Gregory Boulton (appointed 1 November 2016)	Independent Non-executive Director
Executives	
Victoria Allinson (appointed 14 May 2013)	Company Secretary, Chief Financial Officer
Peter Lockett (appointed 8 May 2017)	Approvals Manager

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

Remuneration committee

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

Directors' Report

Remuneration report (audited) (continued)

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

The Board of Directors assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

The Board of Directors met once during the year to consider specific remuneration matters; the Board did not use the professional services of Remuneration Consultants during the year.

Remuneration philosophy and structure
The Company has structured remuneration packages for its executives and directors in order to attract and retain people with the necessary qualifications, skills and experience to assist the Company in achieving its desired results.

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

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

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

- Timely production of Company accounts and records;
- Management of the portfolio of former grower loans against acceptable write off and performance standards;
- Maintenance/improvement of the Net Tangible Assets of the Company;
- Control of costs;
- Investor relations;
- Assessment of new opportunities; and
- Employee performance.

Performance is reviewed on an annual basis; the last review was undertaken in September 2017.

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

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

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

Directors' Report

Remuneration report (audited) (continued)

Remuneration of Key Management Personnel ('KMP')

Remuneration is reviewed by the Board (unless a Remuneration Committee is established) and is set at around the mid-point for professional personnel as measured by knowledge of the members of the Remuneration Committee and augmented by reference to reports produced by professional Human Resources consultants.

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ('KMP') of the Company are shown in the table below:

		Short term			Post employment	Long term	Share-based payment		
	Year	Salary & fees $	Cash bonus $	Other non-monetary benefits $	Super $	Long service leave $	Executive share & Rights Plan[8] $	Shares $	Total $
Non-Executive Directors (NED)									
P McKenzie[1]	**2018**	100,000	-	-	-	-	30,773	-	130,773
	2017	75,000	-	-	-	-	357,510	-	432,510
G Boulton[2]	**2018**	75,000	-	-	-	-	30,773	-	105,773
	2017	45,833	-	-	-	-	68,605	-	114,438
J Sergeant[3]	**2018**	68,493	-	-	6,507	-	-	-	75,000
	2017	57,078	-	-	5,422	-	-	-	62,500
S Black[4]	**2018**	75,000	-	-	-	-	30,773	-	105,773
	2017	57,078	-	-	5,422	-	357,510	-	420,010
G Holdaway[5]	**2018**	75,000	-	-	-	-	-	-	75,000
	2017	62,500	-	-	-	-	288,905	-	351,405
Total NED	**2018**	**393,493**	**-**	**-**	**6,507**	**-**	**92,319**	**-**	**492,319**
	2017	297,489	-	-	10,844	-	1,072,530	-	1,380,863
Executive Director (ED)									
J Sergeant[3]	**2018**	170,284	-	-	15,905	2,044	61,548	-	249,781
	2017	98,934	-	-	9,399	-	1,003,925	-	1,112,258
S Black[4]	**2018**	47,650	-	-	2,350	-	-	-	50,000
	2017	7,610	-	-	723	-	-	-	8,333
G Holdaway[5]	**2018**	116,217	-	-	10,845	-	61,548	-	188,610
	2017	28,539	-	-	2,711	-	137,209	-	168,459
Total ED	**2018**	**334,151**	**-**	**-**	**29,100**	**2,044**	**123,096**	**-**	**488,391**
	2017	135,083	-	-	12,833	-	1,141,134	-	1,289,050
Other KMP									
P Lockett[6]	**2018**	200,000	-	-	-	-	-	50,000	250,000
	2017	33,961	-	-	-	-	-	7,397	41,358
V Allinson[7]	**2018**	239,951	-	-	-	-	-	-	239,951
	2017	150,216	-	-	-	-	-	-	150,216
TOTAL	**2018**	**1,167,595**	**-**	**-**	**35,607**	**2,044**	**215,415**	**50,000**	**1,470,661**
	2017	616,749	-	-	23,677	-	2,213,665	7,397	2,861,488

Directors' Report

Remuneration report (audited) (continued)

Notes:

(1) Mr McKenzie's remuneration comprises:
   a. annual director's fees comprised of $100,000 Chairman's fee from 1 January 2017 (previously $50,000), and
   b. 1/7th of the performance rights pool of which Share Based payments have been valued at $30,773 (2017: $357,510):
      i. Performance rights dated 10 November 2017 $15,851 (2017: $nil);
      ii. Performance rights dated 24 February 2017 $14,922 (2017: $68,605); and
      iii. Performance rights dated 18 January 2016 $nil (2017: $288,905);

(2) Mr Boulton's remuneration comprises:
   a. annual director's fees comprised of $75,000 Director's fee from 1 January 2017 (previously $50,000 from date of appointment to 31 December 2017); and
   b. 1/7th of the performance rights pool of which Share Based payments have been valued at $30,773 (2017: $68,605):
      i. Performance rights dated 10 November 2017 $15,851 (2017: $nil); and
      ii. Performance rights dated 24 February 2017 $14,922 (2017: $68,605).

   Mr Boulton's annual directors fees will be increasing to $85,000 from 1 July 2018, the increase is due to account for the extra duties as Audit & Risk Committee Chair.

(3) The Managing Director, Mr Sergeant's remuneration comprises:
   a. annual director's fees comprised of $75,000 Director's fee from 1 January 2017 (previously $50,000) and $183,334 Executive fee (annual leave provision amounted to $2,855: 2017: $nil). Mr Sergeant's annual remuneration amounts to $275,000 from 1 June 2018 (previously $175,000 from date on appointment, being 1 May 2017); and
   b. 2/7ths of the performance rights pool of which Share Based payments have been valued at $61,548 (2017: $1,003,935):
      i. Performance rights dated 10 November 2017 $31,705 (2017: $nil);
      ii. Performance rights dated 24 February 2017 $29,843 (2017: $137,209); and
      iii. Performance rights dated 18 January 2016 $nil (2017: $866,716).

(4) Ms Black was appointed an Executive Director (part-time) on 1 May 2017, her remuneration comprises:
   a. annual director's fees comprised of $75,000 Director's fee from 1 January 2017 (previously $50,000) and $50,000 Executive fee from 1 May 2017.
   b. 1/7ths of the performance rights pool of which Share Based payments have been valued at $30,773 (2017: $357,510):
      i. Performance rights dated 10 November 2017 $15,851 (2017: $nil);
      ii. Performance rights dated 24 February 2017 $14,922 (2017: $68,605); and
      iii. Performance rights dated 18 January 2016 $nil (2017: $288,905).

(5) Mr Holdaway was appointed an Executive Director on 1 April 2017, remuneration comprises:
   a. annual director's fees comprised of $75,000 Director's fee from 1 January 2017 (previously $50,000) and $125,000 Executive fee from appointment on 1 April 2017 (annual leave provision amounted to $2,062: 2017: $nil); and
   b. 2/7ths of the performance rights pool of which Share Based payments have been valued at $61,548 (2017: $426,114):
      i. Performance rights dated 10 November 2017 $31,705 (2017: $nil);
      ii. Performance rights dated 24 February 2017 $29,843 (2017: $137,209); and
      iii. Performance rights dated 18 January 2016 $nil (2017: $288,905).

Directors' Report

Remuneration report (audited) (continued)

(6) Mr Lockett was appointed as Approvals Manager on 8 May 2017. During the period $250,000 (2017: $33,961) of professional services were invoiced by Seaview Corporate Services Pty Ltd, of which Mr Lockett has effective control. During the year $50,000 (2017: $7,397) of these fees have been paid or are to be paid in ordinary shares. At 30 June 2018 $12,500 (2017: $7,397) of these fees are accrued and have been paid in shares since the year end.

(7) Ms Allinson was appointed as CFO and Company Secretary on 14 May 2013. During the year, professional accounting, administration and company secretarial fees of $239,951 (2017: $150,216) were invoiced by Allinson Accounting Solutions Pty Ltd, of which Victoria Allinson is Managing Director and shareholder. The services are provided by Ms Allinson and her two employees. At 30 June 2018, $22,166 (2017: $12,295) of these fees were payable.

(8) During the year, the Board announced Performance Rights dated 10 November 2017 that were approved by Shareholders at the 10 November 2017 Annual General Meeting. The Rights have been valued based on AASB 2 *Share-based Payment*, further details are set out below.

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

Performance Rights Plan

	Year	Performance Rights dated 10 November 2017 $	Performance Rights dated 24 February 2017 $	Performance Rights dated 18 January 2016 $	Total Performance Rights $
Non-Executive Directors					
P McKenzie	**2018**	15,851	14,922	-	30,773
	2017	-	68,605	288,905	357,510
G Boulton	**2018**	15,851	14,922	-	30,773
	2017	-	68,605	-	68,605
Executive Directors					
J Sergeant	**2018**	31,702	29,842	-	61,544
	2017	-	137,208	866,718	1,003,926
S Black	**2018**	15,851	14,922	-	30,773
	2017	-	68,605	288,905	357,510
G Holdaway	**2018**	31,702	29,843	-	61,545
	2017	-	137,209	288,905	426,114
		-			
Total	**2018**	**110,957**	**104,451**	**-**	**215,408**
	2017	-	480,232	1,733,433	2,213,665

The Performance Rights Plan ("Plan") was approved by Shareholders on 10 November 2017. 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.

Directors' Report

Remuneration report (audited) (continued)

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

Performance Rights dated 24 February 2017 and 10 November 2017

At the 24 February 2017 General Meeting, Shareholders approved performance rights dated 24 February 2017, 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 24 February 2017 expired on 23 February 2018 and were replaced with Performance Rights dated 10 November 2017 that have identical performance conditions and expire on 9 November 2018.

A summary of the Performance Rights is shown below:

20 Business Day VWAP	Shares to be issued to J Sergeant & G Holdaway Number	Shares to be issued to P McKenzie, S Black & G Boulton Number	Total Shares to be issued to Directors 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 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, 24 February 2017.

The Directors do not believe that Black Scholes or Monte Carlo valuation methods are suitable for the Performance Rights. The performance rights have been valued using the share price at the grant date and applied a probability to each tranche. The Rights expire on 9 November 2018. The valuation is based on the probability of achieving VWAP and the share price at 24 February 2017 of $2.20, set out in the table below.

20 Business Day VWAP	Shares to be issued	30 June 2018 $	30 June 2019 $	Total Valuation $
$3.50 or above	374,990	100,814	39,432	140,246
$4.25 or above	300,020	8,212	4,989	13,201
$5.00 or above	224,980	1,931	3,019	4,950
Total	**899,990**	**110,957**	**47,440**	**158,397**

Directors' Report

Remuneration report (audited) (continued)

Valuation of Performance Rights dated 24 February 2017

AASB 2 *Share-Based Payment* requires that the Company record the cost of all forms of Director remuneration in the Company's accounts and sets out parameters for determining this cost. Refer to Note 27 for further details.

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

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

20 Business Day VWAP	Shares to be issued	30 June 2017 $	30 June 2018 $	Total Valuation $
$3.50 or above	374,990	412,623	68,771	481,394
$4.25 or above	300,020	65,359	32,679	98,038
$5.00 or above	224,980	2,250	3,001	5,251
Total	**899,990**	**480,232**	**104,451**	**584,683**

Valuation of Performance Rights dated 18 January 2016

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. Refer to Note 27 for further details

AASB 2 sets the valuation date (termed as Grant Date) as the date at which such a right has been finally approved. Because the Directors did not seek immediate ratification of the Plan the approval date was 5 October 2016 - the date of the 2016 AGM.

This produces an unusual set of circumstances, in that the triggers for two of the tranches had already been met and some of the uncertainty that existed when Directors settled on the Plan have subsequently been resolved. The effect of this is that the recorded value is very much higher than it would have been if the Grant Date had been when the Directors advised the market of the proposed Plan.

The Directors do not believe that a 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 and applied a probability to each tranche. The valuation is set out in the table below.

20 Business Day VWAP	Shares Number.	30 June 2016 $	30 June 2017 $	Total Valuation $
$1.50 or above(1)	700,010	649,843	694,176	1,344,019
$2.00 or above	600,000	545,860	583,100	1,128,960
$2.50 or above	499,990	427,025	456,157	883,182
Total	**1,800,000**	**1,622,728**	**1,733,433**	**3,356,161**

(1) The vesting conditions had already been met at the date of Shareholder approval.

Directors' Report

Remuneration report (audited) (continued)

Non-executive director remuneration

Objective
The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure
The total amount paid to non-executive directors is determined by the Board from time to time for presentation to and resolution by shareholders at the Annual General Meeting. The current maximum aggregate remuneration paid to non-executive directors is fixed at $400,000 pa, as approved by shareholders at the 2016 AGM.

The non-executive directors are paid a set amount per year. They are not eligible for any additional payments, other than reimbursement of expenses incurred on behalf of the Group.

In the year ended 30 June 2018:

- non-executive fees amounted to $75,000 (prior to 1 January 2017: $50,000) for each director; and
- Non-executive chair fees amounted to $100,000 (prior to 1 January 2017: $50,000).

The non-executive Audit & Risk Committee chair's fees are increasing from $75,000 to $85,000 from 1 July 2018.

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

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

Executive remuneration

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

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

Structure
The Company has reviewed its staffing requirements as part of the strategic restructure. The number of staff employed: eight (2017: five) employees (part time and full time), including the Executive Directors, at the date of this report. Six (2017: three) employees are based on Kangaroo Island, including one Executive Director.

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

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

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

There were no termination obligations with any of the executives. The total amount paid to executives is determined by the Board on an annual basis as part of the annual performance review of executives conducted by the Board based on KPI's set by the Board each year for the executives. The amount of salary and fees and the payment of cash bonuses, if any, are at the Board's ultimate discretion.

Directors' Report

Remuneration report (audited) (continued)

The Executive Directors' remuneration comprises:

- The Managing Director, Mr Sergeant's
  a. annual director's fees comprised of $75,000 Director's fee from 1 January 2017 and $186,189 Executive fee. Annual fees of $275,000 from 1 June 2018 (previously $175,000 from date of appointment, being 1 May 2017); and
  b. 2/7ths of the performance rights pool of which Share Based payments have been valued at $61,548 (2017: $1,003,935):
     i. Performance rights dated 10 November 2017 $31,705 (2017: $nil);
     ii. Performance rights dated 24 February 2017 $29,843 (2017: $137,209); and
     iii. Performance rights dated 18 January 2016 $nil (2017: $866,716).

- Ms Black was appointed an Executive Director (part-time) on 1 May 2017
  a. annual director's fees comprised of $50,000 Director's fee from 1 January 2017 (previously $50,000) and $50,000 Executive fee from 1 May 2017.
  b. 1/7th of the performance rights pool of which Share Based payments have been valued at $30,773 (2017: $357,510):
     i. Performance rights dated 10 November 2017 $15,851 (2017: $nil);
     ii. Performance rights dated 24 February 2017 $14,922 (2017: $68,605); and
     iii. Performance rights dated 18 January 2016 $nil (2017: $288,905);

- Mr Holdaway was appointed an Executive Director on 1 April 2017
  a. annual director's fees comprised of $75,000 Director's fee from 1 January 2017 (previously $50,000) and $75,000 Executive fee from appointment on 1 April 2017; and
  b. 2/7ths of the performance rights pool of which Share Based payments have been valued at $61,548 (2017: $426,114):
     i. Performance rights dated 10 November 2017 $31,705 (2017: $nil);
     ii. Performance rights dated 24 February 2017 $29,843 (2017: $137,209); and
     iii. Performance rights dated 18 January 2016 $nil (2017: $288,905).

Shareholdings of key management personnel

	Opening interest at 1 July 2017	Net changes during the period[8]	Issued in lieu of fees[7]	Closing interest at 30 June 2018
Directors				
Paul McKenzie[1]	2,522,360	132,500	-	2,654,860
John Sergeant[2]	3,004,970	115,000	-	3,119,970
Graham Holdaway [3]	866,785	5,000	-	871,785
Shauna Black[4]	451,670	5,000	-	456,670
Gregory Boulton[5]	76,230	100,000	-	176,230
Executives				
Peter Lockett[6]	12,500	5,000	20,433	37,933
Victoria Allinson[7]	19,486	5,000	-	24,486
Total	**6,954,001**	**367,500**	**20,433**	**7,341,934**

(1) Paul McKenzie's Shares comprise:
  a. 2,132,500 (2017: 2,000,000) held by Aminac Pty Ltd ATF Agrarian Management S/F A/C of which Mr McKenzie is the managing Director; and
  b. 522,360 (2017: 522,360) held by Alke Pty Ltd (The McKenzie Family Trust No 2 A/C) of which Mr McKenzie is the Managing Director.

Directors' Report

Remuneration report (audited) (continued)

(2) John Sergeant's Shares comprise:
   a. 2,099,664 (2017: 2,099,664) held by Phalaenopsis Pty Ltd ATF Sergeant Family Trust of which Mr Sergeant has effective control;
   b. 418,230 (2017: 418,230) direct interest;
   c. 596,366 (2017: 474,366) held by Sergeant Family Superannuation Fund of which Mr Sergeant has effective control; and
   d. 5,710 (2017: 12,710) held by Ms J Sergeant; Ms Sergeant is Mr Sergeant's wife.

(3) Graham Holdaway's Shares comprise:
   a. 406,015 (2017: 401,015) 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; and
   b. 465,770 (2017: 465,770) held by Holdaway & Holdaway Pty Ltd of which Mr Holdaway has effective control, being a director and shareholder.

(4) Shauna Black's Shares comprise:
   a. A direct interest in 66,670 (2017: 66,670) Shares; and
   b. 390,000 (2017: 385,000) 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. 176,230 (2017: 76,230) held by G Boulton Pty Ltd ATF <Greg Boulton Family S F A/C>.

(6) Mr Lockett was appointed as an Executive on 8 May 2017. At the date of this report Mr Lockett's 37,933 (2017: 12,500) Shares are held by Mr P Lockett and Ms C Charnock <Seaview> S/F AC of which Mr Lockett has effective control. During the year 20,433 shares (2017: nil) shares were issued in payment of professional services invoiced by Seaview Corporate Services Pty Ltd, of which Mr Lockett has effective control.

(7) During the year Ms Allinson acquired 6,916 shares as part of the pro-rata non-renounceable entitlement offers. At the date of this report Ms Allinson's shares comprise:
   a. 21,510 (2017: 16,510) shares held by Allinson Super Funds A/C of which she has effective control; and
   b. 2,976 (2017: 2,976) shares held directly.

(8) The increase in Shares related to the placement, the 355,000 Shares were issued at $2.00 per Share on 23 February 2018 following Shareholder approval at the General Meeting held on 5 February 2018. In addition, Mr McKenzie acquired 12,500 Shares off market at $2.15 on 25 June 2018.

Other Rights and Option holdings of key management personnel

Performance rights

	Opening interest at 1 July 2017	Performance Rights issued	Performance Right lapsed	Closing interest at date of report
Non-executives				
Paul McKenzie(1)	128,570	128,570	(128,570)	**128,570**
Gregory Boulton(2)	128,570	128,570	(128,570)	**128,570**
Executive directors				
John Sergeant(3)	257,140	257,140	(257,140)	**257,140**
Graham Holdaway(4)	257,140	257,140	(257,140)	**257,140**
Shauna Black(5)	128,570	128,570	(128,570)	**128,570**
Executives				
Peter Lockett	-	-	-	**-**
Victoria Allinson	-	-	-	**-**
Total	**899,990**	**899,990**	**(899,990)**	**899,990**

(1) During the year Mr McKenzie received 128,570 performance rights 10 November 2017 were issued and 128,570 Performance Rights dated 24 February 2017 lapsed.
(2) During the year Mr Boulton received 128,570 performance rights 10 November 2017 were issued and 128,570 Performance Rights dated 24 February 2017 lapsed.

Directors' Report

Remuneration report (audited) (continued)

(3) During the year Mr Sergeant received 257,140 performance rights 10 November 2017 were issued and 257,140 Performance Rights dated 24 February 2017 lapsed.
(4) During the year Mr Holdaway received 257,140 performance rights 10 November 2017 were issued and 257,140 Performance Rights dated 24 February 2017 lapsed.
(5) During the year Ms Black received 128,570 performance rights 10 November 2017 were issued and 128,570 Performance Rights dated 24 February 2017 lapsed.

There are no option holdings for the Group.

Related party transactions

	Consolidated	
	2018 $	2017 $
Directors transaction		
Income: Annual lease payment[1]	**24,121**	23,648
Expense: Loan interest[2]	**-**	(16,548)

(1) The Lease agreement between Graham Holdaway and the Group commenced on 30 June 1999. The lease is for 187.60 hectares of Land known as "Gosse East' and has a term of 25 years. Annual rent excluding GST for 30 June 2018 of $24,121 (2017: $23,648) is fully paid.

(2) In June 2016, Aminac Pty Ltd as Trustee for Agrarian Management Super Fund, an entity associated with the Chair of the Company, Mr McKenzie loaned $500,000 to the Company. Interest of $nil (2017: $15,671) was charged at a rate of 8% per annum. The loan is secured by a first ranking mortgage over two of the Company's properties, known as Brookland Park CT Volume 5813 Folio 274 and Yerda North CT Volume 5959 Folio 964 (total book value $1,139,342). In May 2017 the loan and interest were repaid in full.

In April 2017 Alke Pty Ltd (The McKenzie Family Account No 2 A/C) of which Mr McKenzie is the managing Director provided an unsecured loan of $250,000. Interest of nil (2017: $877) was charged and paid at a rate of nil% (2017: 8%) per annum.

End of Remuneration Report

Share options

As at the date of this report, there were no options issued.

Signed in accordance with a resolution of the directors

Paul McKenzie
Chairman

Dated this 7th day of September 2018

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Auditor's Independence Declaration

To the Directors of Kangaroo Island Plantation Timbers Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Kangaroo Island Plantation Timbers Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

I S Kemp
Partner – Audit & Assurance

Adelaide, 7 September 2018

Corporate Governance Statement

Kangaroo Island Plantation Timbers Ltd ("Company") and the Board of Directors are responsible for the Corporate Governance of the Group and are committed to achieving the highest standard of Corporate Governance, business integrity and professionalism with due regard to the interests of all stakeholders. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

As such, the Company has adopted the third edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ending 30 June 2018 was initially adopted on 21 June 2016 and a reviewed version adopted by the Board on 28 September 2018. The Corporate Governance Statement is available at www.kipt.com.au.

Financial Report

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	Consolidated 2018 $'000	2017 $'000
Management fees		**-**	79
Operating lease – land	6a	**130**	36
Operating lease - Equipment hire	6a	**17**	27
Bank interest		**83**	43
Revenue		**230**	185
Cost of sales		**-**	-
Gross profit		**230**	185
Fair value gain on biological assets	14	**26,927**	55,711
Other income	6b	**10**	11
Profit/(loss) on assets sold	6c	**(1)**	11
Forestry expenses		**(1,199)**	(475)
Wharf feasibility costs		**(2,881)**	(1,027)
Administrative expenses		**(66)**	(32)
Other expenses	6d	**(2,223)**	(4,321)
Finance costs	6e	**(1,692)**	(278)
Profit/(loss) before income tax		**19,105**	49,785
Income tax (expense)/benefit	7	**(6,053)**	(13,699)
Net profit/(loss) for the year		**13,052**	36,086
Other comprehensive income			
Items that will not be classified subsequently to profit or loss			
Net fair value gain in property, plant and equipment		**-**	227
Other comprehensive income for the year net of tax		**-**	227
Total comprehensive profit/(loss) for the year attributable to members of the parent		**13,052**	36,313
		EPS in cents	EPS in cents
Basic and diluted earnings per share	8	**28**	148

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

Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	Consolidated 2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**6,727**	6,045
Trade and other receivables	10	**13**	5
Other current assets	11	**697**	1,493
Total current assets		**7,437**	7,543
Non-current assets			
Property, plant and equipment	12	**57,969**	45,732
Investment properties	13	**-**	100
Biological assets	14	**107,816**	80,889
Deferred tax asset	7	**8,767**	6,462
Other non-current assets		**5**	5
Total non-current assets		**174,557**	133,188
TOTAL ASSETS		**181,994**	140,731
LIABILITIES			
Current liabilities			
Trade and other payables	15	**1,720**	1,097
Employee benefits	16	**66**	53
Total current liabilities		**1,786**	1,150
Interest-bearing liabilities	17	**25,000**	25,000
Deferred tax liability	7	**27,558**	19,515
Total non-current liabilities		**52,558**	44,515
TOTAL LIABILITIES		**54,344**	45,665
NET ASSETS		**127,650**	95,066
EQUITY			
Contributed equity	18	**79,963**	60,648
Reserves	19	**3,796**	4,165
Accumulated profit/(losses)		**43,891**	30,253
TOTAL EQUITY		**127,650**	95,066

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Notes	Consolidated 2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		**170**	97
Payments to suppliers and employees		**(3,399)**	(2,881)
Payments to wharf development suppliers		**(2,791)**	(1,073)
Interest received		**83**	43
Borrowing costs		**(1,497)**	(278)
Net cash flows (used in) operating activities	21	**(7,434)**	(4,092)
Cash flows from investing activities			
Purchase of land		**(2,279)**	(33,275)
Purchase of biological assets		**-**	(25,178)
Proceeds from sale of investment properties		**96**	215
Proceeds from sale of plant and equipment		**4**	2
Purchase of wharf development assets		**(8,639)**	-
Deposit for wharf development assets		**-**	(763)
Purchase of plant and equipment		**(16)**	(117)
Net cash flows from investing activities		**(10,834)**	(59,116)
Cash flows from financing activities			
Proceeds from the issue of shares		**20,000**	46,337
Payment for share issue costs		**(1,050)**	(2,479)
Proceeds from bank borrowings		**-**	25,000
Proceeds from other borrowings		**-**	5,750
Repayment of other borrowings		**-**	(5,750)
Proceeds from director's loans		**-**	250
Repayment of director's loans		**-**	(750)
Net cash flows from financing activities		**18,950**	68,358
Net increase/(decrease) in cash and cash equivalents		**682**	5,150
Cash and cash equivalents at beginning of year		**6,045**	895
Cash and cash equivalents at end of year	9	**6,727**	6,045

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Issued Capital $'000	Treasury Shares $'000	Property, plant & equipment Revaluation Reserve $'000	Option & performance Rights Reserve $'000	Accumu-lated Losses $'000	Total $'000
Balance at 1 July 2016	13,487	(450)	3,458	1,895	(5,833)	12,557
Profit for the period	-	-	-	-	36,086	36,086
Other comprehensive income	-	-	227	-	-	227
Total comprehensive income	-	-	227	-	36,086	36,313
Share issued	49,693			(3,356)		46,337
Share issue costs	(2,084)	-	-	-	-	(2,084)
Net shares issued	47,609	-	-	(3,356)	-	44,253
Share-based payment	2	-	-	1,941	-	1,943
Transaction with owners	47,611	-	-	(1,415)	-	46,196
Balance at 30 June 2017	**61,098**	**(450)**	**3,685**	**480**	**30,253**	**95,066**
Balance at 1 July 2017	61,098	(450)	3,685	480	30,253	95,066
Profit for the period	-	-	-	-	13,052	13,052
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	13,052	13,052
Share issued	20,000	-	-	-	-	20,000
Share issue costs	(1,050)	-	-	-	-	(1,050)
Share issue costs tax	315	-	-	-	-	315
Net shares issued	19,265	-	-	-	-	19,265
Performance rights lapsed	-	-	-	(586)	586	-
Share-based payment	50	-	-	217	-	267
Transaction with owners	19,315	-	-	(369)	586	19,532
Balance at 30 June 2018	**80,413**	**(450)**	**3,685**	**111**	**43,891**	**127,650**

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

Notes to the Consolidated Financial Statements

1. Corporate information

The financial report for Kangaroo Island Plantation Timbers Ltd for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 7 September 2018.

Kangaroo Island Plantation Timbers Ltd is a company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' report.

2. Basis of preparation and accounting policies

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for investment properties and freehold land that have been measured at fair value. Kangaroo Island Plantation Timbers Ltd is a for-profit entity for the purposes of preparing the financial report.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which the class order applies.

b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

c) New accounting standards and interpretations

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

There is no impact of new accounting standards and interpretations applied during the year.

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

New / revised pronouncement	Superseded pronouncement	Nature of change	Likely impact on initial application
AASB 9 *Financial Instruments (December 2014)*	*AASB 139 Financial Instruments: Recognition and Measurement*	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are: a Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flow.	*The entity has undertaken an assessment of the impact of AASB 9. The entity's assessment, is that given the current level of activity and as the entity does not currently have debt assets, hedge or equity investments the Standard is therefore not expected to have a material impact on*

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

New / revised pronouncement	Superseded pronouncement	Nature of change	Likely impact on initial application
AASB 9 *Financial Instruments (December 2014) continued*	*AASB 139 Financial Instruments: Recognition and Measurement*	b Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. d Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: Z the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI) Z the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: Z classification and measurement of financial liabilities; and Z derecognition requirements for financial assets and liabilities. AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.	*the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.* *The entity will undertake further assessments should the entities activities change.*

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

New / revised pronouncement	Superseded pronouncement	Nature of change	Likely impact on initial application
AASB 15 *Revenue from Contracts with Customers*	AASB 118 *Revenue* AASB 111 *Construction Contracts* Int. 13 *Customer Loyalty Programmes* Int. 15 *Agreements for the Construction of Real Estate* Int. 18 *Transfer of Assets from Customers*	AASB 15:) replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations: - establishes a new revenue recognition model - changes the basis for deciding whether revenue is to be recognised over time or at a point in time - provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) - expands and improves disclosures about revenue.	The entity as assessed the impact of AASB 15 and has concluded that as there are currently no contracts with customers there is currently no material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.
AASB 16 *Leases*	AASB 117 *Leases* Int. 4 *Determining whether an Arrangement contains a Lease* Int. 115 *Operating Leases—Lease Incentives* Int. 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	AASB 16:) replaces AASB 117 *Leases* and some lease-related Interpretations) requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases) provides new guidance on the application of the definition of lease and on sale and lease back accounting) largely retains the existing lessor accounting requirements in AASB 117) requires new and different disclosures about leases	The entity currently has only two office leases and has assessed there is no material impact of these leases; as a result AASB 16 is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020. The standard will be assessed when new leasing agreements are being negotiated to ensure the impacts are known prior to the contract being signed.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective, and has not yet assessed the impact of these standards.

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Kangaroo Island Plantation Timbers Limited and its subsidiaries as at and for the period ended 30 June each year (the Group).

The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-Group transactions and dividends have been eliminated in full.

All controlled entities have a June financial year-end.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Kangaroo Island Plantation Timbers Ltd are accounted for at cost in the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised. See Note 26 for parent entity information.

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

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

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposaled of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

e) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available. This includes start-up operations, which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

There have been no changes from the prior period in the measurement methods used to determine reported segment profit or loss.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments, or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

h) Biological Assets

Timber plantations

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

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

Further details including key assumptions can be found in Note 14.

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

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

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

i) Financial Instruments

Recognition, Initial Measurement and Derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at Fair Value Through Profit or Loss ('FVTPL');
- Financial assets at Fair Value Through Other Comprehensive Income ('FVTOCI');
- Held-To-Maturity ('HTM') investments; or
- Available-For-Sale ('AFS') financial assets.

All financial assets except for those at FVTPL, are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial Assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

Assets in this category are measured at fair value with gains or losses recognised in the profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(ii) Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments, impairment reversals are not recognised in profit or loss, and any subsequent increase in fair value is recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; and discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

j) Property, plant and equipment

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such costs includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Straight Line
Plant and equipment	6-33%
Mobile plant and vehicles	20%
Buildings	3%

The wharf assets will not be depreciated until the wharf is operational.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Freehold land and buildings

Freehold land is measured at fair value (refer to Note 2(u)), less any impairment losses recognised at the date of revaluation.

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

Any revaluation increment is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit and loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in the profit and loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss within other income or expenses.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Certain leasehold land, held under perpetual crown lease, is treated in the same manner as freehold land.

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

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

k) Investment properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance date. Gains or losses arising from changes in the fair values of investment properties are included in the profit and loss in the year in which they arise. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from an investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under *Property, plant and equipment* up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

l) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels of which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Management has considered the triggers for impairment and concludes that no impairment is required for the year ended 30 June 2018.

m) Trade and other payables

Trade payables and other payables are carried at amortised cost due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

n) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable than an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee Leave Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date, are recognised in respect of employees' services up to the reporting date.

They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

o) Contributed equity

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

p) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Timber sales

Timber sales are recognised when the Group has transferred to the buyer the significant risk and reward of ownership, generally when the customer has taken delivery of the goods.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Operating leases

The Group also earns rental income from operating leases of its property, plant and equipment (see Note 6). Rental income is recognised on a straight-line basis over the term of the lease.

q) Share-based payment transactions

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

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

r) Income tax

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

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

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

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

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates or interests in joint ventures; in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Kangaroo Island Plantation Timbers Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2004.

The head entity, Kangaroo Island Plantation Timbers Ltd and the controlled entities in the tax consolidation Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

In addition to its own current and deferred tax amounts, Kangaroo Island Plantation Timbers Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and tax credits assumed from controlled entities in the tax consolidation Group.

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

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

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

Other taxes

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

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

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

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

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

s) Earnings per share

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

Diluted earnings per share is calculated as net profit attributable to members of the parent and adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

t) Comparative figures

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

u) Fair value measurements

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

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

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

- Level 1: quoted (unadjusted market prices in active markets for identical assets or liabilities).
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

- Note 12: Property, Plant and Equipment; and
- Note 14: Biological Assets.

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

v) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates, and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Key Estimate – Valuation of biological assets

In the prior year, the fair value of the biological assets was calculated by an independent expert Geddes Management Pty Ltd (Geddes) in its report dated 14 August 2017. The valuation model used by Geddes allows the Group to estimate the value of its timber under various scenarios, and to consider the impact of variables within and outside the Group's control, such as harvesting costs, internal road construction costs, haulage, wharf charges, exchange rates and international timber prices. Like any forward-looking valuation, the outputs are sensitive to the choice of assumptions.

In the current year, the Group have updated the valuation model to reflect the key variables at 30 June 2018. The resulting directors' valuation of biological assets of $107,816,000, being an increase of $26,927,000. Further details including key assumptions can be found in Note 14.

The Board have reviewed the key valuation inputs and have concluded that a directors' updated revaluation is required at 30 June 2018.

Key Estimate – Valuation of Land

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

Notes to the Consolidated Financial Statements

2. Basis of preparation and accounting policies (continued)

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.

The Board have reviewed the key valuation inputs and have concluded that there are no indicators that an updated revaluation is required at 30 June 2018.

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

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

The amount recognised as an expense for the 30 June 2018 and 30 June 2017 financial periods is calculated using estimates for the expected vesting periods, fair value of the performance rights at grant date and remaining uncertainties about the satisfaction of performance conditions. Refer to Notes 18 and 27 for further details.

Key Estimate – *Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences if management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

w) Going concern assumptions

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

During the year ended 30 June 2018, the Group incurred a net loss after tax of $13,874,000 (excluding fair value gain of $26,926,000) and a net cash outflow used in operating activities of $7,434,000. The cash and cash equivalents balance, as at 30 June 2018, was $6,727,000. The consolidated entity's net current asset position at 30 June 2018 was $127,650,000. The Company has a $57,100,000 facility with the CBA of which $25,000,000 is drawn; $8,000,000 is available for draw down from September 2018 and $22,000,000 is available to fund Wharf Construction once approval is obtained; and $2,100,000 asset finance facility is available. The Group acknowledges that it will require continued financial support from financiers and shareholders to ultimately bring the project to fruition.

The Group's primary focus is on development of the Group's operations on Kangaroo Island.

The Directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be successful in securing any additional funds required, both through the raising of equity and debt capital - up to the point where it will be able to meet its obligations out of the net proceeds of harvesting and exporting timber.

Should the Group not achieve the plans set out above, there is uncertainty as to whether the Group can continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Notes to the Consolidated Financial Statements

3. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Primary responsibility for identification and control of financial risks is shared between the board members and executive management.

Categories of Financial Assets and Liabilities

30 June 2018	Note	Assets at FVTOCI $'000	Assets at FVTPL $'000	Derivatives used for hedging $'000	Financial assets at amortised cost $'000	Total $'000
Financial Assets						
Cash and cash equivalents	9	-	-	-	6,727	**6,727**
Trade and other receivables	10	-	-	-	710	**710**
Other financial assets		-	-	-	5	**5**
		-	-	-	7,442	**7,442**

	Note	*Derivatives used for hedging $'000	*Designated at FVTPL $'000	*Other liabilities at FVTPL $'000	#Other liabilities $'000	**Total $'000**
Financial Liabilities						
Trade and other payables	15	-	-	-	1,786	**1,786**
Non-current borrowings	17	-	-	-	25,000	**25,000**
Total		-	-	-	26,786	**26,786**

30 June 2017	Note	Assets at FVTOCI $'000	Assets at FVTPL $'000	Derivatives used for hedging $'000	Financial assets at amortised cost $'000	Total $'000
Financial Assets						
Cash and cash equivalents	9	-	-	-	6,045	6,045
Trade and other receivables	10	-	-	-	1,498	1,498
Other financial assets		-	-	-	5	5
		-	-	-	7,548	7,548

	Note	*Derivatives used for hedging $'000	*Designated at FVTPL $'000	*Other liabilities at FVTPL $'000	#Other liabilities $'000	Total $'000
Financial Liabilities						
Trade and other payables	15	-	-	-	1,097	1,097
Non-current borrowings	17	-	-	-	25,000	25,000
Total		-	-	-	26,097	26,097

* Carried at fair value
\# Carried at amortised cost

Notes to the Consolidated Financial Statements

3. Financial risk management objectives and policies (continued)

Risk Exposures and Responses

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest bearing liabilities and short-term deposits.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk that are not designated in cash flow hedges:

	Consolidated	
	2018	2017
	$'000	$'000
Financial assets		
Cash and cash equivalents	**6,727**	6,045
Term deposits	**-**	-
	6,727	6,045
Financial liabilities		
Interest bearing liabilities	**(25,000)**	(25,000)
Net exposure	**18,273**	18,955

The Group has $25,000,000 debt exposed to variable rates of interest. Interest and borrowing costs are as follows:

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

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

At 30 June 2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit Higher/(lower)		Equity Higher/(lower)	
Judgements of reasonably possible movements:	**2018**	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Consolidated				
+1%	175	175	-	-
-0.5%	(88)	(88)	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group aims to minimise concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

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

Notes to the Consolidated Financial Statements

3. Financial risk management objectives and policies (continued)

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

- a regular risk review takes place on all receivables and loan balances; and
- a thorough assessment process is used for all growers loans.

The Chief Financial Officer has direct responsibility of the recovery of outstanding accounts. All overdue accounts are now sent directly to the Group's lawyers for legal action after other avenues of recovery have been exhausted.

Legal action on those particular accounts where the matter is being defended are dealt with directly by the Chief Financial Officer and the lawyers involved.

The Chief Financial Officer regularly reports to the Board of Directors on these matters.

Refer to Note 10 for ageing analysis of receivables.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other available credit lines.

The table below reflects all contractually fixed settlements and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2018.

Cash flows for financial assets and liabilities without fixed amounts or timing are based on the conditions existing at 30 June 2018.

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

	Consolidated	
	2018	2017
	$'000	$'000
6 months or less	**(1,786)**	(1,150)
6-12 months	**(3,316)**	(2,445)
1-5 years	**-**	-
Over 5 years	**(25,000)**	(25,000)
	(30,102)	(28,595)

Maturity analysis of financial assets and liability based on management's expectations

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Kangaroo Island Plantation Timbers Ltd has established risk reporting that reflects the expectations of management in regards to the expected settlement of financial assets and liabilities.

	< 6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Year ended 30 June 2018					
Financial Assets					
Cash and cash equivalents	6,727	-	-	-	**6,727**
Trade and other receivables	710	-	-	-	**710**
Other financial assets	5	-	-	-	**5**
	7,442	-	-	-	**7,442**
Financial Liabilities					
Trade and other payables	(1,786)	-	-	-	**(1,786)**
Non-current borrowings	-	-	-	(25,000)	**(25,000)**
	(1,786)	-	-	(25,000)	**(26,786)**
Net Maturity	**5,656**	**-**	**-**	**(25,000)**	**(19,344)**

Notes to the Consolidated Financial Statements

3. Financial risk management objectives and policies (continued)

	< 6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Year ended 30 June 2017					
Financial Assets					
Cash and cash equivalents	6,045	-	-	-	6,045
Trade and other receivables	736	-	-	-	736
Other financial assets	5	-	-	-	5
	6,786	-	-	-	6,786
Financial Liabilities					
Trade and other payables	(1,150)	-	-	-	(1,150)
Non-current borrowings	-	-	-	(25,000)	(25,000)
	(1,150)	-	-	(25,000)	(26,150)
Net Maturity	5,636	-	-	(25,000)	(19,364)

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

Price risk

The Group's exposure to commodity and equity securities price risk is minimal as the Group does not hold investments in equity securities.

4. Fair value measurement of non-financial instruments

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 June 2018:

	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
30 June 2018				
Property, plant and equipment				
Land held for production in Australia	-	-	45,240	**45,240**
Biological assets				
Standing timber	-	-	107,816	**107,816**
30 June 2017				
Property, plant and equipment				
Land held for production in Australia	-	-	45,240	45,240
Biological assets				
Standing timber	-	-	80,889	80,889
Investment property				
Land held for sale in Australia	-	-	100	100

The fair value of the Group's plantation land was calculated by an independent expert, McGees (SA) Pty Ltd ("McGees Property"), as at 30 June 2017. The Board have reviewed the key valuation inputs and have concluded that there are no indicators that an updated revaluation is required at 30 June 2018.

The fair value of the Group's biological assets was calculated by an independent expert Geddes Management Pty Ltd, as at 30 June 2017. The Board have reviewed the key valuation inputs and have concluded that a directors' updated revaluation is required at 30 June 2018.

Further information is set out below.

Notes to the Consolidated Financial Statements

4. Fair value measurement of non-financial instruments (continued)

Land held for production in Australia (Level 3)

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

The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions. Refer to Note 12 for further details.

Biological assets (Level 3)

The fair value of the biological assets was initially calculated by an independent expert, Geddes Management Pty Ltd (Geddes) in in their report dated 14 August 2017 and the key inputs to Geddes valuation model have bene updated as at 30 June 2018. The valuation model used by Geddes allows the Group to estimate the value of its timber under various scenarios, and to consider the impact of variables within and outside the Group's control, such as harvesting costs, internal road construction costs, haulage, wharf charges, exchange rates and international timber prices. As with any forward-looking valuation, the outputs are sensitive to the choice of assumptions. Refer to Note 14 for further details.

Land held for sale in Australia (Level 3)

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

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

5. Segment reporting

Year ended 30 June 2018 and 30 June 2017

The Group has operations in one business segment, forestry management.

The forestry management segment primarily involves the management of timber plantations and, should favourable conditions exist, milling operations.

All operations are conducted in Australia.

6. Revenue and expenses

	Consolidated	
	2018	2017
	$'000	$'000
(a) Operating leases income		
Operating leases: freehold land and buildings	**130**	36
Operating leases: equipment Other	**17**	27
Total	**147**	63

Notes to the Consolidated Financial Statements

6. Revenue and expenses (continued)

The Group leases a number of assets on operating leases:

Operating leases: freehold land and buildings $130,193 (2017: $35,618)

- The Lease agreement between Graham Holdaway and the Group commenced on 30 June 1999. The lease is for 187.60 hectares of Land known as "Gosse East' and has a term of 25 years. Annual rent excluding GST amounted to $24,121 (2017: $23,648) and is fully paid.
- The Group had a holiday rental at its Smith Bay property until November 2017; the property is no longer rented out. The annual rent received amounted to $796 (2017: $4,034);
- The Group also have a residential lease on 10 (2017: 1) properties. The agreement is cancellable and the annual rent received amounted to $72,736 (2017: $5,196); and
- The Group also casually leases out certain properties for agistment and other purposes. The annual income amounted to $32,534 (2017: $2,739).

Operating leases: equipment $17,000 (2017: $27,572)

- The Group maintains an equipment lease that is cancellable by lessor giving between six month notice. The annual income amounted to $17,000 (2017: $27,572).

	Consolidated	
	2018 $'000	2017 $'000
(b) Other income		
Other – bad debts recovered	**2**	11
Other income	**8**	-
Total Other income	**10**	11
(c) Sale of assets		
Sale of investment properties	**96**	200
Cost of investment properties sold including sale costs	**(101)**	(191)
(Loss) on investment properties sold	**(5)**	9
Sale of equipment and motor vehicles	**4**	12
Cost of assets sold	**-**	(10)
(Loss)/profit on assets sold	**4**	2
Total profit/(loss) on assets sold	**(1)**	11
(d) Other expenses		
Share-based payment	**270**	2,223
Audit fees	**89**	80
ASIC fees	**4**	7
Depreciation	**122**	125
FIT acquisition extension fee	**-**	750
ASX/share registry fees	**68**	181
Directors fees	**765**	456
Legal fees	**245**	136
Professional fees	**448**	191
Other corporate expenses	**210**	172
Other expenses	**2,223**	4,321
(e) Finance costs		
Borrowing costs	**1,597**	204
Directors loan interest	**-**	16
Other interest	**95**	58
Finance costs	**1,692**	278

Notes to the Consolidated Financial Statements

6. Revenue and expenses (continued)

	Consolidated 2018 $'000	2017 $'000
(f) Employee benefits expense		
Wages and salaries	**482**	253
Directors' fees (including super)	**393**	308
Share Based payments	**5**	2
Performance rights	**215**	1,941
Annual leave provision	**10**	20
Long service leave provision	**4**	-
Defined contributions superannuation	**50**	35
Total employee and directors' remuneration	**1,159**	2,559

7. Income Tax

	Consolidated 2018 $'000	2017 $'000
a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Adjustments in relation to previous income tax	**-**	**-**
Deferred income tax		
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	**6,053**	13,699
Income tax expense/(benefit) reported in profit or loss	**6,053**	13,699
Profit/(loss) before tax	**19,105**	49,785
At the statutory income tax rate of 30% (2017: 30%)	**5,731**	14,936
Non-deductible expenses/capital gain on sale of land	**66**	588
Adjustment in respect of prior year	**256**	-
Tax loss brought to accounts as a deferred tax asset	**-**	(1,825)
Income tax expense/(benefit) reported in income statement	**6,053**	13,699
b) Amounts charged or credited to other comprehensive income		
Deferred income tax related to items charged (credited) to other comprehensive income		
Net gain on property, plant and equipment	**-**	95
Share issue costs	**(315)**	(742)
Income tax expense reported in equity	**(315)**	(647)

Tax Consolidation

The Company and its 100% owned controlled entities have formed a tax consolidation Group. Members of the Consolidated Entity have entered into a tax sharing arrangement in order to allocate income tax expenses to the wholly owned controlled entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated Group is Kangaroo Island Plantation Timbers Ltd.

Notes to the Consolidated Financial Statements

7. Income tax (continued)

Tax effect accounting by members of the tax consolidated Group

Members of the tax consolidated Group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated Group. Deferred taxes are allocated to members of the tax consolidated Group in accordance with a Group allocation approach which is consistent with the principles of AASB 112 Income Taxes.

The allocation of taxes under the tax funding agreement is recognised as an increase/(decrease) in the member entities' intercompany accounts with the tax consolidated Group head company, Kangaroo Island Plantation Timbers Ltd. In this regard the Company has assumed the benefit of tax losses from the member entities as of the balance date. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

Tax losses not recognised

The gross value of tax losses recognised at 30 June 2018 amounted to $22,992,847 (2017: $18,496,797).

Recognised deferred tax assets and liabilities

	Assets		**Liabilities**		**Net**	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
CONSOLIDATED						
Trade and other receivables	**698**	596	**-**	-	698	596
Property, plant & equipment	**1,139**	291	**(5,850)**	(5,885)	(4,711)	(5,594)
Biological assets	**-**	-	**(21,708)**	(13,630)	(21,708)	(13,630)
Trade and other payables	**32**	26	**-**	-	32	26
Tax losses	**6,898**	5,549	**-**	-	6,898	5,549
Recognised tax losses	**-**	-	**-**	-	-	-
Tax assets/(liabilities)	**8,767**	6,462	**(27,558)**	(19,515)	**(18,791)**	(13,053)
Set off of tax	**-**	-	**-**	-	**-**	-
Net tax assets/(liabilities)	**8,767**	6,462	**(27,558)**	(19,515)	**(18,791)**	(13,053)

Deferred income tax

Deferred income tax at 30 June 2018 relates to the following:

Movements in temporary differences during the year	Balance 1 July 17 $'000	Recognised in Income $'000	Recognised on Acquisition $'000	Recognised in Equity $'000	**Balance 30 June 18 $'000**
Property, plant & equipment	(5,594)	883	-	-	**(4,711)**
Biological assets	(13,630)	(8,078)	-	-	**(21,708)**
Trade and other receivables	596	(213)	-		**383**
Trade and other payables	26	6	-	-	**32**
Capital raising costs	-	-	-	315	**315**
Tax losses	5,549	1,349	-	315	**6,898**
	(13,053)	(6,053)	-	315	**(18,791)**

Movements in temporary differences during the year	Balance 1 July 16 $'000	Recognised in Income $'000	Recognised on Acquisition $'000	Recognised in Equity $'000	Balance 30 June 17 $'000
Property, plant & equipment	(2,793)	379	(3,084)	(96)	(5,594)
Biological assets	-	(16,714)	3,084	-	(13,630)
Trade and other receivables	4	(150)	-	-	(146)
Trade and other payables	13	13	-	-	26
Capital raising costs	**-**	-	-	742	742
Tax losses	2,776	2,773	-	-	5,549
	-	(13,699)	-	646	(13,053)

Notes to the Consolidated Financial Statements

8. Earnings per share

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

	Consolidated	
	2018 $'000	2017 $'000
a) Earnings used in calculating earnings per share		
Net profit/(loss) attributable to ordinary equity holders of the parent	**13,052**	**36,086**

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

	2018 Number Thousands	2017 Number Thousands
b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	**46,412**	24,417
Effect of dilution:		
Share options and performance rights	**-**	-
Weighted average number of ordinary shares adjusted for the effect of Dilution	**46,412**	24,417

c) Basic and diluted earnings per share

	EPS in cents	EPS in cents
Basic and diluted earnings per share	**28**	148

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

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

9. Current assets – Cash and cash equivalents

	Consolidated	
	2018 $'000	2017 $'000
Cash at bank and in hand	**6,727**	6,045
	6,727	6,045

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value. At 30 June 2018 $3,316,263 (2017: $2,533,630) is held in a restricted savings account, the funds can only be used to pay for CBA borrowing costs.

Reconciliation to Cash Flow Statement

For the purposes of the Statement of Cash Flows, cash and cash equivalents amount to $6,727,000 (2017: $6,045,000).

Notes to the Consolidated Financial Statements

10. Current assets – Trade and other receivables

	Consolidated	
	2018	2017
	$'000	$'000
Trade receivables (a)	**13**	5
Carrying amount of trade and other receivables	**13**	5

a) Terms of trade

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

b) Allowance for impairment loss

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

Consolidated		Total	61-90 Days PDNI*	61-90 Days CI*	+ 91 Days PDNI*	+ 91 Days CI*
2018	Trade and other Receivables	13	13	-	-	-
		13	**13**	**-**	**-**	**-**
2017	Trade and other Receivables	5	5	-	-	-
		5	5	**-**	**-**	**-**

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

*CI – Considered impaired

c) Credit risk and effective interest rate risk and fair values

Details regarding the credit risk and effective interest rate of current receivables are disclosed in Note 2(i). The net carrying amount of trade and other receivables is assumed to approximate their fair value.

11. Other Current Assets

	Consolidated	
	2018	2017
	$'000	$'000
Prepayments	**697**	731
Prepaid on the acquisition of a wharf fixed asset	**-**	762
	697	1,493

Notes to the Consolidated Financial Statements

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

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

	Freehold land and Buildings $'000	Plant and equipment $'000	Wharf asset $'000	**Total $'000**
Year ended 30 June 2018				
At 1 July 2017 net of accumulated depreciation and impairment	45,240	492	-	**45,732**
Additions	2,280	16	10,068	**12,364**
Disposals	(5)	(36)	-	**(41)**
Adjustment in accumulated depreciation in relation to disposals	-	36	-	**36**
Depreciation charge for year	(14)	(108)	-	**(122)**
At 30 June 2018 net of accumulated depreciation and impairment	47,501	400	10,068	**57,969**
At 30 June 2018				
Cost or fair value	47,701	1,264	10,068	**59,033**
Accumulated depreciation and impairment	(200)	(864)	-	**(1,064)**
Net carrying amount	**47,501**	**400**	**10,068**	**57,969**
Year ended 30 June 2017				
At 1 July 2016 net of accumulated depreciation and impairment	11,672	473	-	12,145
Additions	33,275	117	-	33,392
Disposals	-	(12)	-	(12)
Adjustment in accumulated depreciation in relation to disposals	-	10	-	10
Depreciation charge for year	(29)	(96)	-	(125)
Revaluations[(b)]	322	-	-	322
At 30 June 2017 net of accumulated depreciation and impairment	45,240	492	-	45,732
At 30 June 2017				
Cost or fair value	45,426	1,284	-	46,710
Accumulated depreciation and impairment	(186)	(792)	-	(978)
Net carrying amount	45,240	492	-	45,732

The acquisition of wharf assets during the year is due to the acquisition and improvements to a floating pontoon of $10.068 million (2017: $nil). The wharf assets is not operational and therefore no depreciation has been charged during the year (2017: $nil).

In the prior year the Company acquired the Forestry Investment Trust Estate ("FIT Estate"). The FIT estate includes approximately 19,000 ha of land of which more than 10,700 is planted with Tasmanian blue gum (eucalyptus globulus). The current standing volume of timber is estimated at 2.4m green metric tonnes. Thus, the FIT estate acquisition will effectively quadruple the size of the Group's plantation area and triple its standing timber resource, with a corresponding increase in the Group's biological and land assets. The FIT estate was acquired for $58.4 million (including acquisition costs) of which $33.3 million relates to land and $25.1 million relates to standing timber. Notes 13 and 14 for further details.

Notes to the Consolidated Financial Statements

12. Non-current assets – Property, plant and equipment (continued)

b) Freehold land revaluations

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 30 June 2017 are based on an independent experts valuation. The net result of the independent revaluation in the prior year amounted to $322,000, of which $227,000 was recognised in the asset revaluation reserve and $95,000 as deferred tax, refer to Note 7 and 18 for further details.

The Board has reviewed the key valuation inputs and has concluded that there are no indicators that the freehold land values are materially different at 30 June 2018, they have concluded that no updated revaluation is required at 30 June 2018. As a result the Board have used the 30 June 2017 valuation, any sales have been at fair value and any purchases have been at cost.

Independent expert's valuation technique

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

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

In the prior year, the Group has assessed that the route to market for its biological assets is now more probable than not (refer to Note 14 for further details) and biological assets are now being recognised, accordingly the land were valued on the same basis in the prior year: that the Groups land is forestry land.

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

Significant Observable Inputs

(i) Land valued assuming Smith Bay will be approved, enabling the export of timber.

(ii) The valuation assumed that plantation land will be utilized for the growing and harvesting of plantation timber over the next 20 years.

(iii) recent sales of land on Kangaroo Island and recent sales of land in a similar plantation based environmental area in South Australia and Victoria discounted for island location.

Significant Unobservable Inputs

(i) Estimated price per hectare is determined by the independent expert after observing each asset's:

Notes to the Consolidated Financial Statements

12. Non-current assets – Property, plant and equipment (continued)

a. Location including surrounding land use, amenities and local services;
b. improvement including structural, fencing and water;
c. land and climatic characteristics including soil, climate and rainfall;
d. plantation details including planted hectares and age; and
e. occupancy including dwellings, structures and licenses/leases.

(ii) the existence of an export wharf solidifies the view that the best use of Western Kangaroo Island land is plantation forestry.

(iii) Economic overview including local, State and industry economic overview.

Sensitivity analysis

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

	Consolidated	
	2018	2017
Forestry land	**$'000**	$'000
Increase in estimated market value per hectare by 2%	**905**	905
Decrease in estimated market per hectare by 2%	**(905)**	(905)
	-	-

c) Operating lease

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

13. Non-current assets – Investment properties

	Consolidated	
	2018	2017
	$'000	$'000
At fair value		
Investment properties	**-**	100
	-	100

In June 2018, the Group sold the investment property for $105,000.

Investment properties are carried at fair value, which has been determined by the Directors with reference to recent land sales on Kangaroo Island and the Independent Expert Valuation.

	Consolidated	
	2018	2017
	$'000	$'000
Investment Properties		
Opening balance as at 1 July	**100**	100
Disposals	**(100)**	-
Fair value adjustment	**-**	-
Closing balance as at 30 June	**-**	100

Notes to the Consolidated Financial Statements

14. Biological assets

	Consolidated	
	2018	2017
	$'000	$'000
Opening balance at 1 July	**80,889**	-
Acquired	**-**	25,178
Add fair value adjustment:		
Fair value gain	**26,927**	55,711
Closing balance as at 30 June	**107,816**	80,889
Plantation timber at cost	**25,178**	25,178
Accumulated fair value gain	**82,638**	55,711
Total biological assets	**107,816**	80,889
Classified as current	**-**	-
Classified as non-current	**107,816**	80,889

Additions

During the prior year, the Company acquired the Forestry Investment Trust estate ("FIT Estate"). The FIT estate includes approximately 19,000ha of land of which more than 10,700ha is planted with Tasmanian blue gum (eucalyptus globulus). The current standing volume of timber is estimated at 2.4m green metric tonnes. Thus, the FIT estate acquisition will effectively quadruple the size of the Group's plantation area and triple its standing timber resource, with a corresponding increase in the Group's biological and land assets. The FIT estate was acquired for $58.4 million (including acquisition costs) of which $33.3 million relates to land and $25.1 million relates to standing timber. Notes 12 for further details.

Fair value

The fair value of the biological assets for the year ended 30 June 2017 was calculated by an independent expert, Geddes Management Pty Ltd (Geddes), in its report dated 14 August 2017. The valuation model used by Geddes allows the Group to estimate the value of its timber under various scenarios, and to consider the impact of variables within and outside the Group's control, such as harvesting costs, internal road construction costs, haulage, wharf charges, exchange rates and international timber prices. As with any forward-looking valuation, the outputs are sensitive to the choice of assumptions.

The Board has reviewed the key valuation inputs and has concluded that a directors' updated revaluation is required at 30 June 2018.

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

- Acquisition of Smith bay site, a deep-water wharf site in close proximity to its plantations;
- Acquisition of Forestry Investment Trust estate ("FIT Estate"). The FIT estate includes approximately 19,000 ha of land of which more than 10,700ha is planted with Tasmanian blue gum (eucalyptus globulus). KIPT now own Ballast head, New Forests proposed alterative wharf site;
- Major Project Status granted in February 2017;
- $57.1 million CBA facility;
- $46.3 million raised via shares issued in the 2017 financial year;
- $20.0 million raised via shares issued in the 2018 financial year;
- EIS Guidelines issued;
- Acquisition of 173ha coastal site that adjoins its Smith Bay site to the west. The Purchase Price of $2.15 million; and
- Woodchip Offtake agreement signed in late 2017.

Notes to the Consolidated Financial Statements

14. Biological assets (continued)

The fair value measurements for the biological assets have been independently valued by Geddes Management Pty Ltd ("Geddes") at 30 June 2017 and as such are categorised as Level 3 in the fair value hierarchy.

Independent expert's valuation technique

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

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

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

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

Significant Observable Inputs

(i) US Dollar exchange rate used is used consistently throughout the valuation model at 1.266 AUD (2017: 1.282 AUD).

(ii) The valuation is derived using a real pre-tax discount rate of 11.65% (nominal 13.78%) (2017 11.58%, nominal 13.92%); calculated using the CAPM formula. Material inputs are an Australian 10 year bond rate for risk free rate of return of 4.75% (2017: 3.10%) and an equity premium of 5% (2017; 5%), a beta of 1.0 (2017: 1.5), a gearing of 30% debt (2017: 30%), an alpha of 2.0% (2017: 2.0%) and inflation of 2% (2017: 2%) based on the Australian Bureau of Statistics, accessed on 12 June 2017.

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

Significant Unobservable Inputs

(i) Current trees are between 14 and 36 years old. The Geddes model assumes a harvesting plan over 12 years commencing in 2020 (2017: commencing 2018).

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

- The price of hardwood logs / chips is determined after consideration of current market transactions, arriving at a blue gum chip price of $105.22 (USD$83.12) (2017: $93.69 (USD$79.08)) per green metric tonne (GMT) after discounts including dry fibre percentage and anticipated chip losses. The estimate is in 2018 real dollars.
- The price of pine logs is determined for a range of log grades after consideration of current market transactions. It is assumed that pulp logs have no market value. Using the PF Olsen inventory data, an estimate of revenue per hectare at harvest is calculated on a property by property basis. The average price varies from $40.00 (2017: $36.50) per GMT for pulp to $178.41 (2017: $180.69) per GMT for P-grade. These estimates are again in real 2018 dollars.

Notes to the Consolidated Financial Statements

14. Biological assets (continued)

- Costs to maintain the plantations are estimated on a per hectare per annum basis. Prior to harvest an allowance is made for in plantation roading costs. This is also denominated on a per hectare basis and varies widely according to the specific conditions on each plantation property. The costs at harvest (harvesting, haulage, port access and other pre-export costs) are also estimated on a per property basis for both hardwood and softwood.
- Wharf, haulage, loading and storage charges are calculated on a per hectare basis.

(iii) The fair value measurement of biological assets is sensitive to changes in the unobservable inputs which may result in a significantly higher or lower fair value measurement:

- An increase in timber production or timber prices would result in a higher fair value measurement.
- A decrease in timber production or timber prices would result in a lower fair value measurement.
- An increase in harvesting, processing, marketing or plantation maintenance costs would result in a lower fair value measurement.
- A decrease in harvesting, processing, marketing or plantation maintenance costs would result in a higher fair value measurement.

Deferral in harvest year

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

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

Sensitivity analysis

(i) Foreign Currency Sensitivity Analysis

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

	2018 $'000	2017 $'000
Change in value		
Increase in the AUD to USD by 4 cents or 5.06% (2017: 4 cents or 5.13%)	**(9,560)**	(8,890)
Decrease in the AUD to USD by 4 cents 5.06% (2017: 4 cents or 5.13%)	**10,620**	9,850

(ii) Price Risk Sensitivity Analysis

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

Eucalyptus globulus	**2018 $'000**	2017 $'000
Change in equity		
Increase in the price by 5% (2017: 5%)	**10,480**	9,110
Decrease in the price by 5% (2017: 5%)	**(10,480)**	(9,110)

Notes to the Consolidated Financial Statements

14. Biological assets (continued)

(iii) Discount rate Risk Sensitivity Analysis

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

	2018 $'000	2017 $'000
Change in equity and profit		
o Increase in the nominal discount rate by 7% from 13.78% to 14.78% (2017: 7.18% from 13.92% to 11.92%)	**(5,450)**	(3,660)
o Decrease in the nominal discount rate by 7% from 13.78% to 12.78% (2017: 7.18% from 13.92% to 11.92%)	**5,820**	3,960

Project Risk

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

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

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

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

15. Current liabilities – Trade and other payables

	Consolidated	
	2018 $'000	2017 $'000
Trade payables (a)	**1,707**	1,083
PAYG tax payable	**13**	14
	1,720	1,097

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

b) Maintenance fund
During the prior year the Company received $90,000 of maintenance fees on the previously encumbered land, the funds have been used by the Company to improve the previously encumbered land.

Notes to the Consolidated Financial Statements

16. Current liabilities – employee benefits

Employee benefits	Consolidated	
	2018	2017
	$'000	$'000
Annual Leave	**42**	31
Long service leave	**20**	17
Superannuation	**4**	5
	66	53

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

17. Interest-bearing liabilities

	Consolidated	
	2018	2017
	$'000	$'000
Current		
Bank borrowings [(a)]	**-**	-
Total current	**-**	-
Non-Current		
Bank borrowings [(a)]	**25,000**	25,000
Total non-current	**25,000**	25,000
	25,000	25,000

a) The Company has a $57,100,000 facility with the CBA of which $25,000,000 is drawn down ('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 assets finance will be available. Interest of 1.79% (2017: 1.79%) per annum based on BBSY variable rate and fees of 3.1% (2017: 3.1%) per annum on amounts drawn down amounted to $1,597,364 (2017: $203,915) during the year. The facility is secured by:

- First ranking charge over all assets including all present and acquired property (excluding Smith Bay wharf site and Ballast Head land) and plantation assets; marine leases (if applicable), wharf assets and shares in subsidiary undertakings.
- A charge over Smith Bay wharf site and Ballast Head land will not be registered until the second drawdown is required. The two assets are valued at $1,100,000 by the Independent Valuer (refer to Note 12 for further detail).
- An account set off deed over deposited funds of $3,316,263 (2017: $2,533,630) (refer to Note 9 for further details).

The Company is also subject to a number of loan covenants, all of which have been complied with since 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 are close to current market rates.

Notes to the Consolidated Financial Statements

18. Contributed equity

a) Issued and paid up capital	Consolidated 2018 $'000	2017 $'000
Ordinary shares fully paid	**79,963**	60,648

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

b) Movements in shares on issue

	2018 Number of shares	2018 $'000	2017 Number of shares	2017 $'000
Beginning of financial year	**40,874,809**	**60,648**	1,718,884	13,037
Placement announced on 4 December 2017	**10,000,000**	**20,000**	-	-
Performance Rights Share issue	**-**	**-**	180,000	3,356
Shares issued under pro-rata non-renounceable entitlement offer announced on 9 November 2016	**-**	**-**	513,468	12,837
Share split on the basis of 10:1	**-**	**-**	21,711,168	-
Shares issued under pro-rata non-renounceable entitlement offer and placement announced on 12 April 2017	**-**	**-**	16,750,289	33,501
Share-based payment (Note 27)	**22,703**	**50**	1,000	2
Share issue costs	**-**	**(735)**	-	(2,085)
End of the financial year	**50,897,512**	**79,963**	40,874,809	60,648

c) Capital management

Capital consists of share capital and borrowings of $104.963 million (2017: $85.648 million).

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management monitors capital through the gearing ratio (net debt/total capital). The gearing ratios at 30 June 2018 and 30 June 2017 were as follows:

	Consolidated 2018 $'000	2017 $'000
Trade and other payables	**1,720**	1,150
Interest bearing liabilities	**25,000**	25,000
Less cash and cash equivalents	**(6,727)**	(6,045)
Net debt	**19,993**	20,105
Total equity	**127,650**	95,066
Total capital	**147,643**	115,171
Gearing Ratio	**13.54%**	17.46%

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

Notes to the Consolidated Financial Statements

18. Reserves

	Consolidated	
	2018	2017
	$'000	$'000
Option and Performance Rights reserve (a)	**111**	480
Property, plant and equipment reserve (b)	**3,685**	3,685
	3,796	4,165

a) Option and Performance Rights reserve

	Consolidated	
	2018	2017
	$'000	$'000
Opening balance at 1 July	**480**	1,895
Movement:		
Performance rights dated 10 November 2017	**111**	-
Performance rights dated 24 February 2017 lapsed	**(584)**	-
Performance rights dated 24 February 2017	**104**	480
Performance rights dated 18 January 2016	**-**	1,733
Performance rights dated 18 January 2016 converted into shares during the period	**-**	(3,628)
Closing balance at 30 June	**111**	480

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

The Performance Rights Plan ("Plan") was approved by Shareholders on 10 November 2017. The terms of the Plan involve the issue of Shares that will rank equally with all other existing Shares in all respects including voting rights and entitlement to participate in dividends and in future rights and bonus issues.

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

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

While the Company's share price had begun to better reflect the underlying value of its assets, there remained a substantial valuation gap that might be realised if a sustainable forestry industry structure could be created on Kangaroo Island.

Performance Rights dated 24 February 2017 and 10 November 2017

At the 24 February 2017 General Meeting, Shareholders approved performance rights dated 24 February 2017, 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 24 February 2017 expired on 23 February 2018 and were replaced with Performance Rights dated 10 November 2017 that have identical performance conditions and expire on 9 November 2018.

Notes to the Consolidated Financial Statements

19. Reserves (continued)

A summary of the Performance Rights is shown below:

20 Business Day VWAP	Shares to be issued to J Sergeant & G Holdaway Number	Shares to be issued to P McKenzie, S Black & G Boulton Number	Total Shares to be issued to Directors 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 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, 24 February 2017.

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

20 Business Day VWAP	**Shares to be issued**	**30 June 2018 $**	**30 June 2019 $**	**Total Valuation $**
$3.50 or above	374,990	100,814	39,432	140,246
$4.25 or above	300,020	8,212	4,989	13,201
$5.00 or above	224,980	1,931	3,019	4,950
Total	**899,990**	**110,957**	**47,440**	**158,397**

Valuation of Performance Rights dated 24 February 2017

AASB 2 *Share-Based Payment* requires that the Company record the cost of all forms of Director remuneration in the Company's accounts and sets out parameters for determining this cost. Refer to Note 27 for further details.

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

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

20 Business Day VWAP	**Shares to be issued**	**30 June 2017 $**	**30 June 2018 $**	**Total Valuation $**
$3.50 or above	374,990	412,623	68,771	481,394
$4.25 or above	300,020	65,359	32,679	98,038
$5.00 or above	224,980	2,250	3,001	5,251
Total	**899,990**	**480,232**	**104,451**	**584,683**

Notes to the Consolidated Financial Statements

19. Reserves (continued)

Valuation of Performance Rights dated 18 January 2016

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. Refer to Note 27 for further details

AASB 2 sets the valuation date (termed as Grant Date) as the date at which such a right has been finally approved. Because the Directors did not seek immediate ratification of the Plan the approval date was 5 October 2016 - the date of the 2016 AGM.

This produces an unusual set of circumstances, in that the triggers for two of the tranches had already been met and some of the uncertainty that existed when Directors settled on the Plan have subsequently been resolved. The effect of this is that the recorded value is very much higher than it would have been if the Grant Date had been when the Directors advised the market of the proposed Plan.

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 and applied a probability to each tranche. The valuation is set out in the table below.

20 Business Day VWAP	Shares Number.	30 June 2016 $	30 June 2017 $	Total Valuation $
$1.50 or above(1)	700,010	649,844	694,176	1,344,020
$2.00 or above	600,000	545,861	583,099	1,128,960
$2.50 or above	499,990	427,024	456,158	883,182
Total	**1,800,000**	**1,622,729**	**1,733,433**	**3,356,162**

(2) The vesting conditions had already been met at the date of Shareholder approval.

b) Property, plant and equipment revaluation reserve

	Consolidated	
	2018 $'000	2017 $'000
Opening balance at 1 July	**3,685**	3,458
Fair value gain on property, plant and equipment	**-**	322
Tax on fair value gain on property, plant and equipment at 30%	**-**	(95)
Net fair value gain on property, plant and equipment	**-**	227
Closing balance at 30 June	**3,685**	3,685

The property, plant & equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

20. Contingent liabilities

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

Notes to the Consolidated Financial Statements

21. Reconciliation of statement of cash flows

	Consolidated	
	2018	2017
	$'000	$'000
Reconciliation from the net profit after tax to the net cash flows from operations		
Net profit/(loss)	**13,052**	36,086
Adjustments for		
Depreciation	**122**	125
(Profit)/Loss on sale of property, plant and equipment	**1**	(11)
Net Fair value decrease/(increase) on biological assets	**(26,926)**	(55,711)
Share-based payment (Note 27)	**265**	1,951
Changes in assets and liabilities		
Increase/(decrease) in deferred tax	**6,053**	13,699
(Increase)/decrease in receivables and other debtors	**2**	33
Increase/(decrease) in trade and other payables	**(5)**	(264)
Net cash (used in)/from operating activities	**(7,434)**	(4,092)

Loan facilities

	Consolidated	
	2018	2017
	$'000	$'000
Facilities available:		
Total facilities – CBA loan facility	**57,100**	57,100
Facilities used at 30 June	**25,000**	25,000

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

- Part financing of the FIT acquisition (refer to Notes 12 and 14 for further details) $25 million, as drawn down on 28 April 2017;
- 100% of the anticipated construction cost of $30 million for the Company's proposed Smith Bay Wharf; plus
- an allowance for equipment finance and working capital.

22. Events after balance date

On 4 September 2018, the Group announced a $10,000 option to acquire a 41ha property south of and adjoining its existing land at Smith Bay, Kangaroo Island, the site of its proposed KI Seaport. The option allows the Group to acquire the land for a minimum price of $600,000, following approval of the KI Seaport.

On 7 September 2018, the Group announced a change in its CBA facility, allowing up to an additional $8,000,000 to be draw down as and when required.

There have been no other significant events after balance date.

Notes to the Consolidated Financial Statements

23. Auditor remuneration

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

	Consolidated	
	2018	2017
	$	$
Amounts received or due and receivable by auditors for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity		
Grant Thornton	**77,547**	53,000
Taxation services Grant Thornton	**11,055**	13,050
	88,602	66,050

24. Key management personnel

(a) Compensation of key management personnel

	Consolidated	
	2018	2017
	$	$
Directors		
Fees	**393,493**	297,389
Superannuation	**6,507**	10,944
Performance Rights	**92,319**	1,072,530
	492,319	1,380,863
Executives		
Executive Director	**334,151**	135,083
Superannuation	**29,100**	12,833
Long service leave	**2,044**	-
Performance Rights	**123,096**	1,141,135
Fees	**439,951**	184,177
Share-based remuneration payment	**50,000**	7,397
	978,342	1,480,624
Total	**1,470,661**	2,861,488

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

There have been no other transactions with directors or executives.

Refer to the Remuneration Report for further information.

25. Related party disclosures

Ultimate parent

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

Subsidiaries

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

Notes to the Consolidated Financial Statements

25. Related party disclosures (continued)

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity 2018 %	2017 %
KI Seaport Pty Ltd (previously Cineria Pty Ltd)[(i)] [(iii)]	Australia	**100**	100
APR Pty Ltd	Australia	**100**	100
Kangaroo Island Plantation Management Pty Ltd (previously RuralAus Plantation Management Pty Ltd)[(ii)] [(iii)]	Australia	**100**	100
RuralAus Finance Limited[(ii)]	Australia	**100**	100
Kangaroo Island Land Assets Ltd (previously RuralAus Landholdings Limited)[(ii)] [(iii)]	Australia	**100**	100
Kangaroo Island Timbers Pty Ltd (previously RuralAus Plantation Timber Pty Ltd)[(ii)] [(iii)]	Australia	**100**	100

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

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

(iv) The subsidiary's names changed in February 2018.

Key management personnel

Details relating to key management personnel, are included in the Remuneration Report and Note 24.

Transactions with related parties

Transactions between Kangaroo Island Plantation Timbers Ltd and other entities in the wholly owned group during the period consisted of:

- Loans advanced by Kangaroo Island Plantation Timbers Ltd; and
- Loans advanced to Kangaroo Island Plantation Timbers Ltd.

Loans provided by the Company to wholly owned entities are made on an interest free basis and are repayable on demand.

All inter-entity transactions and balances are eliminated in the consolidated financial statements.

Related party transactions

	Consolidated 2018 $	2017 $
Directors transactions		
Income: Annual lease payment[(1)]	**24,121**	23,648
Expense: Loan interest[(2)]	**-**	(16,548)

(1) The Lease agreement between Graham Holdaway and the Group commenced on 30 June 1999. The lease is for 187.60 hectares of Land known as "Gosse East' and has a term of 25 years. Annual rent excluding GST for 30 June 2018 of $24,121 (2017: $23,648) is fully paid.

(2) In June 2016, Aminac Pty Ltd as Trustee for Agrarian Management Super Fund, an entity associated with the Chair of the Company, Mr McKenzie lent $500,000 to the Company. Interest of $nil (2017: $15,671) was charged at a rate of 8% per annum. The loan is secured by a first ranking mortgage over two of the Company's properties, known as Brookland Park CT Volume 5813 Folio 274 and Yerda North CT Volume 5959 Folio 964 (total book value $1,139,342). In May 2017 the loan and interest were repaid in full. In April 2017 Alke Pty Ltd (The McKenzie Family Account No 2 A/C) of which Mr McKenzie is the managing Director provided an unsecured loan of $250,000. Interest of $nil (2017: $877) was charged and paid at a rate of nil% (2017: 8%) per annum.

Notes to the Consolidated Financial Statements

26. Parent Entity disclosures

Information relating to Kangaroo Island Plantation Timbers Ltd:

	2018 **$'000**	2017 $'000
Current assets	6,688	6,431
Non-current assets	9,661	7,287
Intercompany assets	78,105	64,578
Total assets	**94,454**	78,296
Current liabilities	282	654
Non-current liabilities	25,293	25,297
Total liabilities	**25,575**	25,951
Total net assets	**68,879**	52,345
Issued capital	79,963	60,648
Option and performance rights reserve	111	480
Property, plant and equipment reserve	895	895
Retained earnings	(12,090)	(9,678)
Total shareholders' equity	**68,879**	52,345
(Loss) of the parent entity	**2,997**	2,255
Total comprehensive (loss)	**2,997**	2,255

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

27. Share-based payments

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

	Consolidated	
	2018 **$**	2017 $
Performance Rights [(a)]	**215,414**	2,213,664
Paid to employees during the year under the EESP [(b)]	**5,000**	2,000
Paid in lieu of consulting fees [(c)]	**50,000**	7,397
Total expense from security-based payment transactions	**270,414**	2,223,061

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

(a) The directors' Performance Rights

- During the year Mr McKenzie received 128,570 rights under the Performance Rights Plan (2017: 125,570 rights that lapsed on 23 February 2018).
- During the year Mr Sergeant received 257,140 rights under the Performance Rights Plan (2017: 257,140 rights that lapsed on 23 February 2018).
- During the year Mr Holdaway received 257,140 rights under the Performance Rights Plan (2017: 257,140 rights that lapsed on 23 February 2018).
- During the year Ms Black received 128,570 rights under the Performance Rights Plan (2017: 125,570 rights that lapsed on 23 February 2018).
- During the year Mr Boulton received 128,570 rights under the Performance Rights Plan (2017: 125,570 rights that lapsed on 23 February 2018).

The performance rights are valued based on the probability of achieving VWAP, set out in the table below.

Notes to the Consolidated Financial Statements

27. Share-based payments (continued)

Performance Rights Plan

	Year	Performance Rights dated 10 November 2017 $	Performance Rights dated 24 February 2017 $	Performance Rights dated 18 January 2016 $	Total Performance Rights $
Non-Executive Directors					
P McKenzie	**2018**	15,851	14,922	-	30,773
	2017	-	68,605	288,905	357,510
G Boulton	**2018**	15,851	14,922	-	30,773
	2017	-	68,605	-	68,605
Executive Directors					
J Sergeant	**2018**	31,702	29,842	-	61,544
	2017	-	137,208	866,718	1,003,926
S Black	**2018**	15,851	14,922	-	30,773
	2017	-	68,605	288,905	357,510
G Holdaway	**2018**	31,702	29,843	-	61,545
	2017	-	137,209	288,905	426,114
		-			
Total	**2018**	**110,957**	**104,451**	**-**	**215,408**
	2017	-	480,232	1,733,433	2,213,665

Refer to Note 18 for further details.

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

- $5,000 (2017: $2,000) were paid to employees during the year under the EESP. Under the EESP the five employees were issued 454 (2017: 500) shares each.

(c) Shares issued in lieu of consulting fees

- Peter Lockett was appointed as Approvals Manager on 8 May 2017. Mr Lockett's professional services are invoiced by Seaview Corporate Services Pty Ltd, of which, Mr Lockett has effective control. During the year $50,000 (2017: $7,397) of these services have been paid in Shares. At 30 June 2018 $12,500 (2017: 7,397) accrued and are payable in ordinary shares.

28. Commitments

Commitments

The Group has commissioned a number of studies and expected wharf development assets costs (2017: $3 million wharf pontoon commitments), all such costs at 30 June 2018 can be cancelled. In addition the Group has leased two offices during the year ended 30 June 2018.

	Consolidated Lease Commitments		Consolidated Other Commitments	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Due no later than one year	**32**	31	**-**	3,021
Later than one year but no later than 2 years	**-**	-	**-**	-
Later than 2 years but no later than 5 years	**-**	-	**-**	-
Later than 5 years	**-**	-	**-**	-
Total	**32**	31	**-**	3,021

There are no other commitments as at 30 June 2018.

Directors' Declaration

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

- In the opinion of the directors:
  - The consolidated financial statements and notes of Kangaroo Island Plantation Timbers Ltd for the financial year ended 30 June 2018 are in accordance with the Corporations Act 2001, including:
    - Giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
    - Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
- The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

On behalf of the Board

Chairman

Dated this 7th day of September 2018

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Independent Auditor's Report

To the Members of Kangaroo Island Plantation Timbers Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Kangaroo Island Plantation Timbers Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of land (Note 2v, 12)	
The Group has assessed the route to market for its biological assets and has determined the principal and most advantageous market for the land is forestry land. Due to the nature of the asset, the valuation technique includes a model that involves judgements and estimates in relation to the inputs from internal and external sources. This area is a key audit matter due to the significant level of judgement, including: • Estimated price per hectare taking into consideration land location, land improvements, land location, land improvements, plantation details and occupancy; and • The best use of the land.	Our procedures included, amongst others: • Reviewing the Board paper prepared detailing the appropriate basis for the fair value of land; • Performing an assessment of the reasonableness of the valuation triggers adopted by management and assessment of the indicators; • Considering the appropriateness of the valuation technique against the requirements of the relevant Australian Accounting Standard; • Assessing the expertise and qualification of management's expert; and • Assessing the appropriateness of the related disclosure within the financial statements.
Valuation of biological assets (Note 2v, 14)	
Biological assets which include mature and immature radiata pine and eucalypt plantations are stated at fair value less estimated point of sale costs. In the past, the Group has estimated this to be zero on the basis without an export facility, the trees have no value. The Group now considers the development of wharf infrastructure is more probable than not and as a result recognised biological asset in the statement of financial position. The value of the biological asset balance recorded on the balance sheet is significant and because the Group's assessment of the recognition criteria of the biological assets involves judgements about the future results of the assets and discount rates applied to the future cash flow forecasts. This area is a key audit matter due to the significant level of management judgement, including: • Identification and measurement of hardwood and softwood resources; • Assumptions made by management in the discounted cash flow model; and • The assumptions used in relation to the harvesting plans.	Our procedures included, amongst others: • Reviewing the Board paper in relation to consideration of the appropriate basis for the fair value of the biological assets; • Assessing the expertise and qualification of management's expert; • Considering the events that have caused the Board to reassess the probability of development of the wharf infrastructure; • Considering the appropriateness of the valuation methodology against the relevant Australian Accounting Standard and industry wide valuation technique; • Identifying key assumptions in the valuation and comparing to the market data and supporting documentation, where applicable; • Performing sensitivity analysis on key assumptions; • Utilising the expertise of an internal expert to assess the appropriateness of the discount rate; and • Assessing the appropriateness of the related disclosures within the financial statements.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Kangaroo Island Plantation Timbers Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton Audit Pty Ltd
Chartered Accountants

I S Kemp
Partner – Audit & Assurance

Adelaide, 7 September 2018

Investors' supplementary information

As at 5 September 2018

The information contained below is to be read in conjunction with the annual report of Kangaroo Island Plantation Timbers Ltd dated 30 June 2018.

Details of top 20 shareholders

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

Rank	Name	Number of Shares	% of Shares
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	16,853,174	33.11
2.	NATIONAL NOMINEES LIMITED	5,858,676	11.51
3.	WASHINGTON H SOUL PATTINSON AND COMPANY	2,446,011	4.81
4.	MR PETER ROBIN JOY <TRADING A/C>	2,375,000	4.67
5.	AMINAC PTY LTD <AGRARIAN MANAGEMENT S/F A/C>	2,132,500	4.19
6.	PHALAENOPSIS PTY LTD <SERGEANT FAMILY A/C>	2,099,664	4.12
7.	AOTEAROA INVESTMENT COMPANY PTY LIMITED <ROBERTS INVESTMENT NO 2 A/C>	1,750,000	3.44
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,320,925	2.59
9.	ONE MANAGED INVESTMENT FUNDS LIMITED FOLKESTONE MAXIM A-REIT SECURITIES A/C LEVEL 11	1,025,000	2.01
10.	GWYNVILL TRADING PTY LTD	825,000	1.62
11.	MR JOHN DAVID SERGEANT <SERGEANT FAMILY S/F A/C>	596,366	1.17
12.	ALKE PTY LTD <THE P MCKENZIE FAMILY N2 A/C>	522,360	1.03
13.	MR DAVID NEIL CONSTABLE	515,500	1.01
14.	MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C>	500,000	0.98
15.	HOLDAWAY & HOLDAWAY PTY LTD	465,770	0.92
16.	SHANDORA ONE PTY LTD <BENGER SUPER FUND A/C>	420,600	0.83
17.	MR JOHN DAVID SERGEANT	418,230	0.82
18.	MR GRAHAM IAN HOLDAWAY + MRS KRISTINA MARY IRVING HOLDAWAY <G & K SUPER FUND A/C>	406,015	0.80
19.	BLACK STUMP REGIONAL PTY LTD <TAYBRIC FAMILY A/C>	390,000	0.77
20.	DONUS AUSTRALIA FOUNDATION LIMITED	332,200	0.65
TOTALS: TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES		**41,252,991**	**81.04**
TOTAL REMAINING HOLDERS BALANCE		**9,650,393**	**18.96**

Distribution of shareholder numbers

Range	Total holders	Number of Shares	% of Shares
1 - 1,000	389	93,151	0.18
1,001 - 5,000	127	370,627	0.73
5,001 - 10,000	68	530,401	1.04
10,001 - 100,000	131	4,481,122	8.80
100,001 and over	41	45,428,083	89.24
TOTAL	**756**	**50,903,384**	**100.00**

Number of shareholders with less than a marketable parcel of securities

As at 5 September 2018, there were a total of 256 shareholders with less than a marketable parcel of securities held in Kangaroo Island Plantation Timbers Ltd.

Investors' supplementary information (continued)

Details of substantial shareholders

The following is a list of substantial shareholders of the Company and their associates:

Name of substantial shareholder	Registered holder of the shares	Number of shares held	% of total shares
Samuel Terry Asset Management Pty Ltd	JP Morgan Nominees Australia Limited	12,498,544	24.55%
	Mr Frederick Woollard	1,965	0.004%
		12,500,509	24.56%
Paradice Investments Management Pty Ltd	Paradice Investments Management Pty Ltd	3,561,894	7.00%
	Transcontinental Asset management Pty Ltd	70,833	0.14%
		3,632,727	7.14%
John Sergeant	John David Sergeant	418,230	0.82%
	Phalaenopsis Pty Ltd	2,099,664	4.13%
	Sergeant Family Superannuation Fund	593,366	1.17%
	Jennifer Sergeant	5,710	0.01%
		3,119,970	6.13%
Supervised Investments Limited	JP Morgan Nominees Australia Limited	2,362,440	4.65%
	David Neil Constable	515,500	1.01%
	Ida Constable	12,223	0.02%
		2,890,163	5.68%
Paul McKenzie	Aminac Pty Ltd <Agrarian Management S/F A/C>	2,132,500	4.19%
	Alke Pty Ltd (The McKenzie Family Trust No 2 A/C)	522,360	1.03%
		2,654,486	5.22%

Unlisted options

There are no unlisted options.

Performance rights

There are 899,990 performance rights shares that have not been issued.

Types of securities and voting rights

There is one class of ordinary shares. Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Number and class of shares held in escrow

There are currently no ordinary shares held in escrow.

On-Market Buy Backs

There is no current on–market buy back at the date of this report.

Securities Exchange

The Company is listed on the Australian Securities Exchange.